Contextual Embeddedness As A Framework: The Case Of Entrepreneurship In South Africa

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Why does South Africa underperform on benchmarks for nascent entrepreneurship? We use a contextualization framework to evaluate critically articles on entrepreneurship in South Africa, which appear in seven leading global entrepreneurship journals for the period 1986–2017. The literature is then discussed using a six-dimension contextualization framework. The historical and institutional dimensions of the contextualization framework unveil the path-dependent nature of entrepreneurial choice for Black South Africans. Understanding entrepreneurship in South Africa requires research designs that focus on *where* and *when* entrepreneurship developed in the country to render meaningful the *why* of entrepreneurial choices made by Black South Africans. This study illustrates the idiosyncratic nature of South Africa and its social, political and economic transitions, and how these have affected entrepreneurship development, particularly among previously disadvantages Black South Africans. The nature of the South African case has broader impact and importance for developing and transitional economies.

Keywords: Contextual embeddedness, South Africa, nascent entrepreneurship, contextualization, Global Entrepreneurship Monitor, Apartheid, path dependency, institutional theory, entrepreneurial choice, entrepreneurship research.

1. Introduction

Research on entrepreneurship in South Africa highlights an economy modernizing after democratic change and data suggests the country is struggling to live up to its potential in

the area of entrepreneurship. Global Entrepreneurship Monitor (GEM) surveys portray South Africa as moving from "factor and efficiency" to an "efficiency" economy with signs of a nascent digital revolution (Elevation Holdings, 2017; Herrington and Kelley, 2012; Herrington *et al.*, 2017). However, benchmark data on entrepreneurship paint a poor picture of the country's performance. South Africa's GEM Total Early-Stage Entrepreneurial Activity (TEA) rate rose from 5.1 percent in 2005 to seven percent in 2012, and 6.9 percent in 2016, positioning the country as a laggard in nascent entrepreneurial activity relative to other less developed economies in Africa (Herrington and Kelley, 2012; Herrington *et al.*, 2017). GEM data over a thirteen-year period (from 2003 through 2016) shows that the country still has a low estimated established firm rate measure compared to emerging economies such as Russia, China and Brazil, as well as economies in Africa. This is notwithstanding a marked increase in the awareness of entrepreneurship, improved societal perceptions of entrepreneurship as a viable career choice and the positive status of entrepreneurs (Herrington *et al.*, 2017).

Furthermore, South Africa suffers from a declining entrepreneurial intention rate and a relatively static TEA rate over a fourteen-year period (2002–2016). Although the TEA rate has remained within a limited band, never exceeding 10.6 percent, South Africa has been overtaken by other middle-income countries, leaving it with entrepreneurial activity well below the median (Herrington *et al.*, 2010, 2017). Why does South Africa, the most industrialized country on the continent, fare so poorly on these benchmarks when one would expect it to outperform most economies in sub-Saharan Africa?

GEM statistical indicators, while useful and methodologically sound (Reynolds *et al.*, 2005), do not explain underlying causes for performance. Echoing Preisendorfer *et al.* (2012), we believe the factors influencing entrepreneurship in South Africa are multifactorial in nature. However, we disagree with Preisendorfer *et al.* (2012) as to the weight we should assign to the legacy of Apartheid for the poor performance of South Africa in nascent entrepreneurship. Individual choice to become an entrepreneur(s) can only be understood if we provide the context within which such choice is made. A significant body of research advocates for contextualizing entrepreneurship research (Jones and Wadhwani, 2006; Welter, 2011; Welter *et al.*, 2018). Our research heeds the call for contextualization in understanding the low nascent entrepreneurship rate in South Africa.

We review the historical literature on entrepreneurship in South Africa to capture learning about entrepreneurial growth. We review articles covering the 30-year period from 1987 to 2017 in leading entrepreneurship journals as identified by Katz (2003). We find that the literature on entrepreneurship in South Africa in the leading entrepreneurship journals lacks sufficient depth and historical coverage to allow a full comprehension of the situation faced by most nascent entrepreneurs in the country — those classified as "formerly disadvantaged." Black and mixed-race South Africans account for nearly 88 percent of the population (Preisendorfer *et al.*, 2012). To explain fully their "inertia," we also include in our review materials from journals outside of entrepreneurship.

Although the case of South Africa is not unique — other African countries have also gone through social, political and economic transition and transformation — the country

offers an idiosyncratic case of a country that has traversed two substantial transitional periods. The first was from colonialism to minority rule in 1948 and the second to majority rule in 1994. Both these transitions were largely bloodless — itself a unique case on the African continent. Both transitional periods heralded a democratic state — one within the restrictions of Apartheid and the second within an inclusive constitutional democracy. As such, the current study offers important insights into the institutional and structural barriers to entrepreneurial development within and informed by a specific context.

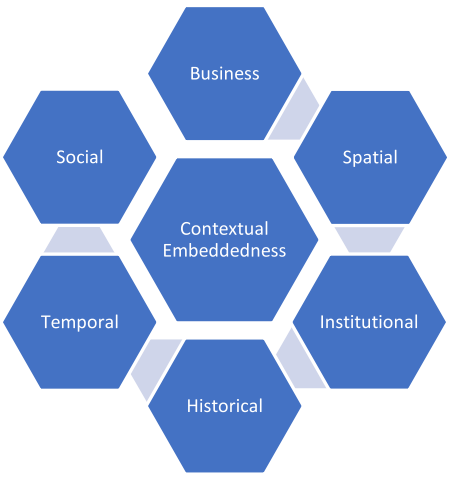
2. Contextualization of Entrepreneurship

The view that there is no 'one size fits all' theoretical perspective has been examined in management and international business (Puffer and McCarthy, 2011; Tsui, 2004; Whetten, 2009). Ample publications call for the adoption of a historical perspective in business research and education (Chandler, 1990; Smith, 2007; Van Fleet and Wren, 2005). Puffer and McCarthy (2011) examined business and management practices in Russia using the institutional theory perspective. Whetten (2009) examined the interface between context and theory in Chinese organizations. Nkomo (2015) described the challenges for management and business education in South Africa and Mangaliso (2001) advocates the value of considering *Ubuntu*, a South African cultural practice related to humaneness, in developing competitive advantage.

Since the early part of this century, scholars have adopted the contextualization perspective in entrepreneurship (Jones and Wadhwani, 2006; Ucbasaran *et al.*, 2001; Welter, 2011; Welter *et al.*, 2018; Zahra, 2007). Welter (2011) identifies four dimensions of context as business, social, spatial and institutional — *where* entrepreneurship happens. There are many examples of both top-down (theories of context) and bottom-up context effects on entrepreneurship in post-Soviet countries (Smallbone and Welter, 2001, 2009). They show that external context influences entrepreneurship and, in turn, entrepreneurship influences the external context. Furthermore, the temporal[a] and historical (*when*) are critical (Welter *et al.*, 2018), as evident in the concept of path dependency from institutional theory (Jones and Wadhwani, 2006). Figure 1 presents contextual embeddedness across six dimensions — historical, institutional, spatial, business, social and temporal. These advance our understanding of entrepreneurship in South Africa.

Welter *et al.* (2018) describe the three waves of contextualization of entrepreneurship research moving away from the standard or Silicon Valley model of entrepreneurship, which was high-growth, technology-driven and funded by external equity. Baker and Welter (2018) review contextual entrepreneurship from an interdisciplinary perspective. Based on Joseph Schumpeter, Jones and Wadhwani's (2006) critique the evolution of entrepreneurship research and provides a compelling argument that history does indeed matter.

[a]We define temporal to include images taken at different times either discretely (snapshots) or continuously (successive images over time) to show the arc of development of a phenomenon.



Social: Personal and everyday life
Business: Ownership and economic power structures
Spatial: Geographic and environmental elements
Institutional: Legal, government and political structures
Temporal: Arc of development of phenomenon over time
Historical: Colonial past, decolonization, and modern history

Fig. 1. Contextual embeddedness across six dimensions.

The contextualization framework is particularly germane in South Africa where it uncovers the path-dependent nature of entrepreneurial choice. Making a similar argument, Jones and Wadhwani (2006) invoke the economic historian, Paul David (1985):

> *A path-dependent sequence of economic changes is one in which important influences upon the eventual outcome can be exerted by temporally remote events, including happenings dominated by chance elements rather than systematic forces.*

3. Methods

We reviewed papers in eight of the leading global journals in entrepreneurship: *Journal of Business Venturing, Journal of Small Business Management, Small Business Economics, Entrepreneurship and Regional Development, Journal of Developmental Entrepreneurship*[b], *Entrepreneurship Theory and Practice, Venture Capital* and *International Small Business Journal* (Katz, 2003). We present article counts for each journal in Table 1 and list details of the articles in Table 2. The literature review covers the 30-year period from 1986 to 2017 to capture research about the period of political change in the 1980s when

[b]We included the *Journal of Developmental Entrepreneurship* because of the journal's extensive coverage given to emerging markets and the challenges and opportunities entrepreneurs confront in such environments. The original article that inspired us was published in the journal.

the Apartheid state's legislative policies governed the economy. South Africa's first inclusive democratic elections took place in April 1994 when an interim constitution was established.

In reviewing the literature in the selected journals, we consider the extent to which contextual information is incorporated into analyses of entrepreneurship in South Africa. The articles covered a wide range of research questions. Given the paucity of literature on South Africa, and to add context, we gathered additional material from journals outside of the entrepreneurship field. In particular, we consulted the *Review of African Political Economy*, which covers political and economic change in Africa, as well as materials from South African history texts and journals to provide depth of coverage.

Our review process involved two stages. First, we developed a comprehensive list of entrepreneurship journal articles from which we identified the research questions the journal authors addressed. Second, we reviewed the articles and evaluated them for the inclusion of contextual factors as discussed by Welter *et al.* (2018). Finally, we used the six dimensions of the contextualization framework to structure the outcome of our literature review and discussion.

4. Results

Tables 1 and 2 show the results of our search for literature on entrepreneurship in South Africa in leading journals. Twenty-six articles were found, with twelve published in the *Journal of Small Business Management*. Of these, three articles did not focus on South Africa. Although we include these in the table, we do not discuss them. The first, Welsh, Alon and Falbe (2006), is a literature review on international franchising in emerging markets, with South Africa mentioned tangentially. The second, Watkins (2007), provides

Table 1. Article count in eight leading entre-preneurship journals focused on SA for the period 1986–2017.

Journal Title*	Number of Articles
JBV	2
SBE	2
E&RD	3
JDE	2
JSBM	12
ET&P	2
VC	1
ISBJ	2
Total	26

Note: *ERD: Economic and Regional Develop-ment; JDE: Journal of Developmental Entrepreneurship; ETP: Entrepreneurship Theory and Practice; JBV: Journal of Business Venturing; ISBJ: International Small Business Journal; SBE: Small Business Economics; JSBM: Journal of Small Business Development.

Table 2. Literature summary on south africa in seven leading entrepreneurship journals.

Authors	Journal*	Title and Research Question (RQ)	Methodology	Context
Armine and Staub (2009)	ERD	Women entrepreneurs in sub-Saharan Africa: An institutional theory analysis from a social marketing point of view RQ: Factors that constrain activities of actual and potential women entrepreneurs in sub-Saharan Africa	Qualitative	Yes, but does not cover SA specifically
Hirschsohn (2008)	ISBJ	Regulating the 'Animal Spirits' of entrepreneurs? RQ; How is public policy and organized labor affecting entrepreneurship in South Africa?	Qualitative	Yes
(Gumede, 2004)	SBE	Export propensities and intensities of small and medium manufacturing enterprises in South Africa RQ: Are SME's seeking export success advantaged if they have linkages, including an intermediary	Quantitative	Yes but
Khavul *et al.* (2009)	JBV	Organizational entrainment and international new ventures from emerging markets RQ: As internationalization increases so do opportunities for learning, which create positive feedback effects on INV performance.	Quantitative	No
Kirby (1986)	ISBJ	Small firms in the economy of South Africa RQ: What is the state of small firms in South Africa?	Conceptual	Yes
Kyobe (2004)	ISBJ	Investigating the strategic utilization of IT resources in the small and medium-sized firms of the Eastern Free State Province RQ: Do SMEs utilize IT resources strategically? Inhibitors?	Multimethod	No
Mahadea (2012)	JDE	Prospects of entrepreneurship to the challenge of job creation in South Africa RQ: Does employment respond to economic growth in South Africa post-apartheid 1994–2010	Multimethod	Yes
Morris and Jones (1999)	ETP	Entrepreneurship in established organizations: The case of public sector RQ: Role of public sector organizations regarding entrepreneurship	Quantitative	Yes
Phillips and Brice (1988)	ISBJ	Black business in South Africa: A challenge to enterprise RQ: State of Black business in South Africa	Qualitative	Yes
Powell *et al.* (2018)	JBV	Bringing the elephant into the room? Enacting conflict in collective prosocial organizing RQ: How do founders of cross-sector partnerships achieve collective prosocial efforts in the face of conflicting material interests	Qualitative	Yes

Table 2. (*Continued*)

Authors	Journal*	Title and Research Question (RQ)	Methodology	Context
Preisendorfer and Bitz (2012)	JDE	In search of Black entrepreneurship: Why there is a lack of entrepreneurial activity among the black population in South Africa? RQ: Why do black South Africans have a lower participation rate in entrepreneurship	Qualitative	Yes, but
Scott *et al.* (2012)	ETP	Enterprise and inequality: A study of Avon in South Africa RQ: Examine the role of gender in entrepreneurship in South Africa	Multimethod	Yes
Takyi-Asiedu (1993)	JBV	Some social-cultural factors retarding entrepreneurial activity in sub-Saharan Africa RQ: How does culture affect entrepreneurship?	Qualitative	
Calof and Viviers (1995)	JSBM	Internationalization behavior of small-and medium-sized South African enterprises RQ: What factors determine levels of involvement in exporting among South African SMEs	Quantitative	Yes
Morris and Pitt (1995)	JSBM	Informal sector activity as entrepreneurship: Insights from a South African township RQ: How can the informal sector contribute to the growth needs of South Africa	Multimethod	Yes
Radder (1996)	JSBM	The marketing practices of independent fashion retailers: Evidence from South Africa RQ: To what extend does lack of marketing expertise and strategy contribute to small business failure among South African fashion retailers?	Multimethod	No
Morris *et al.* (2000)	JSBM	Venture capitalist involvement in portfolio companies: Insights from South Africa RQ: What is the relationship between venture capital firms and investee companies in a developing country, focused on South Africa?	Multimethod	No
Morris and Zahra (2000)	JSBM	Adaptation of the business concept over time: The case of historically disadvantaged South African owner/managers RQ: How well do black-owned businesses navigate the ambiguity inherent in entrepreneurial ventures?	Multimethod	Yes
Ladzani and Van Vuuren (2002)	JSBM	Entrepreneurship training for emerging SMEs in South Africa RQ: Can training help ameliorate the high failure rate in entrepreneurial businesses in South Africa's Northern Province?	Multimethod	No

Table 2. (*Continued*)

Authors	Journal*	Title and Research Question (RQ)	Methodology	Context
Moodley (2003)	JSBM	E-commerce and export markets: Small furniture producers in South Africa RQ: How can diffusion of e-commerce be accelerated for small wood furniture producers in South Africa?	Multimethod	No
Schindehutte *et al.* (2003)	JSBM	Entrepreneurs and motherhood: Impacts on their children in South Africa and the United States RQ: What impact does having a mother who is an entrepreneur have on childhood experiences, perceptions and future plans, including career intentions	Mixed methods but mainly qualitative	No
Welsh, DH B, Alon, I and Falbe, CM	JSBM	An examination of international retail franchising in emerging markets RQ: What is the state of franchising in emerging markets?	Literature review	No
Bradford (2007)	JSBM	Distinguishing economically from legally formal firms: Targeting business support to entrepreneurs in South Africa's townships. RQ: What type of business support is appropriate to support entrepreneurs in South Africa and to whom should this be provided?	Multimethod	Yes
Watkins (2007)	JSBM	On government programs that increase small firms' access to capital. RQ: No research question per se	Review of two articles in journal issue	No
Wood *et al.* (2011)	JSBM	Strategic commitment and timing of internationalization from emerging markets: Evidence from China, India, Mexico and South Africa RQ: What are the challenges associated with strategic early internationalization for emerging market companies?	Quantitative	No

Note: *See Table 1 foot note for journal names.

a discussion of two articles, one of which is by Bradford (2007), does not itself produce new research. The third, Armine and Staub (2009), specifically excludes South Africa in their consideration of female entrepreneurs in sub-Saharan Africa.

As is evident from Table 2, the research questions vary greatly and some articles span boundaries between entrepreneurship and disciplines such as marketing, international business or information technology. The more recently published articles also appear to incorporate a shift to social entrepreneurship. We now turn to a discussion of the articles contained in Table 2.

Our review shows that some authors covered the South African government's Apartheid-era policy related to small business or entrepreneurship obliquely but that the majority overlooked the institutional dimension. Understanding the evolution of the State in South Africa helps us sketch the political context; historical specificity and political change in South Africa must inform our analyses if we are to advance progressive policy measures without committing past errors. This is important as entrepreneurship (for White South Africans) flourished in SA under Apartheid and would have been impossible without the exercise of political power.

David Kirby (1986) commented on failure of government policy to adequately support entrepreneurship and that the creation of new firms could not be left to the White entrepreneur alone. Kirby (1986) documents the meticulous design of the support structures for small business at the time, restricting support for those in "homelands" and discriminating on racial categories, based on Apartheid-era policy. The paper deals with these matters in an uncritical manner but provides an important data point about the spatial legacy of Apartheid, and by extension, government policy. Entrepreneurship in the mid-80s mirrored social divisions and reflected National Party policies that privileged those classified as White (O'Meara, 1996). Morris and Jones (1999) characterize both the African National Congress (ANC) and the National Party as social movements that created new popular organizations to produce political and economic change. A key difference in the case of the National Party was that the focus was on the advancement of economic and political power for the minority White population (Fourie, 2007). Few of the articles we review here include such historical context.

Kirby visited the country at a time when there was a growing realization that (according to a study by the University of Pretoria on behalf of the National Manpower Commission in 1984) "... the establishment, development and operation of small business in South Africa are restricted by a variety of legal regulations, ordinances, bye-laws and other factors" (Kirby, 1986). Kirby (1986) further quotes a paragraph from the Commission's study that to the uninformed would appear to refer to legislation affecting all citizens in the same way:

> *... the strict housing standards...; tax concessions that do not benefit the small business sector; inflexible, fixed business hours, the provisions of the Liquor Act and the Group Areas Act; problems in obtaining a business license; the complicated Companies Act; the 'detrimental' influence of increases in minimum wages in terms of industrial council*

agreements; the complexity of administration; regulations in respect of business premises in terms of the Factories Act; requirements in respect of street vendors and Black entrepreneurs (Blacks (Urban Areas) Consolidation Act, 1945); and transport activities.

Yet, to the informed, the Commission's reference to the Liquor Act, the Group Areas Act and the Urban Areas Act highlights some of the most important provisions of Apartheid that collectively determined whether, where, and how much alcohol Blacks could consume, where they could live and where they were allowed to own land and operate companies.

Notwithstanding these myriad legal restrictions, people adapted to operate in the informal sector (Morris and Pitt, 1995; Morris and Zahra, 2000). Charman *et al.* (2013) trace and link the rise of shebeens[c] to segregationist legislation in the period 1920–1948 and subsequently to Apartheid (1948–1994) legislation. Although the objective of legislation was to keep alcohol out of townships, control supply (and subsequently to raise taxes) and control people in the townships, what emerged (through adaptation!) was a sector vital for socializing and job creation. Phillips and Brice (1988) echo this view of discriminatory laws shaping Black business.

Morris and Pitt (1995) suggest that the informal sector accounted for close to 4 million jobs in 1990, with 22 percent of the active black population engaged in informal sector activities. Surveying Khayelitsha, a township outside Cape Town, they identified that among the businesses more commonly associated with informal activity (small grocers, food and liquor establishments, hairdressers) there also existed a "relatively dynamic subgroup" of specialized, future-orientated and opportunity-driven individuals with higher education levels and motivation. These businesses are an interesting sub-group in the informal sector that Morris and Pitt (1995) liken to the entrepreneurial sector identified by Birch and McCracken (1982). Bradford (2007) also mentions the informal sector when he investigated township entrepreneurs and which characteristics distinguished the successful from the unsuccessful. He finds that firms that record transactions are easier to assist and that these are more likely to be female-owned.

Naudé *et al.* (2008) investigated influences on start-up rates across South Africa; they suggest there are key differences between the different geographic areas. The important determinants are profit rates, education levels, agglomeration, as measured by economic size of a district, and access to formal bank financing. Of these, profit levels appeared to be by far the most important. This, combined with the statistical insignificance of unemployment for starting a company, suggests that the South African start-up rate is opportunity rather than necessity driven, an observation that contradicts the GEM data on South Africa (Herrington *et al.*, 2017). Naudé *et al.* (2008) further finds that agglomeration appears to affect the start-up rate negatively because of increased competition, higher barriers to entry, monopolistic behavior and the difficulty entrepreneurs encounter in being novel and innovative when large numbers of competitors are present.

[c]A shebeen is a township-based gathering place, often unlicensed and usually at the home of the owner, where Blacks were able to socialize and consume alcohol.

The experiences of female entrepreneurs emerge as an important theme in two of the papers. Scott *et al.* (2012) provide an analysis of Avon's[d] engagement with women interested in entrepreneurial activity in South Africa. Avon built a distribution system through networks of women in urban areas and townships. The authors investigated whether, over three years, there was any evidence of Avon's program lifting women out of poverty or empowering them in any way. They find some evidence of this in their quantitative and qualitative data, specifically in the feedback that Avon's process of engagement provided opportunities to participate in a modern economy through helping to build credit histories, building transferable skills, boosting personal confidence and, of course, creating an income stream. The surveys, focus groups and interviews were conducted in the north of South Africa (Soweto, Polokwane, Vosloorus and rural villages in the Limpopo region). In addition to data collection in the townships, the team also interviewed Avon managers and sales managers. Avon representatives in the townships were highly likely to be widowed, divorced or separated, educated to a high school or college level and employed full time. In Soweto, the Avon representatives had lower incomes than other black women did in that township, while the opposite was the case for Vosloorus.

Using a theoretical framework called "pragmatic feminism," Scott *et al.* (2012) show women who are actively seeking and taking opportunities to improve their lives. These women struggle at the "nexus of race and gender" because they started their adult lives with lower education levels, lower incomes, and lower use of financial products, higher unemployment levels and higher levels of involvement in the informal economy. Black women also carry burdens placed on them from customary laws that treat married women as "minors" with no decision-making power regarding jointly owned property. Since legal changes in 1994, all South African women have property rights, but tribal culture and customary law weakens those rights. The authors note the impact that gender-based violence has had on women and how they are impacted severely by a high HIV/AIDS infection rate, estimated at 18.9 percent for the population aged 15-49 (UNAIDS, 2014). Schindehutte, Morris and Brennan (2003) investigate how mothers who are entrepreneurs influence children's experiences, perceptions, plans and their career intentions, although these contextual issues are less obvious in their discussion.

Two critical themes that emerge are the internationalization efforts of small- and medium-sized companies (Calof and Viviers, 1995; Gumede, 2004; Khavul *et al.*, 2009; Wood *et al.*, 2011) and adoption of information technology (Kyobe, 2004), including e-commerce (Moodley, 2003). Calof and Viviers (1995) show export behavior among South African managers as fixated on European destinations, influenced by traditional links with Europe and a highly inward-looking culture and risk-averse perspective extant during the years when South Africa was a pariah state. By 2004, African markets had become more prominent as export destinations, followed by Europe as the next dominant continent, often to transition economies (Gumede, 2004). Wood *et al.* (2011) find that companies that deliberately internationalize early enjoy an advantage; these firms are more likely to have

[d]Avon Products, Inc. is a global direct selling beauty, personal care and household products company.

founders with foreign work experiences. The inclusion of data from China and India likely influenced the findings of this study but the authors included 55 South African manufacturing and knowledge-intensive firms. The need for global networks through prior international work experience is an important data point for policy development.

Moodley (2003) explores the adoption of technology, especially the use of e-commerce as a distribution and communication channel; only eleven percent of this sample of small wood furniture producers use the Internet. This low level of usage of information technology is echoed in Kyobe (2004) who shows that few SMEs use IT resources strategically; those companies that do are located in large towns in sectors with low product/service differentiation and brand loyalty.

Linked to technology usage is the need for more training and clearly defined government policy regarding entrepreneurship. Radder (1996) suggests that most small retailers lack a marketing strategy and employ naïve practices. Ladzani and Van Vuuren (2002) advocate for better quality training to counter the high failure rate among businesses in the Northern Province.

Lingelbach (2015) and Morris *et al.* (2000) discuss influences on venture capital development in South Africa. Lingelbach (2015) shows that venture capital fund development is impacted by government effectiveness and clarity of policy regarding innovation, employment and ownership transfer under the Black Economic Empowerment policy.

The final theme concerns the negotiation of conflict and conflicting interests in a country where boundaries are being redrawn and resource access reconsidered. Powell *et al*. (2017) investigate how (and whether) founders of cross-sector partnerships achieve collective prosocial outcomes despite holding conflicting material interests. Hirschsohn (2008) shows how the labor movement, public policy and entrepreneurship beliefs are intertwined and affect specific industries in South Africa.

5. Discussion

In line with Welter *et al.* (2018) and Jones and Wadhwani (2006), we sketch the context for entrepreneurship in South Africa by using the six dimensions of the contextualist framework. Given that legislation underpinned discrimination in the early South African state and subsequently in the Apartheid state, we combine a discussion of historical and institutional dimensions as they are intertwined. We lack the space to explain fully the legal web that comprised Apartheid and refer readers to the South African History Online (SAHO) site [www.sahistory.org.za/].

5.1. *The institutional and historical dimension*

The case has been made for including history in analyses of strategy and entrepreneurship (Perchard *et al.*, 2017). This is especially important for South Africa where inclusive elections were held as recently as April 1994 and the country adopted a new constitution and a Bill of Rights in 1996 (Department of Justice and Constitutional Development, 2017). Prior to 1996, the South African state and racial democracy emerged from clashes,

compromises and pacts between European colonialist powers (Dutch and British) with Afrikaner nationalism. A complete recount of South Africa's colonial past and the impact on indigenous communities is not feasible here but many scholarly works provide insights into the violent settlement of the country (Thompson, 2014; Giliomee, 2003).

Discrimination predates the emergence of the National Party and the formation of the Apartheid state in 1948 (Davies *et al.*, 1976). This also holds true for the spatial settlement policies of the Apartheid government, which drew extensively on British colonial models of urban and regional planning based on racial segregation (Njoh, 2007). Even at the height of Apartheid and the internal and external resistance during the 1980s, the South African government persisted with its policies of racial segregation (Simon, 1988), although the coastal city of Cape Town was a noted exception, enjoying a degree of racial integration stemming back to colonial times (Bickford-Smith, 1995). In many ways, these spatial policies — both colonial and post-colonial — threatened the ideal of the developmental state, a cornerstone of post-Apartheid South African economic and social policy (Turok, 2010).

During the late 1900s through the 1940s, the contest for political and economic ascendancy by Afrikaner nationalist forces shaped the country's history and is greatly neglected in considering the context for entrepreneurship. Afrikaner interests also grew in financial services, mining and agriculture and produced significant growth companies in mining, banking and viticulture. This rise in economic power was achieved through wresting political power and influencing government policy.

O'Meara (1996) details the struggles for power and economic participation by Afrikaner capital and rural interests that led to the twin goals of establishing an ethnic monopoly of power while building an economy through exploitation and oppression of the majority black population. Afrikaner nationalism was fueled by cultural marginalization and exclusion from control of economic interests by dominant Anglophone business interests (Fourie, 2007; Halleen, 2013). The balance of power in the country changed in 1948 with the election of the National Party, which ushered in an era of economic "reckoning." The country's "poor white" problem was obliterated by enacting and implementing policies that protected sought-after government or corporate jobs for "Whites only" and legalizing discrimination in employment and social benefits. Cooperatives and financial services organizations controlled by Afrikaners enabled white South Africans to fund new ventures and advance the economic circumstances and lives of Afrikaners (Verhoef, 2008). Sanlam is one example of such an organization; established in 1918, it grew into a diversified financial services company from its early roots in selling life insurance products. After the publication of the Carnegie Foundation report on poverty among poor Whites in South Africa in 1932, the leadership of Sanlam intensified its investments in farming and other establishments owned by Afrikaners. In 1939, the organization participated in the "Ekonomiese Volkskongress (Economic People's Congress) that was assembled to consider how to alleviate Afrikaner poverty. Sanlam's leadership saw the answer as establishing an investment fund, FVB (Federale Volksbellegging), and investing in Afrikaner-owned businesses outside of farming. Shares in the company were

sold and by 1943, FVB had invested over 2 million GBP in Afrikaner companies (Halleen, 2013).

Prior to 1994, the majority Black population had no voting rights and severely restricted land and property rights. Key Apartheid-era laws stunted educational attainment for that section of the population, resulting in generations of individuals who provided cheap labor in mines and factories (Fourie, 2007), contributing, during the 1945–1971 period, profits that allowed successive South African governments to sustain policies popular with the political alliance that had brought the National Party to power in 1948 (O'Meara, 1996). Given the forces pushing for liberalization of trade and economic globalization, these policies were not sustainable. The combination of these external forces and internal political protests rendered a racial South African state vulnerable. Cheap black labor that once enabled high returns on invested capital meant that those running enterprises in the country did not need to be mindful of the need to remain competitive, innovate or modernize the economy. Decades of reliance on the export of minerals, raw materials and agricultural goods while importing capital equipment, technology and oil had produced a country that had stunted the human capital development of most of its population by the time of democratic elections in 1994. New labor markets were closed to the Black population because of inadequate skills and curtailing freedom of movement through laws such as the "Pass Laws."[e] Many of these individuals were (and are) stuck in vast areas of degraded land where agrarian economies had collapsed during the worst years of Apartheid.

5.2. *The business dimension*

The features of the economy post-1994 provide an insight into how difficult the transformation task is in a country that remains the most unequal society; for the period 1996–2015, the Gini coefficient for South Africa rose from 61 to 63 (World Bank, 2018). The African National Congress government instituted the system of Broad-Based Black Economic Empowerment (BBBEE) as a comprehensive form of employment equity and a form of social, economic and political redress (Horwitz and Jain, 2011). Despite the noble intentions of BBBEE, there has been much criticism levelled at this policy. Concerns include dangers of the re-racialization of the South African political economy, the empowerment of a select few (Freund, 2007; Southall, 2007) and the recognition that the hardships experienced in the workplace during Apartheid have, in many ways, remained, leading to unrest and political and social protests (Pons-Vignon and Anseeuw, 2009). The only redress has been through economic growth equaling levels immediately following the elections in 1994. The country experienced economic growth, averaging 2.7 percent annual growth rate in the 1994–2010 timeframe (Mahadea, 2012); that sustained growth resulted from public-sector infrastructure investment in roads, sports stadiums, a railway

[e]South Africa's "Pass Laws" date back to the colonial period and ended in 1994. These laws controlled freedom of movement and urbanization, serving to segregate and corral Blacks into specific parts of the country. More information can be found here: [www.sahistory.org.za/article/pass-laws-south-africa-1800-1994].

project in Gauteng and improvements at airports because of South Africa hosting the soccer World Cup.

Employment increased by 1.8 million jobs from 2004 to 2007; however, this growth was unstable with declines in the construction, manufacturing, transportation and mining sectors after 2008. World Bank (2018) data project GDP growth for the period 2017 to 2020 to increase from 1.3 percent in 2017 to a high of 1.9 percent in 2020. Furthermore, the (World Bank, 2018) suggests that slow growth and high inequality are mutually reinforcing and that, despite efforts to address some inequality through government social grants, inequality continues to rise. Slow growth continues because of skills shortages and the spatial effects of Apartheid that still hamper labor market mobility.

South Africa's economy continues to rely on extractive industries such as mining and minerals, although these sectors are declining in importance. Statistics South Africa (2018) data show that mining decreased by 4.4 percent in 2017 and, for the fourth quarter, had a negative contribution of 0.3 percent, while growth in the economy is now coming from manufacturing and sectors such as agriculture, forestry and fishing. The financial and real estate sectors are also net contributors to GDP growth. The rise of the social care sector has been an important facet as the government has addressed some inequalities through social grants. However, the unequal distribution of wealth and rise in inequality since 1994 remain factors that hamper economic development. The World Bank (2018) notes the high levels of wealth inequality – 71 percent of the national net wealth belonged to ten percent of the population in 2015. It is estimated that 33 million people lived on less than $2.9 per day (World Bank Group, 2017). A lack of consistency in economic policy, driven by political uncertainty and governance crises, such as those witnessed during the Zuma years, contribute to the exchange rate volatility (see the data here on this volatility: [www.econ3x3.org/article/what-makes-rand-so-volatile-global-or-home-made-factors]).

The South African economy has been dominated by oligopolies and parastatal organizations that inhibited innovation. For instance, Gumede (2004), in his review of export-oriented manufacturing companies, notes the dominance of larger companies in the Eastern Cape Province. By contrast, Gauteng, in the north of the country, has more small- and medium-sized manufacturing companies and this has led to a bright spot for entrepreneurship.

The racially segregated education system failed to prepare non-White South Africans to participate in the global economy (O'Meara, 1996). Yet, the country is home to some of the leading universities in the world and exports educators and health workers (World Bank, 2017). The World Bank has noted that large metropolitan areas have sprouted nascent entrepreneurial networks, academic excellence has continued and government policy has evolved to support Research and Development (R&D) in recent years. However, these favorable conditions are not exploited effectively; poor and ineffectual support for start-ups, expensive broadband, high trading costs and a low skills base are conditions that have to be addressed. South Africa's fluctuating currency combined with the political instability led to a decline in foreign direct investments and a downgrade of its debt in 2017. Additionally, internal factors such as drought conditions, electricity crises, logistical constraints for businesses and labor relations problems hamper economic growth.

The World Bank Group (2017) suggests that South Africa has many advances that will spur innovation: a nascent entrepreneurial ecosystem in metropolitan areas, public support of R&D and academic excellence at key institutions. This potential is threatened by the country's low skills base, high trading costs, expensive broadband, inadequate electricity supply and logistical constraints, and a poor regulatory framework for Information and Communications Technology (ICT). South Africa's mathematics and science base needs to be improved. Data on education access and achievement show a continued segmentation based on an intersection of income and race (Taylor and Spaull, 2015). South Africa's lag in nascent entrepreneurship performance relative to its BRIC and African peers is mirrored by a lag in reading, mathematics and science outcomes (Van der Berg *et al.*, 2011). Much greater effort is needed to ensure children are educated to participate in the modern economy envisioned in the White Paper on Science, Technology and Innovation (Department of Science and Technology, 2018). As we commented earlier, South African companies must embrace ICT to participate fully in the global economy.

5.3. *The social dimension*

We begin our discussion of the social dimensions of South Africa with the 6D model of national culture developed by Geert Hofstede. Based on Hofstede's initial five-dimension model introduced in his landmark book *Culture's Consequences* in 1980, the 6D model of national culture includes the following dimensions: collectivism/individualism, masculine/feminine, uncertainty avoidance, long term orientation, power distance and indulgence (Hofstede and Hofstede, 2010).

A review of South Africa's profile reveals that it scores 49 on power distance, the extent to which power is distributed equally in a country. This suggests a preference for hierarchy and autocracy. With a score of 65, South Africa ranked relatively high for individualism. It scored 63 regarding masculinity, suggesting a society that is driven by competition and achievement. Uncertainty avoidance refers to the extent to which a society is threatened by ambiguity and uncertain situations. South Africa scored 49 on this dimension and thus, has a low preference for avoiding uncertainty. A low score of 34 for long-term orientation suggests a great respect for tradition and low propensity to save for the future. Finally, a high score of 63 for indulgence suggests a relatively positive attitude and tendency toward optimism.[f]

An important caveat with this research is that these scores *are for the White population of South Africa only*. With the majority of the population being Black African, the scores may be very different. In the literature review, we provided examples of sociocultural factors that may influence nascent entrepreneurship both during and post-Apartheid. For instance, we cited earlier the research by Calof and Viviers (1995) on the preference for exporting to Europe. Mangaliso (2001) advocates understanding the African concept of Ubuntu or humaneness in developing competitive advantage. Ubuntu relates to 'a pervasive spirit of caring and community, harmony and hospitality, respect and

responsiveness that groups display for one another.' This aspect of culture, which represents the norms, values and beliefs of the largest segment of the South African population — Black Africans, contradicts Hofstede's dimensions related to masculinity and individualism. Phillips and Brice (1988) further corroborate these contrasting views between Whites and the Black community. However, as Swartz and Davies (1997) argue, we should not see Ubuntu as a panacea, nor assume that it resonates with all South Africans. The country is complex and our best hope is to "recognize difference but stress integration" (Swartz and Davies, 1997).

In explaining the challenges for management education in South Africa, Nkomo (2015) notes that during the Apartheid period, Africans were positioned as inferior human beings without knowledge of the larger world outside of the country. Kirby (1986) further notes that entrepreneurship was considered (at that time) to be a characteristic of the White population with Whites exhibiting a higher degree of need for achievement. Blacks were being entrepreneurial in the informal economy (personal correspondence with David Kirby). Yet, data on the size and participation in the informal sector, which appear to be quite large (Morris and Pitt, 1995), was not readily available at that time and estimating its size continues to be a challenge.

5.4. *The temporal and spatial dimensions*

The spatial effects of Apartheid are hard to comprehend without turning to the literature on environmental impacts of apartheid legislation. Stull, Bell and Ncwadi (2016) created the term *environmental apartheid* to give voice to the legacy of National Party policies of restricting Black people to specific parts of the country. How do you reach markets when you lack financial resources and your company operates in a marginalized rural area? Stull *et al.* (2016) classify marginalization into three types:

> *By first order rural marginalization, we mean the forcible location of Black South Africans in rural spaces distant from the economic and cultural advantages controlled by Whites. By second order rural marginalization, we mean how Black South Africans were generally relegated to the worst lands within these distant rural spaces. Lastly, by third order rural marginalization we mean the continued isolation and neglect of Black South Africans within first and second order rural marginalization. These three orders of rural marginalization have had major eco-health implications, continuing consequences that cannot be separated from an understanding of the social, political, and economic repercussions of apartheid policies.*

The environmental consequences of Apartheid are being experienced across a range of sectors, most notably that of land restitution, redistribution and tenure reform (Hall, 2004), which impacts directly on agriculture, food production and food security (Kepe, 2016; Kepe and Tessaro, 2014), as well as on the management of water resources. The impact of climate change (Kusangaya *et al.*, 2014), as well as challenges related to infrastructure

management and the need to redress the disproportional allocation of water resources during Apartheid (Muller, 2008; Van Koppen and Schreiner, 2014) have led to the institution of a developmental water management plan in the country.

Despite the extreme degradation of the land, Stull *et al.* (2016) show, through a case study in the Eastern Cape, local level organizing of a community becoming "entrepreneurial." They have started a cooperative and adopted more environmentally aware farming practices to protect the land. Marginalization in unsafe urban areas (Scott *et al.*, 2012) is another daily reality for entrepreneurs in former townships located on the outskirts of cities. Scott *et al.* (2012) comment on how Avon managers who were used to working in the United Kingdom before relocating to South Africa were struck by the difficulties of personal selling when township residents are too scared to open their doors. Avon often reached out to criminals in townships to create a relationship that would be protective of their agents. Townships lack basic police support; violence is high and gender violence among the highest in the world. For instance, the United Nations (2015) country report on South Africa estimates that one in five women experiences intimate partner violence and most rapes go unreported. Furthermore, the South African Police Services do not systematically collect statistics and have thus far failed to adequately investigate and prosecute those who perpetrate violence. HIV and Aids remain the leading cause of death in the country (World Health Organization, 2015).

6. Conclusions and Implications

The primary objective for this paper was to argue that the extant entrepreneurship literature in leading journals fail to include contextual factors when discussing influences on nascent entrepreneurship in South Africa. South Africa is not unique in this respect. We used South Africa as an illustrative case on the power of applying the contextualization framework to uncover all the forces at play in shaping entrepreneurship in emerging markets. Of the six dimensions, the historical and the institutional enable us to see why Apartheid's specter still haunts South Africa. Most especially its impact on entrepreneurship spatially (in terms of imposing boundaries on entrepreneurs geographically), institutionally (in terms of impact on controls on daily life and culture), socially (by disempowering nearly 90 percent of its population) and business (by trying to solve historical problems through regulations that opt for quick wins and potentially re-racializing the country's hard-won democracy. The temporal dimension and institutional change across colonial, post-colonial and its inclusive democratic periods require much greater research.

Baker and Welter (2018) call for researchers to theorize context rather than to contextualize theory. This call might be premature given our findings on South Africa. Our review suggests that although some of the entrepreneurship literature does provide some insights into the development of entrepreneurship in the country (Powell *et al.*, 2018; Scott *et al.*, 2012; Morris and Zahra, 2000; Morris and Jones, 1999; Kirby, 1986), a much deeper cross-section of contextual markers are required to understand the legacy of Apartheid in the advancement of entrepreneurship in South Africa, especially among previously

disadvantaged individuals. We show in our literature review a lack of full consideration of the dimensions of context in the case of South Africa. We do not believe this is unique and that many other emerging markets, particularly those in Africa, require more research that fully explores the interplay of the six dimensions in shaping entrepreneurship. The contextualization of theory should be applied rigorously to uncover the entrepreneurial 'story' for each country. Common roots and idiosyncratic challenges have shaped entrepreneurship in each country. As North (1981) shows for the development of institutions in Europe and North America, we need depth of understanding first to see both common issues and the distinctions between each. Only then can we move to theorizing context in a meaningful way.

Our research has limitations. We focused on specific journals rather than doing an exhaustive search for content on South Africa. Our selection of key journals would have been validated even in the event of a more exhaustive search given the importance to the field of the titles we selected. These journals also enabled us to draw on content for a 30-year period, providing coverage of the 1980s when Apartheid was still government policy, influencing entrepreneurship through a policy lens.

We examined context across six dimensions in both Apartheid and post-Apartheid periods, with entrepreneurial activity being the dependent variable. Our research confirms that context needs to be addressed when investigating nascent entrepreneurship in South Africa because of its status as an emerging market economy, its history of Apartheid and the pluralistic structure of its society. The uniqueness of the South African situation calls for research designs that include depth of coverage of *where* and *when* entrepreneurship developed in the country so we are able to render meaningful the *why* of entrepreneurial choice and outcomes in the country.

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