

How black female entrepreneurs achieve high growth potential by leveraging entrepreneurial ecosystems for early-stage capital.

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## **ABSTRACT**

This research set out to understand the challenges facing black female entrepreneurs in South Africa in accessing early-stage capital for high growth ventures. This research further sought to examine how these entrepreneurs used entrepreneurial ecosystems (EEs) to access capital against the theory of social capital as an entrepreneurial resource. The report outlined the experiences of fourteen South African black female entrepreneurs and insights of four South African fund managers into the challenges faced by these entrepreneurs. Qualitative techniques were used to reveal the entrepreneurial journey of female entrepreneurs to access early-stage capital.

The study underscored the rigorous requirements of funders. Findings indicated the importance of angel investment or seed capital as a necessary pre-cursor to venture capital. The study also showed that non-financial support played an essential role in early-stage entrepreneurship. The research found that women entrepreneurs experienced gender bias because of gender stereotypes. The study did indicate however, that cultural expectations and the traditional role of women, were inhibiting factors. Results showed that entrepreneurs relied extensively on social networks to access resources. Results further demonstrated that black women face challenges in accessing certain networks which prejudices their ability to raise capital. The study showed that background, education, and work experience were significant contributing factors to entrepreneurial success. Finally, research indicated mixed views on the effectiveness of South African government support.

The research contributes to the theory of entrepreneurial ecosystems by enriching the understanding of the interactions between different components of the EE and demonstrating the impact of social capital on black female entrepreneurs in an emerging market/developing country context. This report contains recommendations for policy makers and the designers of SME development programmes.

## **KEYWORDS**

Black female entrepreneurs, entrepreneurial ecosystems, social capital, high growth ventures, networks, mentors, angel investors, seed capital, venture capital

## **DECLARATION**

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Philosophy in Corporate Strategy at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination at any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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## **1. Chapter 1 - Problem definition and purpose**

### **1.1. Introduction**

This research paper examines how black female entrepreneurs leverage entrepreneurial ecosystems to access early-stage capital for high growth ventures.

### **1.2. Background to the research problem**

Aparicio, Urbano, & Audretsch (2016) confirm through their research that innovative or opportunity entrepreneurship has a substantial positive impact on economic growth. Furthermore, high growth ventures (HGVs) have been found to drive innovation, efficiency and job creation, particularly in developing countries (Mason & Brown, 2014). Battered by the effects of COVID-19, South Africa's economy was 5,8% smaller in the third quarter of 2020 than it was in 2019 (Department of Statistics South Africa, 2020). Even before the pandemic, South Africa had been in protracted period of low growth and high unemployment exacerbated by inconsistent government policies, slow structural reform and crumbling infrastructure (Bureau of Economic Research, 2020). There was a loss of 616,000 jobs or 6% of total employment, from September 2019 to September 2020 (Department of Statistics South Africa, 2020). South Africa's official unemployment rate was already 29,1% in 2019, indicating a deepening crisis (Bowmaker-Falconer & Herrington, 2020). These findings and statistics present a compelling argument for fostering the development of opportunity entrepreneurship in South Africa.

Recent analysis has demonstrated that if male and female entrepreneurs could compete on equal terms, there would be a corresponding increase in global GDP of 3% to 6% (Unnikrishnan & Hanna, 2019). Berger & Kuckertz (2016) further draw attention to research that indicates that increasing the participation of female entrepreneurs has spin-off benefits for the quality of entrepreneurship and the community, since women have a greater focus on social goals. Bowmaker-Falconer & Herrington (2020) noted that South Africa's total entrepreneurial activity (TEA) rate in 2019 was 10,8% below the 12% average for the African region. The same authors highlighted the improvement in the rate of female entrepreneurship from 1,54 to 1,14 (male to female entrepreneurial activity, although as they mention, women make up over half of the population, so male still outnumber female entrepreneurs. This study suggests that there is merit in increasing South Africa's rate of entrepreneurial activity generally, with particular emphasis on boosting the rate of female entrepreneurship in the country.

Studies have shown that many early-stage businesses struggle to access finance (Economidou, Grilli, Henrekson, & Sanders, 2018). This struggle is exacerbated for female entrepreneurs (Brush, Edelman, Manolova, & Welter, 2019). Local research suggests that the black female entrepreneurs in South Africa, as a result of the legacy of repressive government policies together with cultural discrimination, face even more challenges in accessing capital (Witbooi & Ukpere, 2011).

Based on the literature above, it is asserted that greater understanding of the processes at play in women in innovative, opportunity-based business ventures, accessing early-stage capital in a developing context is required. This understanding may contribute to enhancing such access and therefore stimulate the positive outcomes associated with high growth female entrepreneurship.

### ***1.2.1. The role of high growth ventures and entrepreneurial ecosystems***

High growth ventures (HGVs) are seen as significant contributors for economic growth and for this reason have become a key focus for policymakers (Mason & Brown, 2014). Entrepreneurial ecosystems (EEs) have been identified as key enablers of enterprise development and particularly the development of HGVs (Isenberg, 2010). For this reason, EEs are seen as valuable policy instruments (Stam, 2015). This study analyses the nature and dynamics of EEs to develop insights into how they can be harnessed by black female entrepreneurs to access early-stage capital.

### ***1.2.2. Social capital theory***

EEs have been defined as “a set of interdependent actors and factors coordinated in such a way that they enable productive entrepreneurship” (Stam, 2015, p. 1765). Spigel (2017) also stresses the importance of EEs in providing networks to facilitate access to resources including finance. In terms of social capital theory, resources are embedded in social networks, so that the richer and more extensive an entrepreneur’s network, the more resources the entrepreneur can attract to her venture (Florin, Lubatkin, & Schulze, 2003). Venture capitalists make use of social networks to obtain information which guides their investment decisions; accordingly entrepreneurs who can access these networks will have a higher probability of attracting funding (Alexy, Block, Sandner, & Ter Wal, 2012).

There is evidence that female entrepreneurs have less effective networks than men do, with less powerful contacts and connections for funding (Greguletz, Diehl, & Kreutzer, 2019). This research paper examines the reasons for this discrepancy, considering the

impact of gender stereotypes, homophily and gender bias. The study also analyses the influence of race and cultural perceptions of women in the South African context, to better understand how they affect the social capital of black female entrepreneurs. This study explores the processes by which black female entrepreneurs leverage social networks within the South Africa EE in order to raise early-stage capital.

### **1.2.3. *Four-stages of start-up funding***

This research paper uses the following terminology describing the four stages of start-up funding: seed capital; venture capital (VC); mezzanine finance and initial public offering (Cobb, 2020). Seed capital is used to develop an idea into a marketable business prototype and formulate a business model. It is usually obtained from sources close to the founder such as family or friends. It may also be provided by angel investors, high net worth individuals, who may take a small equity stake in return for their investment. The business model may then be presented to VC firms for the next phase of funding, VC, which is used to commercialise the business model and scale the business. The study will focus on the first two stages of start-up funding, seed capital and VC, together referred to as early-stage funding.

A review of the literature suggests a gap in the research, in that studies on female entrepreneurs in high growth ventures which would be candidates for VC, have been conducted mainly in developed economies (Brush, Greene, Balachandra, & Davis, 2018). While there is some research on how women access resources via entrepreneurial ecosystems, the available research has also been conducted in non-South African jurisdictions with different histories and culture (Brush et al., 2019). Little appears to have been written on the issue of race in accessing VC, other than studies on Black and Hispanic owned firms in the United States of America (Bates, Bradford, & Jackson, 2018; Bates, Bradford, & Seamans, 2018).

### **1.2.4. *Racial definition***

The research paper uses the definition of the Broad-Based Black Economic Empowerment Act 53 of 2003 as amended by Act 46 of 2013, which describes black people as including Africans, Coloureds, Indians, and Chinese citizens of South Africa.

### **1.2.5. *Definition of small and medium enterprise***

This research paper uses the definition of small, medium and micro-enterprises gazetted by the Minister of Small Business Development in March 2019 (Department of Small

Business, 2019). The definition defines enterprises in terms of number of employees and annual turnover, differentiated by sector.

**Table 1: Definition of small, medium, and micro-enterprise**

<b>Sector</b>	<b>Size</b>	<b>Number of Employees</b>	<b>Annual turnover (Rand)</b>
Financial and business services	Medium	51-250	<85million
	Small	11-50	<35 million
	Micro	1-10	<7,5 million
Community, social and personal services	Medium	51-250	<70 million
	Small	11-50	<22 million
	Micro	1-10	< 5million

Table 1 above illustrates the definitions for the financial and business services as well as the community, personal and social services sectors, as these were the sectors in which the research participants operated. The paper will further focus on small and medium enterprises (SMEs) as micro-enterprises are unlikely to become HGVs, as defined in Chapter 2 of this report.

### **1.3. Purpose of the research**

The purpose of the research was to explore and understand how South African black female entrepreneurs leverage entrepreneurial ecosystems to access early-stage capital for high growth ventures. The objectives of the research were as follows.

- To understand the barriers to receiving early-stage capital in South Africa.
- To understand the reasons why these barriers appeared to be even greater for this population group and to explore the impact of gender and racial bias.
- To provide insight into the manner in which EEs might be leveraged to access non-financial and financial support and
- To explore the use of social networks as a mechanism for accessing resources within the EE, thereby seeking to contribute to social capital theory.

Ultimately the study sought to develop a conceptual framework that would explain the process whereby the entrepreneurs interact with other components of the EE through social networks, in order to access both non-financial and financial capital.

#### **1.4. Scope of the research**

The research considered black female entrepreneurs, who were founders or co-founders of businesses in South Africa. These entrepreneurs were well educated, and several had previously enjoyed successful corporate careers. Their businesses were innovative, technology-oriented businesses, which were opportunity, rather than subsistence-driven ventures. They had attracted some early-stage capital and were in the process of raising further capital to scale their businesses.

Input for the study was also obtained from fund managers engaged in early-stage funding. The fund managers selected were diverse in race and gender, in order to gain a range of perspectives on the challenges facing black female entrepreneurs in accessing early-stage capital.

#### **1.5. The research contribution**

The research contributes to the EE literature by adding insights to the components of the EE and the processes within it that enable entrepreneurial success in a developing country context. The study considers the role of early-stage funding at each stage of the entrepreneurial journey: from bootstrapping to seed capital and ultimately to VC. It examines the nature and contribution of both financial and non-financial support provided by funders through their social networks, thereby elucidating how social capital enables access to other forms of capital.

The research also contributes to literature on social capital theory by adding insights on the impact of race and gender on the processes within social networks in a developing country context. The study examines gender bias and gender stereotypes, considering whether these phenomena are based on real or perceived differences between male and female entrepreneurs. Turning to the South African context, the research analyses the influence of culture and the traditional roles of women on the development of black female entrepreneurship.

Finally, the study examines the support provided by government and public sector agencies on the growth of black female entrepreneurs and assesses to what extent it has been effective, considering which policies and programmes have supported black female entrepreneurs and which have not met this objective. The research has significance for policy makers seeking to enhance South African government policy on small and medium enterprise (SME) development as well as practitioners engaged in the design and implementation of entrepreneurial support programmes.

## **1.6. Report overview**

The report contains seven chapters. The first chapter introduces the research problem and explains its theoretical and practical significance. The second chapter contains a review of the literature relating to HGVs, VC, EEs, social capital theory and the South African context. The third chapter explains and expands upon the research question. The fourth chapter outlines the research methodology. The fifth chapter sets out the detailed findings of the research. The sixth chapter discusses the findings in relation to the literature on early-stage capital, EEs, social capital theory, influences of gender and race on entrepreneurship and the role of government in the EE. The seventh chapter sets out the conclusions of the research, the limitations of the study, recommendations for policy makers, funders and entrepreneurs, and future research.

## **2. Chapter 2 - Theory and literature review**

### **2.1. Introduction**

This chapter presents a review of the literature relevant to explaining the challenges faced by black female entrepreneurs in accessing early-stage capital in South Africa. It discusses high growth ventures and their role in economic development. Consideration is given to the EE literature, with attention to the components of EEs, the dynamics between them and the processes by which entrepreneurs access early-stage capital and other resources; the research into the role of social capital in the establishment and growth of the EE; and studies on the influence of gender and race on social capital and the consequent impact on access to resources. Attention is given to the literature on the South African context and the local factors which have inhibited or supported black female entrepreneurship.

### **2.2. The South African context**

Swartz et al. (2019) noted that the South African EE had been shaped by the business, social, spatial, institutional, historical, and temporal contexts. Bantu education left the country with a skills shortage, which coupled with labour market immobility led to high levels of unemployment, exacerbated by contractions in the construction, mining, transportation and manufacturing sectors and the legacy of spatial apartheid resulted in many black people living in remote rural areas distant from markets and other resources (Swartz et al., 2019). It has been noted that South Africa has the highest Gini co-efficient in the world (World Bank, 2019). Bowmaker-Falconer & Herrington (2020) also highlighted South Africa's 29.1% unemployment rate and the country's education crisis - for every 100 children who started grade 1, only 37 passed matric and only 12 progressed to university. The writers noted that the use of digital technology was constrained by the cost of data which limited innovation, connectivity and inclusive growth. Urban & Muzamhindo (2018) commented that the high cost of regulatory compliance and the high levels of corruption had a detrimental effect on entrepreneurial activity in South Africa. The Global Competitiveness Report 2019 ranked South Africa 60 out of 141 countries for business dynamism which encompasses ease of doing business and entrepreneurial culture (Schwab, 2019)

Urban & Muzamhindo (2018) found that many South Africans expect to be employed by large corporates or government and had little inclination to become entrepreneurs and that entrepreneurial activity was further hampered by poor levels of entrepreneurial

education, limited access to finance and business networks. This finding was somewhat contradicted by Bowmaker-Falconer & Herrington (2020) who, while lamenting these factors and their impact on entrepreneurial activity, noted that the number of South Africans who considered entrepreneurship a good career choice had risen from 69.4% to 78.8% from 2017 to 2019.

With regard to the position of black female entrepreneurs, Nambiar et al. (2020) found that the traditional view that black women's primary responsibility in the home, was detrimental to entrepreneurial activity. Swartz et al. (2019) noted the negative impact of high levels of gender-based violence in South Africa on black female entrepreneurship. Bowmaker-Falconer & Herrington (2020) indicated that the ratio of male to female entrepreneurs decreased from 1,52 to 1,14, however they pointed out that despite this improvement, women were still under-represented in terms of their proportion of the total population and furthermore, that most of the improvement was among white female entrepreneurs.

Interestingly, despite the high rates of joblessness, Swartz et al. (2019) found that opportunity rather than necessity influenced South African start-up rates and that the key determinants were profit rates, education, agglomeration and access to finance. This finding together with the literature discussed above, suggested that well-educated black females in urban areas who are more emancipated and have better access to sources of business support, are more likely to be successful in developing innovative own businesses.

### **2.2.1. The South African EE**

The South African EE has developed an extensive range of participants since the democratic elections of 1994 (Swartz, Marks, & Scheepers, 2020). The Aspen Network of Development Entrepreneurs (ANDE) in its map of South Africa's Entrepreneurial Ecosystem listed 340 organisations which support enterprise development, an increase from 214 organisations listed in the same document in 2015 (Aspen Network of Development Entrepreneurs (ANDE) South African chapter, 2017). This support network included capacity providers including government agencies, private sector programmes, both for profit and not for profit. It also includes 89 funders, ranging from commercial banks to private equity and VC firms to crowd funders and peer to peer lenders. Swartz et al. (2020) further noted the increased collaboration between South African universities and local and international, public and private sector agencies to promote innovation and enterprise development.



**Table 2: Government enterprise development agencies, funds and programmes**

<b>Government Enterprise Development Agencies, Funds and Programmes</b>
AFD Green Energy Fund (IDC)
Agro-Processing Competitiveness Fund (IDC)
Black Business Supplier Development Programme (DSBD)
Co-operative Incentive Scheme (DSBD)
Gauteng Enterprise Propeller (GEP)
Green Energy Efficiency Fund (IDC)
Gro-E Youth Scheme (IDC)
iMbewu Fund (NEF)
Isivande Women's Fund (DTI)
National Informal Business Upliftment Strategy (DSBD)
National Youth Development Agency
Rural and Community Development Fund (NEF)
Small Enterprise Finance Agency (DSBD)
Strategic Projects Fund (NEF)
Support Programme for Industrial Innovation (DTI)
Technology Innovation Agency (DST)
Technology Venture Capital Fund (IDC)
The Jobs Fund
EIB SME and MIDCAPS Fund (IDC)
uMnotho Fund (NEF)
Women Entrepreneurial Fund (IDC)
Youth Pipeline Development Programme (IDC)

\*Department of Trade and Industry

\*\*Industrial Development Corporation

\*\*\*National Empowerment Fund

\*\*\*\*Department of Science and Technology

\*\*\*\*\*Department of Small Business Development

Adapted from Aspen Network of Development Entrepreneurs (ANDE), South African chapter (2017)

Table 2 lists the 22 government agencies, funds and programmes which supported enterprise development in 2017, an increase from 18 such initiatives listed in the same document in 2015 (Aspen Network of Development Entrepreneurs (ANDE) South African chapter, 2017). There are now two funds dedicated to women's entrepreneurship, managed by the IDC. In terms of the National Development Plan, the South African government has made small business development a priority as part of its stated

objective to create 11 million new jobs by 2030 (Adclick Africa, 2018). The same report indicated however that South Africa continues to lag several of its Sub-Saharan neighbours in terms of rates of established businesses, with respondents citing restrictive business registration requirements, oppressive labour legislation and inaccessible government and private sector funding. Research done by Herrington & Kew (2018) indicated that South Africa is one of the countries least supportive of enterprise development. These studies suggested that, despite the apparent proliferation of support programmes, there was room for improvement of the South African government's approach to SME development.

The South African VC industry began to emerge in the late 1990s when the first private VC fund was established (Lingelbach, 2015). The South African Venture Capital Association and Private Equity Association (SAVCA) was formed in 1998 in order to support and promote the industry (South African Venture Capital and Private Equity Association, 2015). South African government policy promoted VC through mechanisms such as the Small Business Development Corporation (renamed Business Partners in 1998), a public-private sector partnership and the Industrial Development Corporation (IDC) (Swartz, Marks, & Scheepers, 2020). VC development was adversely impacted by the government's black economic empowerment strategy and the Zuma regime with VC activity decreasing as a percentage of GDP during the period 2000 to 2012 (Lingelbach, 2015). 2013 was a turning point with number of deals averaging 32 per annum before 2013 increasing to 129 per annum thereafter, similarly average value of deals was R222,6 million per annum pre-2013 rising to R830 million post-2013 (South African Venture Capital and Private Equity Association, 2020, p.9).

Shava (2018) conducted a study on the impact of gender on access to VC in South Africa, focusing on access to VC from the demand side. The study concluded that women were less likely to seek VC as they were more risk averse. This research was a single study and did not examine the supply side, which would include the benefits provided through access to an entrepreneurial ecosystem. On the supply-side, South African Venture Capital and Private Equity Association (2019) highlighted the establishment of their Fund Manager Development Programme, in collaboration with FNB and the SA SME fund, with the aim of accelerating the entry of black- and female-owned fund managers and driving transformation in the South African VC industry.

The South African government's policy of broad-based black economic empowerment (BEE) was defined in the Broad-based Black Economic Empowerment Act of 2003 as the "economic empowerment of all black people including women, workers, youth,

people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies” (Patel & Graham, 2012). BEE has found application in the EE in the establishment of dedicated funds which seek to promote black female entrepreneurship listed in the ANDE (2017) framework set out in Table 2. It has also driven the establishment of public private partnerships such as the partnership between SAVCA, the SA SME Fund and FNB mentioned in the preceding paragraph as well as the Black Business Growth Fund to which the Jobs Fund has allocated R200 million (South African Venture Capital and Private Equity Association, 2020).

The preceding literature suggests that the South African EE is becoming more conducive to black female entrepreneurship and that the South African VC industry is positively disposed to promoting racial and diversity in both VC fund managers and investee businesses.

### **2.3. High growth ventures (HGVs)**

High growth ventures (HGVs) have often been described in the literature as “gazelles” (Ngoasong & Kimbu, 2019). Gazelles have been defined as businesses which are often centred around new technology, business processes or business models, typically funded by equity or venture capital, more likely to be interested in international markets and with the capacity to grow exponentially if successful (Cowell, Lyon-Hill, & Tate, 2018; Morris, Neumeyer, & Kuratko, 2015). Shane (2009) noted that gazelles typically generated a disproportionate percentage of jobs and economic growth. Research done by Stam, Suddle, Hessels, & van Stel (2011) suggested that “ambitious entrepreneurship” contributed more strongly to economic growth than entrepreneurial activity general. Mason & Brown (2014) posited that HGVs demonstrated high levels productivity and strong export orientation and invested heavily in human capital. Morris et al. (2015) cautioned against a policy approach, which disregarded other business types; nonetheless, the preceding literature provided support for the view that HGVs warrant attention from practitioners and policymakers seeking to stimulate economic growth in a region. Ngoasong & Kimbu (2019) in the context of developing countries, noted the challenges facing “constrained gazelles”, female entrepreneurs in HGVs faced with resource constraints and proposed a policy framework which facilitated access to entrepreneurial networks, which they regarded as key to these entrepreneurs’ ability to acquire knowledge, business skills and funding.

Writers such as Stam et al. (2011) and Mason & Brown (2014) further proposed a more systemic approach to enterprise support arguing that HGVs benefit from a broader range

of interventions including sponsorship of research and development, stimulation of investment into HGVs, nurturing of high potential human capital and facilitating market entry for HGVs. This systemic approach has led to an examination of system supporting enterprise development, namely the EE, which is discussed in the following section.

#### **2.4. Entrepreneurial ecosystems (EEs)**

The concept of EEs is predicated on the proposition that entrepreneurship is influenced by its geographic, social and cultural context (Stam & van de Ven, 2019). The literature on EEs draws on the regional development literature and the strategy literature relating to business ecosystems as forms of economic co-ordination (Acs, Stam, Audretsch, & O'Connor, 2017). Brown & Mason (2017) highlighted the benefits found by firms co-locating in the same area, as well as the knowledge spill over effects enjoyed by firms in unrelated industries operating the same region. Engel (2015) elaborated on the concept of regional innovation systems in which resources such as financial, human and intellectual capital were brought together to develop new products and new business models in rapidly evolving cycles of continuous change. The strategy literature on ecosystems pointed to the role of actors in clearly defined positions with well-defined linkages between them, who undertake various activities to create a value proposition – the “structuralist approach” to ecosystems (Adner, 2016). Isenberg (2010) argued that there were six necessary ingredients for an EE: policy; finance; culture; support; human capital and markets. EEs required numerous role players in the public and private sectors to develop an infrastructure supportive of innovation and the creation and growth of new enterprises (Stam & van de Ven, 2019).

Brown & Mason (2017) identified the principal components of an EE as entrepreneurial actors, entrepreneurial connectors, entrepreneurial resource providers and an entrepreneurial orientation, shown in Table 3. Entrepreneurial actors were identified by the writers as start-up and early-stage entrepreneurs, serial and portfolio entrepreneurs. Entrepreneurial connectors comprised business incubators, accelerator programmes, professional bodies, entrepreneurial support organisations, start-up communities, deal brokers and investment competitions (Brown & Mason, 2017). The writers defined entrepreneurial resource providers to include funders and business angels, crowd funders, VC funders, peer-to-peer lenders and banks. Entrepreneurial orientation was described by the same authors as a culture which embraces innovation and risk taking and is tolerant of failure. They argued that it promotes entrepreneurship education, ascribes social status to self-employment and entrepreneurship and also cultivates entrepreneurial role models.

**Table 3: The components of an entrepreneurial ecosystem**

<b>Entrepreneurial actors</b>	<b>Entrepreneurial resource providers</b>
Nascent entrepreneurs	Self – “bootstrapping”
Experienced entrepreneurs	Friends and family
Serial entrepreneurs	Angel investors/seed capital funders
Blockbuster entrepreneurs	VC funders
<b>Entrepreneurial connectors</b>	<b>Entrepreneurial orientation</b>
Business incubators	Status for entrepreneurship as a career
Accelerators	Risk appetite
Mentors	Tolerance of failure
Dealmakers	Entrepreneurial role-models

Adapted from Brown & Mason (2017).

#### **2.4.1. Entrepreneurial actors**

Brown & Mason (2017) highlighted the critical role of entrepreneurs within EEs. They argued that through interaction between entrepreneurs at different stages of their development, resources were recycled through the EE. The same writers noted that experienced entrepreneurs might provide mentorship to nascent entrepreneurs and successful “blockbuster” entrepreneurs might provide funding to start-ups. Pittz, White, & Zoller (2019) examined the role of serial entrepreneurs, highlighting the manner in which they exploited their networks to identify and support innovation and opportunity through investment and creation of conditions conducive to effective EEs. Sorenson (2018) also highlighted the importance of social networks to entrepreneurs in accessing resources. Neira, Calvo, Fernández, & Portela (2017) pointed to social networks as a source of business opportunity and demonstrated how aspirant entrepreneurs looked to experienced entrepreneurs in their network as role models.

#### **2.4.2. Entrepreneurial connectors**

Accelerators and incubators have been identified as important components of regional entrepreneurial ecosystems (Brown & Mason, 2017), bringing together entrepreneurs, support providers and investors. There is no single definition of an incubator or accelerator. According to Bøllingtoft & Ulhøi (2005) incubators and accelerators existed on a continuum with different incubators providing more or fewer types of entrepreneurial support services. Research by Pauwels, Clarysse, Wright, & Van Hove (2016) demonstrated the five functions of accelerators as providing a range of educational and

advisory services, a strategic focus on regions and sectors, a rigorous selection process, access to funding and the development of a post-programme support network of alumni entrepreneurs. This perspective was supported by a study by Goswami, Mitchell, & Bhagavatula (2018) who found that accelerators performed the functions of facilitating relationships between the different players in the EE, ensuring that entrepreneurs were connected to advisors who could provide appropriate support, to enable them to scale their businesses. Hausberg & Korreck (2020) endorsed this view, noting that accelerators operated clearly delimited programmes in which teams of early-stage entrepreneurs received intensive coaching from funders and leading industry players, to prepare them to present their business models to prospective investors at staged pitching events. All three studies underscored the importance of a range of non-financial support services within an EE as a necessary precursor to attracting funding.

Bøllingtoft & Uihøi (2005) referred to the social capital accruing to entrepreneurs in incubator programmes because of the networks created between entrepreneurs in incubators. The literature further highlighted the importance of social networks and illustrated the processes by which incubator and accelerator programmes bring entrepreneurs into EE networks in order that they might access the resources within them.

### **2.4.3. Entrepreneurial resource providers**

Funders are important components of a successful EE. Sun, Chen, Sunny, & Chen (2019) and Gu & Qian (2019) pointed out their role in stimulating innovation in the EE. Ferrary & Granovetter (2009) identified five key functions of funders in an EE: financing, selecting, signalling, collective learning and embedding. The writers described the value added by funders by selecting the most promising business ventures, signalling to other service providers that the risk profile of a business is acceptable and worthy of support, becoming the repository of knowledge and best practice for the region and providing access for entrepreneurs to their own extensive social networks and resources, thereby embedding the entrepreneurs in the EE.

#### **2.4.3.1. Angel investors**

Cumming & Zhang (2019) noted that angel investors typically invested in businesses at an earlier stage than VC funders, normally at the seed capital stage and that by contrast with VC funders, angel investors were guided more by personal considerations than purely financial motives, invested smaller amounts and expected lower returns. Pierrakis

& Saridakis (2019) posited that angel investors rely on personal networks to guide their investment decisions. The writers argued that investors based their selection on knowledge gleaned from social connections or from a sense of responsibility based on their relationship to the entrepreneurs or position in the community. Cumming & Zhang (2019) supported this view, noting that angel investor's reasons for providing funding range from the personal – backing a family member or friend – to the social – contributing to the wider community. Stayton & Mangematin (2019) noted that angel investment is difficult to obtain, because of the associated risks.

This research study demonstrated that entrepreneurs with greater social capital were able to access angel investment more easily. The literature gave weight to the argument that without the injection of seed capital, an entrepreneur would not be able to develop and de-risk her business into an attractive proposition for VC investment. By implication entrepreneurs without social capital might be unable to develop their businesses.

#### **2.4.3.2. VC firms**

As noted in a preceding section, Ferrary & Granovetter (2009) identified the five contributions by VC firms to the EE, as financing, selection, signalling, collective learning and embedding. Sun et al. (2019) supported the view that VC firms provide more than funding. The writers posited that VC firms stimulate regional innovation by ensuring that the most promising innovations received funding and that EEs were expanded and enhanced, by providing access to their own networks of service providers in planning, professional services and human capital management, clients and markets, and other types of finance. This view was shared by Alexy, Block, Sandner, & Ter Wal (2012) who noted that VC firms built up extensive social networks over time, which investee businesses were able to exploit. This literature reinforced the role of VC funders as providers of social capital within an EE. Eccles & Klimenko (2019) further drew attention to the increasing focus of investors on environmental, social and governance issues, illustrating their role within the EE, beyond the provision of financial capital.

#### **2.4.4. Entrepreneurial orientation**

Spigel & Harrison (2018) described entrepreneurial orientation within an EE as including a positive attitude to entrepreneurship as a career choice over employment, encouragement of new firm creation, tolerance of business failure, the cultivation of entrepreneurial role models and the sharing of success stories. Research done by Stephan, Uhlaner, & Stride (2015) indicated that a socially supportive culture, as distinct

from a performance based culture, had a positive effect on both new and established business owner rates, as well as independent and innovative business owner rates. Dheer (2017) underscored the contribution to the EE of a supportive institutional and cultural framework, noting that the effects of the institutional regime on entrepreneurial activity, were strongly influenced by the cultural context.

EE as a theoretical framework, has suffered from several shortcomings in that much of the EE literature described it in static terms without examining the dynamics between EE components, the impact of external factors and its evolution over time (Alvedalen & Boschma, 2017; Stam & van de Ven, 2019). Certain authors have sought to address this criticism.

#### ***2.4.5. The dynamics of the EE***

Spigel & Harrison (2018) posited that EEs can be seen as a series of processes by which entrepreneurs benefit from resources such as know-how, capital and a supportive culture, which they use to gain competitive advantage and scale their businesses. In order for entrepreneurs to extract value from resources, they need to participate in the social networks through which they can obtain them. This observation demonstrates the interplay between social capital theory and the EE conceptual framework.

Some authors focused on its systemic nature, drawing attention to the interplay between the elements of the EE as the determinant of its success (Stam, 2015). Roundy, Bradshaw, & Brockman (2018) explored the concept of an EE as a complex adaptive system. The writers argued that EEs were not externally controlled but were influenced by their context and environment. The writers posited that a myriad of players entered and exited the EE driven by supply and demand and interacted with each other in a flexible, non-linear manner, dictated by their unique circumstances. This view found support from Spigel & Vinodrai (2020) who noted the important role in the EE played by “entrepreneurial recycling”, the continuous flow of knowledge, people, resources and capital within an EE, as founders and employees move from one business to another as enterprises were established, scaled, or wind down. Roundy & Fayard (2019) explained this continuous flow of resources around an EE in term of dynamic capability theory to explain how vibrant EEs could promote entrepreneurial activity in a region, by enhancing entrepreneurial sensing, seizing, and reconfiguring capabilities. These frameworks shared a common approach in that they envisaged multiple actors continuously interacting with each other, learning from each other, adapting their activities according to supply and demand, and as opportunities presented themselves, in a particular



context influenced by regional and cultural factors. As with the process approach, these system approaches suggested that the EE is a densely populated network, constantly evolving in response to social cues of the players within it.

#### **2.4.6. *The impact of digital technology on the EE***

Sussan & Acs (2017) argued that digital technology has created an array of opportunities for entrepreneurs as is demonstrated by the meteoric rise of platform businesses such as Uber, Airbnb and Amazon, and introduced the concept of digital EEs. This view was supported by Autio, Nambisan, Thomas, & Wright (2018) who suggested that EEs are a feature of the digital economy and promote the entrepreneurial exploitation of technological innovation. The writers used the concepts of “digital affordances”, or new technologies, and “spatial affordances”, or proximity-related mechanisms which support business model innovation, which they argued are harnessed within the EE to create and expand new business ventures. McAdam, Crowley, & Harrison (2020) and Pergelova, Manolova, Simeonova-Ganeva, & Yordanova (2019) posited that digital technology has the potential to “level the playing field” for female entrepreneurs by allowing them access to knowledge and information, without the practical and cultural constraints which challenge them in the offline domain.

These writers further highlighted the importance for black female entrepreneurs of tapping into knowledge spill overs and acquiring human capital to commercialise digital innovation and the pivotal role that EEs can play in supporting this process. This research study suggested that digital technology has the potential to unlock significant benefits for black female entrepreneurs.

Scaringella & Radziwon (2018) reviewed the concepts of four main ecosystem types discussed in the literature: business; innovation, entrepreneurial and knowledge ecosystems and developed a conceptual framework which contains the “invariant” elements of each type: a unique territorial atmosphere; common values, history and culture; various stakeholders at different stages of the value chain; a strong economic foundation based on localized economies of scale; an emphasis on social and human capital fostering collaboration along with competition; efficient knowledge transfer systems; and catalysts for innovation, competitiveness and economic growth. The value of this approach was that it encapsulated the essential ingredients that EEs required to support entrepreneurial development and which policy makers and practitioners needed to promote through an appropriate institutional framework.

The preceding literature suggested that for black female entrepreneurs to be successful in obtaining early-stage capital, they must be able to participate in the processes of the EE by gaining entry to the dense social networks of the South African EE and the various resources to which they provide access.

## **2.5. Social capital theory**

The preceding definitions of EEs assumed the existence of dense social networks (Isenberg, 2010), which facilitate the interaction of the players within the EE. Silicon Valley is an example of a successful ecosystem (Engel, 2015). Distinctive features of Silicon Valley are the social networks which support innovation: for example, VC firms have facilitated access to other key players such as research and development institutions and large corporates in support of entrepreneurs (Ferrary & Granovetter, 2009).

Neumeyer, Santos, Caetano, & Kalbfleisch (2019 p.475-476) noted that social capital has been defined as “the sum of the resources, actual or virtual, that accrue to an individual or a group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition”. This literature suggested that social capital provided a useful theoretical lens through which to comprehend the relationships of the players within an EE and how entrepreneurs leverage these relationships to acquire the resources needed to cultivate their business ventures.

Theodoraki, Messeghem, & Rice (2018) used social capital theory to explain the three attributes of a successfully performing EE, namely, structural, cognitive and relational. The writers posited that structural stability was provided by contractual relationships between network participants; at a cognitive level, customs, traditions and shared values play an important role and that the relational dimension referred to the relationships between the participants, the degree of co-operation, consideration of the requirements and aspirations of others, and trust.

Spigel (2017) argued that the success of an EE is dependent on the relationships between its attributes which create a supportive environment for entrepreneurs and emphasised the importance of social networks in bringing together entrepreneurs, advisors and investors and promoting mobility of knowledge and skill.

Florin et al. (2003) argued that social capital theory was predicated on the basis that a social networks benefitted members by facilitating access to the resources embedded

within them. Afandi, Kermani, & Mammadov (2017) noted that networks improved accessibility and availability of information relating to business opportunities, funding, and support, thereby reducing transaction costs, and improving business performance.

Neira, Calvo, Fernández, & Portela (2017) alluded to the benefit of the presence of experienced entrepreneurs within a social network, in that they act as advisors and role models to aspirant entrepreneurs. Similarly, Pittz, White, & Zoller (2019) examined the role of serial entrepreneurs, highlighting the manner in which they exploited their networks to identify and support innovation and opportunity through investment and creation of conditions conducive to effective EEs. Sorenson (2018) also highlighted the importance of social networks to entrepreneurs in accessing resources. Alexy, Block, Sandner, & Ter Wal (2012) expanded on the value of funders' social capital.

Their embeddedness in social networks provided them with access to information on which they rely in making investment decisions. They also enabled entrepreneurs to leverage their social capital by accessing their networks of professional service provider and expert advisors.

Bliemel, Flores, De Klerk, & Miles (2019) posited that enterprises need more than financial capital to thrive. They identified human, social, financial, political, cultural, and built (infrastructure) capital as necessary to enable early-stage businesses to survive and thrive.

Implicit in their model was the proposition that unless a business acquired adequate non-financial capital, it would be unable to establish itself to the point at which it could attract financial capital and specifically VC funding. De Carolis, Litzky, & Eddleston (2009) supported the view of Florin et al.(2003) and identified social capital, including social networks and relational capital as essential to acquire the other forms of capital.

They maintained that entrepreneurs accessed information and resources embedded in social networks through their relationships, to grow their business ventures. The implication for this study is that without adequate social capital, enterprises are unlikely to develop and even less likely to attract VC investment.

In summary the value of social capital may be found in its positive impact on human and financial. The literature suggested that improving the social capital of black female entrepreneurs, would provide them with access to high calibre human capital which will their ability to obtain financial capital on acceptable terms.

## **2.5.1. The influence of gender and race**

### **2.5.1.1. Gender stereotypes**

Historically, qualities associated with successful entrepreneurship were perceived as inherently masculine (Ahl & Marlow, 2012; Brush et al., 2019; Gupta, Wieland, & Turban, 2019; Malmström, Johansson, & Wincent, 2017). Malmström, Johansson, & Wincent, (2017) noted that funders perceived men to be competent, confident, in control and well-networked, whereas women were perceived to be weak, with few networks and in need of support. Research done by Gupta et al. (2019) indicated that HGVs were associated with men, whereas low growth, more socially oriented ventures were associated with women. Malmström, Voitkane, Johansson, & Wincent (2018a) in their research, dispelled the gender myths that women were more risk averse, less inclined to grow their businesses, lacked the resources for HGVs and that women's businesses underperformed.

Carlin, Gelb, Belinne, & Ramchand (2018) posited that in general, women lacked self-confidence and that this characteristic was detrimental to whatever career they chose. A study done by Gimenez-Jimenez, Edelman, Dawson, & Calabrò (2020) suggested that early-stage female entrepreneurs were more risk averse than their male counterparts, although their findings showed that this difference was diminished in a socially supportive culture, suggesting that social capital played a key role, by providing a supportive network through which women could acquire start-up resources. The cited studies showed that these stereotypes have had a detrimental effect on women entrepreneurs' ability to access financial capital.

### **2.5.1.2. Gender bias**

Brush et al. (2019) demonstrated that women have less access to the resources within an EE than men, particularly in the case of financial capital, appearing to be left out of the growth capital networks and lacking the contacts to "break into" them. It is suggested that networks might suffer from a gender bias in that women might have less access to people in powerful positions than men (Manello, Cisi, Devicienti, & Vannoni, 2019; McAdam, Harrison, & Leitch, 2019). Research by Neumeyer, Santos, & Morris (2019) suggested that white male entrepreneurs typically belonged to well-developed well-resourced networks and their businesses showed the benefits of this association. By contrast, non-White females tended to be disconnected from these networks, to the detriment of their businesses. Hampton, Cooper, & McGowan (2015) noted that early-

stage female entrepreneurs in the technology sector lacked self-confidence and tended to restrict their networking activities to female networks, whereas more established female entrepreneurs had no reservations about approaching male-dominated networks. The writers did note that in many instances, they approached the networks through former male colleagues or business associates, thereby underscoring the importance of previously acquired social capital.

Research showed that female entrepreneurs faced higher barriers to accessing VC than men (Brush, Greene, Balachandra, & Davis, 2014). The fact that VC fund managers were predominantly male and belong to largely male dominated networks, appeared to play a role in explaining the disparity of funding to male and female owned firms (Brush et al., 2018). In addition, in VC pitching exercises, women tended to be asked more preventive questions (highlighting potential losses and risk mitigation), while men tended to be asked more promotional questions (highlighting upside and potential gains) with investors tending to fund ventures with higher promotional scores (Hassan & Varadan, 2020).

Semrau & Hopp (2016) found that higher levels of education i.e., human capital was associated with increased social capital, and improved access to networks, indicating that female entrepreneurs with professional or technical qualifications were in a better position to exploit social networks than their lower skilled sisters. This finding together with that of Hampton et al. (2015) in the preceding section indicated that proven competence and business experience seemed to have the ability to counteract bias. More experienced female entrepreneurs therefore appeared to be in a better position than inexperienced young women when seeking resources for a business.

### ***2.5.1.3. Traditional roles of women***

In many countries, the roles of women have been limited to child-care and housework. Consequently, women may have had less formal education in business and less prior business experience in managerial positions (Poggesi, Mari, & De Vita, 2016). Restrictions on women's ownership of property and ability to contract, may have impeded access to external funding (Bastian, Metcalfe, & Zali, 2019) While conflict between responsibilities to family and work may have affected business development, there has been support in the literature to suggest that the multiple roles that women have played, have provided opportunities to enrich interpersonal skills, which could be deployed in a business context (Ruderman, Ohlott, Panzer, & King, 2002).

Witbooi & Ukpere (2011) noted that black female owned small businesses remain, in general, severely under-resourced and continue to face discrimination in access to finance. Nambiar, Sutherland, & Scheepers (2020) pointed out that in South Africa, black female entrepreneurs suffer double prejudice as a result of historical racial discrimination and cultural stereotypes of black female responsibilities as child care and domestic duties. Swartz, Amatucci, & Marks (2019) noted that historical and cultural factors have resulted in South African black women often being less well-educated and more likely to be in low paid jobs, unemployed or compelled to eke out a living in the informal sector.

The implication for this study is that because of gender and racial bias, black women are viewed less favourably by funders selecting investments. Women also struggle to access VC networks which reduces their ability to attract VC funding.

#### **2.5.1.4. Race**

Research into minority and black owned businesses (MBEs) in the USA has identified several barriers to success including access to finance; access to product markets; and access to education and employment (Bates, Bradford, & Seamans, 2018). Bates, Bradford, & Jackson (2018) stressed the importance of strong network relationships in attracting equity and demonstrated that as minority oriented private equity funds have tapped into racially diverse networks, their deal-flow has also diversified. In the UK, in a study by Davidson, Fielden, & Omar (2010), over half of the respondents in the study had experienced discriminations because of their gender, ethnic background or both. This was attributed to stereotypes associated with different ethnicities and religions. Consequently, the respondents reported having struggled to obtain both financial and non-financial support for their businesses. South African entrepreneurs of colour have experienced similar discrimination (Swartz et al., 2019).

In conclusion, the literature suggested that gender bias, traditional perspectives of women and racial stereotypes have had an adverse effect black female entrepreneurs' ability to attract financial capital.

## **2.6. Conclusion**

In providing an analysis of the South African context, the theory on EEs and their potential contribution to an economy, social capital theory and the influence of gender and race on entrepreneurship, the literature review provided a foundation to which the research findings were added to make a theoretical and practical contribution.

### **3. Chapter 3 - Research question**

This chapter presents the research question which informed the study:

How do black female entrepreneurs achieve high growth potential by leveraging entrepreneurial ecosystems to access early-stage capital?

The research question focused on high growth ventures. The research question was designed to explore the concept of EEs against the backdrop of social capital theory. The study also sought to examine the influence on race and gender on social capital and the consequent access to EE resources. Finally, it aimed to elucidate the nuances of the South African context and the implications for practice and policy.

Black female entrepreneurs were the area of focus because of their role in improving community conditions. Research done by Brush et al. (2019) showed that women entrepreneurs were more likely to mentor other women entrepreneurs, and were also more likely to invest in their communities. High growth opportunity entrepreneurship was examined as it has demonstrated potential to stimulate innovation, productivity, competitiveness and economic growth. Early-stage capital was the focus since without start-up capital, businesses will not develop into sustainable ventures.

EEs were examined to explore their role in the advancement of black female entrepreneurs. The research study set out to understand how and to what extent the different components of the South African EE contributed to the development of black female-owned HGVs. Social capital theory was explored to understand how social networks facilitate access to the components of EEs for black female entrepreneurs. Gender and racial bias and stereotypes and their impact on enterprise development were analysed to determine their influence on the development of social capital of black female entrepreneurs.

The theoretical contribution for the proposed study lies in extending social capital theory into the realm of access to early-stage capital for vulnerable population groups. The case of black females in South Africa leveraging EEs to access such capital remains one of scant academic attention. Despite this, social capital theory potentially provides a robust theoretical positioning from which to study the framework that is EEs and, on a more granular level, the behaviours of individual entrepreneurs accessing early-stage capital through social networks.

## **4. Chapter 4 - Research Methodology**

### **4.1. Introduction**

This chapter presents the methodology that was chosen to complete this research. The study adopted a qualitative and exploratory approach. As advocated by Spigel (2018), the researcher has taken a bottom-up approach, focusing on the entrepreneur as a unit of analysis, understanding how she engaged with the different components of the EE to access resources, knowledge and support.

### **4.2. Research design**

A qualitative research design was selected as the research study is exploratory in nature. The philosophical paradigm was subjective and adopted the view that reality exists only as it is experienced by the individual – the experience of each entrepreneur is unique. From an epistemological perspective, a constructive-interpretivist approach was taken (Bell, Bryman & Harley, 2019). The lived experiences of individuals in a particular context, in relation to a particular phenomenon were explored, as described by the participants first-hand to the researcher. The researcher sought to derive a conceptual framework of the process of how black female entrepreneurs in South Africa leverage EEs to access VC, based on the insights and experiences of the participants.

The research design was a multiple case study. Case study design is considered appropriate when seeking to extend theory in situations in which current perspectives are inadequate (Eisenhardt & Graebner, 2007). Multiple cases enable the researcher to explore the phenomenon from multiple perspectives and facilitate the development of a conceptual framework, as they enable cross-case analysis, in addition to within-case analysis (Rashid, Rashid, Warraich, Sabir, & Waseem, 2019). The circumstances of black female entrepreneurs seeking early-stage capital for high growth ventures, are under-researched; hence the rich, thick data such as is obtained from multiple case studies facilitates deeper understanding of underlying themes.

A case study design was selected in order to focus on understanding the phenomenon in its real life social, economic, political and geographic context (Creswell, Hanson, Clark Plano, & Morales, 2007). A case study analyses the processes involved in a phenomenon (Henry & Foss, 2015). As each entrepreneur had a unique growth path and background story, a single case would have been inadequate to capture the richness across the different lived experiences of the interviewees. Further richness was added



through interviews with fund managers, who each had their own perspective and additional insights.

### **4.3. Population**

The population was black female entrepreneurs in South Africa, who have been successful in accessing early-stage funding and are in the process of seeking VC. No industry sector was excluded; however, by definition, the businesses had to have met the requirements of seed capital investors. Typically, these investors were looking for opportunity-driven businesses with strong innovation capabilities, often tech-based, and the potential for exponential growth (Morris et al., 2015). Crunchbase is a popular global platform which seeks to link entrepreneurs with potential investors. Crunchbase indicated that there were currently 130 South African female-founded companies on its database at various funding stages from pre-seed capital to initial public offering (Crunchbase, 2021). It did not contain a racial classification for these companies, but the data suggested that the number of companies with a black female co-founder would be smaller, possibly less than 100.

### **4.4. Unit of analysis**

The unit of analysis was the individual black female entrepreneur engaged in an opportunity enterprise and having attracted some early-stage funding and seeking to scale her business. Candidates were sourced via the researcher's personal network and via LinkedIn, Gauteng- or Western Cape-based, as these are the regions in which opportunity entrepreneurs tend to cluster (Jacobs & Du Plessis, 2016).

### **4.5. Sampling method and size**

Purposive sampling was used to identify interviewees. Interviewees were selected who are able to relate information rich experiences as the researcher is seeking insights and in-depth understanding (Patton, 2002). The researcher approached South African early stage and VC fund managers, individuals involved in business schools' enterprise units and others involved in providing support to early-stage entrepreneurs, to request them to put her in contact with black female entrepreneurs who have received VC funding.

As a preliminary finding, the researcher noted the difficulty experienced in finding black, female entrepreneurs who had received early-stage funding. Most of the fund managers approached advised that they had not provided funding to firms founded or co-founded by black female entrepreneurs. Of 23 interviews conducted with entrepreneurs who had

been nominated by fund managers as suitable candidates for the study, only 14 interviews were considered useful for analysis. Seven were discarded as the entrepreneurs in question conducted services businesses and had no need for, nor were their businesses the sort of high growth ventures, which could be eligible for VC funding. They had only received mentorship and entrepreneurial training from the fund manager in question as a corporate social responsibility exercise. Another interview was discarded as the individual ran a farming business which turned out to be more of a necessity/subsistence enterprise. Yet another could not be used as the individual only joined the enterprise after funding had been raised and had played no role in the pitching process. The profiles of the final list of entrepreneurs interviewed are summarized in Table 4.

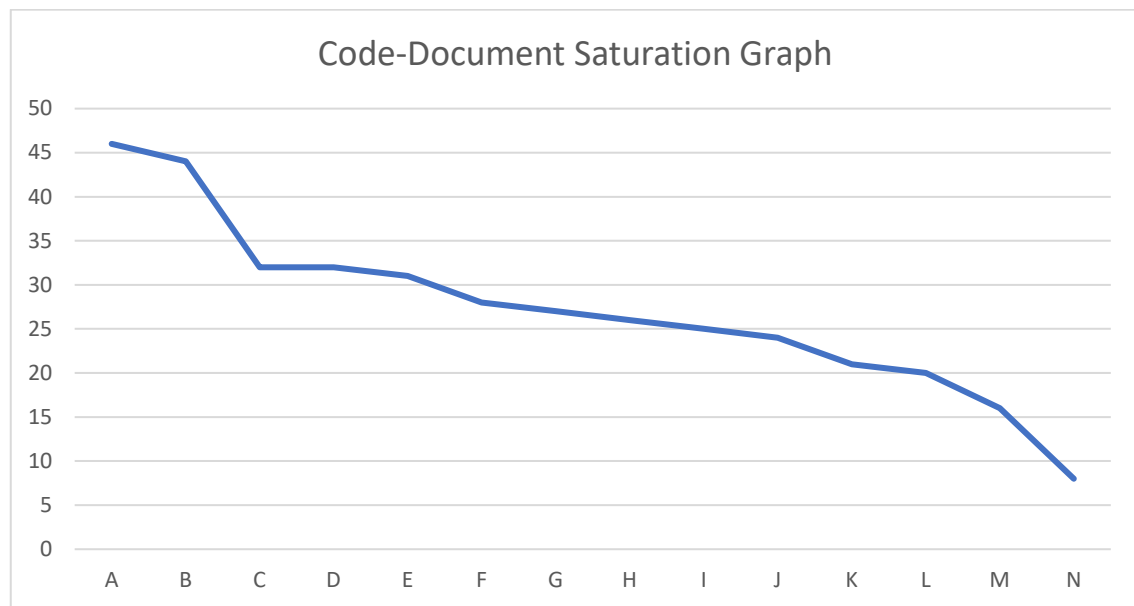
**Table 4: Profiles of black female entrepreneurs interviewed**

ENTREPRENEURIAL PROFILES									
Entrepreneur	Business	Age Group	Marital status	Children	Education	Family	Work experience	Previous own business	Source of funds
A	Engineering	Thirties	Divorced	Yes	Engineering degree	Working, single mother	Engineering business	No	Seed capital fund
B	Engineering	Twenties	Single	No	Engineering degree	Single mother teacher	No	Yes - two tech businesses	Bootstrapping, government grant
C	Fund management	Thirties	Married	Yes	CA, MBA	Parents working professionals	Corporate finance	Yes - fund management	Bootstrapping, corporate BEE fund
D	Marketing app	Twenties	Married	Yes	Matric	Single working mother. Spouse is business partner.	Telemarketing	Yes - event management	Seed capital fund
E	Services app	Thirties	Married	Yes	Doctorate in life sciences	Parents working professionals. Spouse is business partner.	Management consulting	No	Angel investor, seed capital fund, VC fund
F	Fund management	Twenties	Single	No	CA	Parents entrepreneurs	Corporate finance	Mobile beauty business	Public-private sector fund
G	Artificial intelligence	Twenties	Single	No	Computer science degree	Working, single mother	Management consulting	No	Bootstrapping, seed capital fund, corporate enterprise development fund

H	Educational app	Twenties	Single	No	MA - media studies	Parents academics	Running entrepreneurial training programme for NGO	No	Government grant, seed capital from edtech fund, corporate enterprise development fund
I	Financial services	Forties	Single	No	BA	Unknown	Advertising, investment marketing	No	Various individuals, seed capital funds
J	Sustainable homeware	Twenties	Single	No	Master's degree in law	Parents entrepreneurs. Sister is business partner.	Corporate career	Sister owned several small services businesses.	Bootstrapping, corporate enterprise development fund
K	Data analysis	Twenties	Single	No	Engineering degree	Parents medical doctors	No	Tech business	Angel investor, seed capital fund
L	Legal advice app	Twenties	Married	No	Law degree	Parents entrepreneurs.	Civil service	No	Enterprise development foundation, seed capital fund
M	Medical support services app	Twenties	Single	No	Medical degree	Parents working professionals	Clinical practice	No	Angel investors, seed capital fund
N	Fund management	Forties	Married	Yes	CA	Working, single mother	Financial director	No	Bootstrapping, corporates place funds with firm for investment

Since this study was qualitative, the sample size was not predetermined. As noted by Guest, Bunce, & Johnson (2006), there are no firm rules for determining the number of interviews sufficient to reach saturation. The interview process continued until it was apparent that no further novel information would be obtained from additional interviews. (Cresswell & Cresswell, 2018). Figure 1 illustrates the number of codes per interview with each entrepreneur, indicating a diminishing number of codes generated as interviews progressed.

**Figure 1: Code-Document Saturation Graph**



#### **4.6. Data gathering process.**

For each case, an interview was conducted with the principal participant, the black female entrepreneur. To corroborate the findings, interviews were conducted with selected fund managers involved in early-stage funding. The research method took the form of semi-structured interviews, conducted by the researcher personally. In qualitative research, the researcher is the main instrument of data gathering, analysis and interpretation (Onwuegbuzie, Leech, & Collins, 2008) Interviews are the primary research tool in qualitative research (Kallio, Pietilä, Johnson, & Kangasniemi, 2016). An interview guide was prepared for use during the interviews. The principal interview question asked participating entrepreneurs to describe the factors which had contributed to their success in attracting early-stage capital. The question was deliberately broad and open-ended to encourage rich responses. The interview guide also included probes which were designed to uncover the participant entrepreneurs' use of the different components of the South African EE. Care was taken to avoid leading probes, to avoid simply confirming the view of the researcher. The link between the research and

interview questions is shown in Table 5. A pilot interview was conducted to ensure that the questions and probes were clear (Kallio et al., 2016). Interviews were all conducted via Zoom owing to the prevailing lockdown regulations as well as interviewee location. The researcher contacted the participants by email to arrange a date and time for the interview, as well as to explain the nature, purpose and scope of the research. Written consent was obtained from the participants in advance.

Participants were advised of the nature and purpose of the research. Anonymity for the participants was guaranteed. Interviews were approximately one hour in duration. Interviews were recorded and transcribed by the researcher herself. The nature of the interview was informal and exploratory to encourage participants to speak freely about their experiences (Hampton et al., 2015). Probing was used to encourage participants to elaborate on certain points and develop the discussion. Using these methods, the researcher sought to give voice to the participants and to immerse herself in the study, to gain a first-hand experience of the phenomenon, as far as possible. The researcher made use of field notes and analytic memoranda throughout the interview process to reflect on the findings, bracket her own perspectives and minimise the risk of bias.

**Table 5: Consistency Matrix**

Research question from Chapter 3	Interview questions and probes
<p><b>Research question:</b> How do black female entrepreneurs achieve high growth potential by leveraging entrepreneurial ecosystems to access early-stage capital?</p>	<p><b>Interview question:</b> In thinking back to how and when you received the VC investment, what do you think were the critical factors that made this possible?</p>
<p><b>Explanation of probes in relation to research question:</b></p> <ul style="list-style-type: none"> <li>• Probes were designed to identify which EE components were used by the entrepreneurs to access resources. For their businesses.</li> <li>• Probes were used to explore the processes used by entrepreneurs to access resources.</li> <li>• Probes sought to establish factors which inhibited entrepreneurs on their business journey and from which quarters they received encouragement and support.</li> </ul>	<p><b>Interview probes:</b></p> <ul style="list-style-type: none"> <li>• How do you think your educational background assisted, if at all?</li> <li>• Do you think your personal network was of value in facilitating your final receipt of VC? Please explain.</li> <li>• Did you have a role model, i.e., a successful entrepreneur whom you sought to emulate? If so, was this a success factor in obtaining VC?</li> <li>• Did you have a mentor or trusted advisor? Who was he/she? Did he/she assist you in accessing VC?</li> <li>• Did you belong to an incubator or accelerator programme? If so, did it help you to access VC? If so, please explain how?</li> <li>• Did you belong to an industry/business association? Did it assist you in obtaining VC? If so, please explain how?</li> <li>• Did you have any linkage to a university or other research and development centre? If so, did it help you to obtain VC. If so, please explain how?</li> <li>• Did you obtain support from any government agency or non-government organisation? If so, did it help you to access VC? If so, please explain how?</li> </ul>

Further interviews were conducted with fund managers involved in the provision of early-stage capital to HGVs. The purpose of the interviews was to obtain another perspective of the entrepreneurial journey. A similar communication process was followed for the fund managers as for the entrepreneurs, described in the preceding paragraph. Interviews were conducted via Zoom. The same open-ended exploratory approach was adopted by the researcher. The questions posed to the fund managers are set out in Table 6.

**Table 6: Interview guide for fund managers**

Questions to fund managers
<ul style="list-style-type: none"> <li>• What are the most common weaknesses of black female entrepreneurs?</li> <li>• What are the biggest barriers for black female entrepreneurs in business?</li> <li>• What are the biggest challenges for black female entrepreneurs in accessing VC?</li> <li>• What has been your experience in investing in black female entrepreneurs?</li> <li>• Failures – what percentage and reasons for failure</li> <li>• Success stories – what percentage and critical success factors</li> </ul>

The purpose of the interviews with the fund managers was to corroborate the perspectives of the entrepreneurs or to explore and explain a different perspective.

#### **4.7. Analysis approach**

A thematic analysis approach was followed as thematic analysis is flexible and can provide “a rich and detailed, yet complex account of data” (Braun & Clarke, 2006, p.78). The data was transcribed by the researcher herself from voice recordings with the support of the Otter application. The data was then reviewed by the researcher to ensure that the interviews had been correctly transcribed. Once the data was in text format, the coding of the data commenced, using the methodology set out in Saldana, (2009) and the data analysis software Atlas.ti. The findings were analysed using conventional content analysis. Content analysis examines both the explicit and inferred meaning in a text (Hsieh & Shannon, 2005). The content analysis consisted of detailed reading of the transcripts in order to identify patterns in the data, and sections to be used as direct quotations to support the analysis (Ngoasong & Kimbu, 2019).

Descriptions were generated and coded using inductive analysis. 225 first order codes were compared and codes relating to one another were grouped and sorted into 31 higher order code groups, again using inductive analysis (Greguletz et al., 2019). Thereafter the researcher conducted cross-case analysis to compare similarities and

variations across the cases and to identify themes. The researcher used a constructionist framework as she was seeking to develop a model to explain the individual experiences of participants in their sociocultural contexts and structural conditions (Braun & Clarke, 2006. p85). The themes were selected based on recurring patterns within the code groups and had some relevance to the research question (Cresswell & Cresswell, 2018).

Theme selection is referred to as the conceptual leap referred to by (Klag & Langley, 2013) and serves to connect the empirical data to the theoretical framework.

#### **4.8. Approach to determining reliability and validity.**

Eriksson & Kovalainen (2016, p. 294) suggest the substitution of “trustworthiness” for the traditional criteria of reliability and validity in a qualitative research study. Trustworthiness encompasses credibility, transferability, dependability and confirmability. To address dependability, the researcher personally conducted the interviews and transcribed the data. The researcher ensured that the recording was of good quality and the transcriptions were checked for accuracy. A pilot interview was conducted to ensure that the interview process ran smoothly. To ensure confirmability, i.e., that the findings and data were linked in ways that could be easily understood by others, Atlas.ti. was used to guide the coding process. A systematic process was used to collect and analyse the data. Credibility was confirmed by conducting a sufficient number of interviews to generate enough data to substantiate the findings. Triangulation was used to reinforce credibility by interviewing a sufficient number of black female entrepreneurs to cross-check data obtained. As stated in a preceding paragraph, the researcher also spoke to a few fund managers who have engaged with black female entrepreneurs, in order to corroborate claims made after coding the initial data from the entrepreneurs. The researcher wishes the findings to hold transferability in the South African context and hopes that the findings will help enterprise development practitioners. The researcher does not intend that the study should have transferability outside South Africa.

#### **4.9. Limitations in research design and methods**

The interviewees were South African and were drawn mostly from the services sector. The transferability of the findings to other geographies and other sectors may therefore be limited. The interviewees were limited to black female entrepreneurs who had accessed seed capital. The researcher struggled to find suitable candidates and some entrepreneurs who fitted the required profile did not agree to participate. The study therefore does not have the benefit of their input and insights. The researcher



interviewed entrepreneurs and fund managers but no other participants in the EE, e.g., mentors, university technology transfer offices, government officials.

#### **4.10. Data storage**

All research data, including interview transcripts, field notes, analytical memoranda, code books and the final report, plus all preliminary drafts has been stored electronically on a hard drive which will be stored in a locked safe on the researcher's own premises, for at least ten years, or such additional period as may be required. An electronic copy of all research data, supporting documents and the final report, as described in the preceding sentence, has been submitted to GIBS for safe storage on the university's premises.

#### **4.11. Conclusion**

The researcher sought to enhance understanding of the social and interactive processes that drive EEs and how they are influenced by the regional context of South Africa including culture, economic history, and political support. The next chapter sets out the detailed findings of the study.

## **5. Chapter 5 – Results**

### **5.1. Introduction**

This chapter presents the key findings in response to the research question proposed in Chapter 3. The key findings were derived by coding, categorizing and interpreting the data collected through 18 one-on-one semi-structured interviews: 14 with black female entrepreneurs who had successfully accessed funding and four with fund managers. The views expressed by the entrepreneurs are compared with those of the fund managers. The similarities and differences between the key themes arising from different views from participants in the study, according to the qualitative data collected, are compared. The chapter commences with a summary of the profiles of the interviewees who participated in the study, followed by a presentation of the results of the interviews.

#### ***5.1.1. Background of the entrepreneurs interviewed***

Of the fourteen entrepreneurs interviewed, eleven were black African and two were of mixed race and one was Asian. All except one had university degrees. All had had prior working experience: eleven in corporate, three in own businesses and two in the public sector. Five came from an entrepreneurial family background.

It should be noted that the researcher conducted nine interviews with female entrepreneurs which were not included in this report as it was ascertained during the interviews that the entrepreneurs were not eligible for VC funding. They were referred to the researcher by a fund manager and an enterprise development programme which had provided them with non-financial support in the form of mentorship and financial skills training. Their businesses were however necessity enterprises or lifestyle businesses which do not have the potential to scale to a level that would be of interest to Investors.

#### ***5.1.2. Background of fund managers interviewed***

One (a white female) managed a private equity fund focused on funding woman owned businesses and sat on the investment committee of two VC funds. A second (an Indian male) managed the investment arm of a philanthropic foundation. The third (a White female) worked for a ten-year-old VC fund management firm. The fourth (a black African male) managed a newly established VC fund which had received funding from the SA SME Fund.

It should be noted that the researcher conducted an interview with a fund manager which is not included in this report as during the discussion, it was ascertained that the

investment mandate of the fund favoured well established large corporates, rather than early-stage businesses.

### **5.1.3. Interview findings**

The findings were analysed using inductive analysis, which is considered appropriate for a qualitative study of this nature. First order analysis yielded 225 codes which were grouped into 31 code groups in the second order analysis. In the third order analysis, the code groups were then further refined into nine themes which form the headings of Chapter 5 and 6 of this report.

### **5.1.4. Preliminary finding**

The initial finding of the research was the challenge of identifying black female entrepreneurs who had been successful in raising VC at all. The researcher contacted a number of fund managers, business schools, corporates with associated VC funds as well as various individuals involved in entrepreneurial support. All contacts spoke of the paucity of female entrepreneurs with businesses suitable for VC funding. This was attributed partly to the fact that black female entrepreneurs often engaged in necessity/lifestyle enterprises, which would not generate the returns that VC fund managers required. Another reason given was that female entrepreneurs lacked confidence in selling their business concept to funders and so were filtered out early on in the selection process. Of the 14 entrepreneurs selected for analysis, only one had received VC according to the generally accepted definition of post-revenue, pre-profit funding. The others had received early-stage pre-revenue seed capital in order to develop the business concept, product prototype and market, and were in the process of preparing pitches for VC funding.

## **5.2. Requirements of investors**

All entrepreneurs interviewed noted that investors have rigorous selection processes and investment requirements which entrepreneurs must meet irrespective of race or gender. In order to be successful in attracting investment, entrepreneurs needed to have a detailed business proposal containing information relating to sales and marketing, finance and operations. None of the entrepreneurs interviewed had possessed all the necessary knowledge and skill to prepare a business plan without external assistance.

Interviewees noted that entrepreneurs did not always speak the language of funders, i.e., they were not able to convey the drivers of the projected financial return to the

business. Several entrepreneurs commented on the challenges of creating a well-constructed business model which would appeal to investors. Most relied on the support of mentors either independently or as part of an accelerator programme to convert their ideas into marketable business concepts which were financially sustainable. In addition, all entrepreneurs interviewed needed to acquire skills in business disciplines such as financial management, sales and marketing, human capital management and operational management. These skills were acquired through a variety of start-up support programmes.

15.41 "... I remember one of my mentors said, you know, ...because he taught in Business School, and he said ... I usually teach my students this for a year, but you need to take a month to learn it. So, for that month, I remember I used to spend about 10 hours a day learning about doing finances, a lot of accounting. And, I mean, took me out of my comfort zone, but it helped speed up my knowledge into the business development..."

Entrepreneurs who had a financial qualification and experience working in a banking, corporate finance, consulting or asset management background, were better able to satisfy the demands of potential funders.

Entrepreneurs who did not have a financial qualification or were new graduates without work experience found it more difficult. To be successful in attracting investment, they required the support of external advisors acquired through personal or professional networks or as part of a start-up support programme.

20.8 "... so they had an incubator ...and that incubator was solely to help, you know, entrepreneurs at very early stage in concept, ideation phase, to validate the idea very quickly. So, they had a lot of experts or mentors that would come and basically, you know, push you to understand and validate your idea really quickly..."

Research participants noted that ideas and passion were necessary but not sufficient. They found that the focus of investors was on financial returns.

A number of interviewees complained that investors were not interested in the details of their business concept, but rather focused on the financial projections. Having received a capital injection, a few entrepreneurs commented that their funders placed them under continuous pressure to meet their shorter-term revenue targets, without having regard for their longer-term vision for the company.

5.29 "...but I don't think a lot of people actually stress test and validate their ideas before applying for funding. And I think people start ideas off the back of passion and identify maybe a personal problem. But then when it comes to whether it's a scalable, and an investable business, I don't think people think that far, all the time..."

Several entrepreneurs interviewed, emphasised that funders wanted them to demonstrate product viability – that there is a market for their product – actual customers generating revenue. Several research participants had been compelled to pivot from their initial concept when they discovered that it was not financially sustainable and would therefore not attract investment.

16.2 "... the reason why I think Vinnie was interested in investing was because when we pitched at that conference, what we'd been able to show though we'd only been operating for so that was in September, so only like four months, and we were able to show that we had had an idea as a couple, had as, you know, a couple of co-founders being able to build an initial version of that, which was operational and serving customers and, and had, you know, traction, a team with us, a decently solid track record for young first time entrepreneurs, and, and had had put some investment into the business ourselves..."

The research found that investors used their social networks to obtain information regarding potential investments. For example, they maintained connections with accelerator programmes in order to ensure that they were alerted to investment opportunities with high potential.

Furthermore, they used their connections to support entrepreneurs in whom they had invested. For example, one funder introduced an entrepreneur to a financial institution to ensure that the business obtained the necessary debt funding for the business. Funders also ensured that entrepreneurs in whom they invested, received non-financial support through their own network of service providers.

Once the rigours of investment selection had been overcome, research participants noted the tough negotiation process to agree the terms of the investment. It was noted that funders typically demanded a substantial risk premium to compensate them for the risks associated in investing in an early-stage venture with little track record. For this reason, some entrepreneurs interviewed had decided to postpone seeking VC until they had been able to build up the business, so as not to sacrifice too much of the longer-term upside potential.

### **5.2.1. Commentary of fund managers**

Fund managers interviewed confirmed that entrepreneurs needed to have more than an innovative idea if they wanted to attract VC investment. It was necessary to demonstrate a viable business proposition.

7.3 "...And I think unless your idea is so innovative, and so blows everybody's minds away. Don't expect to get funding at a pre revenue level on concept without having done anything..."

Two fund managers noted that not all types of business venture were candidates for VC investment. Investors were looking for scalable, innovative, high revenue, low-cost base businesses. Many businesses were lifestyle businesses which, while they might have had the potential to create a comfortable livelihood for the founders and employees, would never be able to generate the returns demanded by investors.

14.13 "...Because to be fair, there are SMEs, and then there are VC backable businesses, a lot of the unsolicited pitches I'm getting are mostly especially from black females, are SME businesses, there's nothing wrong with that, but they just they need to know where to go. And it seems like nowadays that people don't understand..."

One fund manager interviewed confirmed the substantial risk premium (in the form of an equity stake) exacted by Investors from early-stage investee business ventures.

8.13 "...Yeah, so I would generally invest about R3 to R5 million in that early stage, we can push it up to R15 million, as we follow on in other rounds...Generally, if it's an exceedingly early stage, we get somewhere between around 20 to 30% of the business. Now, these later ones could be less than 5% are sort of types of businesses that we look for our software as a service. tech companies, highly scalable, generally B2B..."

This study demonstrated the challenges faced by entrepreneurs of all races and genders seeking investment. It showed that investors expect well motivated and supported business proposals demonstrating the potential of a venture to generate significantly above average financial returns.

In addition, investors expected an equity stake commensurate with their perception of the risks attached to the venture to which they are providing capital.

### 5.3. Seed capital

Participants in the study had received seed capital from a variety of sources: own resources (“bootstrapping”), family, friends of family, angel investors, contacts facilitated by accelerator programmes or investor programmes or government grants. It was noted by several interviewees that there are very few sources of this type of funding in South Africa.

Interviewees spoke universally of the sacrifices necessary to establish a business to the point at which they could seek external investment. Entrepreneurs who had been employed spoke of using savings and sacrificing lifestyle to build their businesses. At least one set of co-founders had sold assets to fund their business in the early stages. Some participants had remained in employment, while pursuing their businesses after hours, in order to have the necessary capital to support themselves and their dependents and funding the start-up costs of their venture. A few had had previous businesses which had generated income from which they were able to start the current venture.

Two newly graduate students without prior employment or business savings had been fortunate enough to partner with white male co-founders, who had family friends who had provided angel investment into their businesses. These two young entrepreneurs commented that as black females, they did not have personal networks from whom it would be possible to obtain such funding. One of them spoke of the struggle to break into angel investment networks.

20.12 “...The South African Angel space is also very, sort of cliquey, you have to understand the circles a little bit more. And again, at that time, we were based in Cape Town, there are a lot of angels in Cape Town, but we just didn't quite understand those spaces. Right. There was the Stellenbosch mafia, there was the Jewish, you know, circle but we were not part of those communities...”

Other young entrepreneurs had obtained seed funding from a private foundation whose entrepreneurial development programme, they had joined as students. Other had been selected for accelerator programmes through which they had received seed funding to commercialise their business concepts.

Only two entrepreneurs interviewed had been successful in securing government grants to fund their business start-ups, on the basis that their ventures added value in the fields of education and agriculture. Another entrepreneur who had ultimately raised substantial

amounts of VC from private sector funders had been rejected when she applied for start-up funding from government, despite the substantial job creating benefits of her venture.

### **5.3.1. Commentary of fund managers**

Two fund managers interviewed commented on the paucity of angel investors/seed capital providers in South Africa. They regarded it as an important component of an EE. One stated the view that it was a role that government should play in collaboration with the private sector, who were better qualified to identify viable business opportunities than public sector technocrats with no commercial experience.

14.8 "...I think if the government was spending more effort in encouraging the likes of us and other funds to come in, give them the money, and then have noticeably clear targets of how we're going to measure whether you guys are making impact or not. I think you'd find a lot more real impact being made rather than getting an entrepreneur to go pitch someone with a PhD in engineering who's never actually worked..."

This research study found that seed capital was an essential ingredient of enterprise development. Seed capital enabled entrepreneurs to take an innovative idea, validate its marketability and develop it into a commercially attractive business proposition. Without seed capital, many innovative ideas would fail to realise their potential value and the associated business venture would be unable attract the capital to launch successfully.

## **5.4. Non-financial support**

While financial capital is essential for a business venture to grow and thrive, research participants observed that many other ingredients were necessary to establish a successful enterprise. These ingredients included additional team members with complementary skills, advisors who could give input into strategy, external providers of professional support services and intermediaries who could assist their businesses in finding markets and suppliers. Interviewees also mentioned the benefits of non-financial support of their peers, i.e., fellow entrepreneurs in the form of shared best practice, referrals and moral support.

### **5.4.1. Mentors**

Business advice was identified as extremely important by all of the entrepreneurs interviewed. All research participants could identify one or more mentors on whom they had relied in the early stages of their ventures, as they built the business up to a point at which they could raise VC.



9.32 "...But I think the most valuable part for me was having a mentor, you know, where I could talk to him every month for, I think, like over a year, you know, and just someone that from the outside looking in, to give me advice on where I'm going, what I'm doing, or where I'm not seeing the potential..."

9.13 "... I think having a mentor is so important. You know, for anyone that's doing this, because entrepreneurship is so lonely, and sometimes you just have that big head where you feel like you're doing everything right. But you need someone from the outside to tell you maybe you should think about this, maybe think about that, have you tried that?"

Most entrepreneurs spoke of the benefits of mentorship received from a number of sources. Some had mentors who were family friends. Others had encountered mentors in their professional careers – either bosses, colleagues or business associates. Those entrepreneurs who had participated in accelerator programmes had been allocated mentors through the programmes.

15.7 "... I've been lucky enough to have some mentors around me. And I've also been able to join some incubator programs such as the Innovation Hub, where perhaps you get mentorship, and you also get someone who works in your business, you set milestones with them, they take you up on your milestones, they support you. I mean, they were able to support me on various aspects in my business from strategy development, good tracking strategy, how to build finances, because I had, I didn't have a financial background..."

Some were mentored by angel investors or early-stage funders, who were able to play a dual role – providing both seed capital and business advice.

1.14 "...So once again, fortunately, because N... is also an engineer is so finally we're talking to a VC that speaks our language. Just as excited about the technology and he understood that one must sustain a business. You need more than just the technocrats. You need somebody who knows how to speak to the client. You need somebody who knows how to manage your books..."

Mentors were seen to be a source of knowledge and advice on building and running a business. In several instances, the interviewee identified their mentor as an experienced businessperson with extensive knowledge of the particular industry or the world of capital raising and equity investment. Because they had run successful businesses and had been involved in the relevant sector for many years, research participants observed that

their mentors had valuable social networks – personal and professional - through which they were able to introduce their mentees to service providers, potential clients and funders.

5.11 "... He has been incredibly supportive kind of along our journey, and like, sending us deals and kind of including us in stuff. So, he's, he's been very intentional about supporting us because we're a new fund manager, because we're black because we're female..."

2.4 "...I see him as a mentor... he has given me a lot of guidance throughout my career... ...subsequently lent big support when we decided that we were going to go on our own... He has consistently continued to open up these networks, which is a big deal, but also assist as part of a team being on our IC (Investment Committee) for all the transactions that we assess and execute..."

#### **5.4.2. Role models**

Several entrepreneurs interviewed stressed the importance of role models – women of colour who had succeeded as professionals and business leaders or as entrepreneurs. Seeing them succeed gave them confidence that they could succeed in business too. Role models were also a source of business advice and in certain instances, provided introductions to potential funders and other contacts with potential value for the enterprise.

#### **5.4.3. Power of accelerator programmes**

All except for one of the entrepreneurs interviewed had participated in at least one accelerator programme. All of those who had participated in one, believed that they had received significant benefits from the programme. These benefits included mentorship, business education, access to professional services and introductions to investors. They had also benefitted from the relationships they had made with their fellow entrepreneurs in the cohorts on the accelerator programmes. A few had been fortunate enough to be selected to participate in a start-up support programme, while still at school or in first year university. Others were selected for local accelerator programmes. Two were selected for international accelerator programmes. These global initiatives enabled them to gain exposure to international mentors and investors.

5.5 "... I'm truly fortunate to be part of the ... foundation. So, they have an incubator, we, you, they give you access to office space, a laptop, you can have meetings, they,

your team can work there. And they give you access to data as well. And then also access to grant funding and a business mentor that you meet with every week...”

17.9 “... so we did that accelerator, and they pair you with the mentor, they pair you with two mentors. And one of our mentors was a Latino female, who I ended up gravitating to quite a bit. And so, she had, like, four of her own companies was just, you know, could understand what it's like to be a minority, you know.”

21.7 “...And we were like, if we can make it onto one of these programs, like we will have access to, you know, the founders of Uber, the founders of Airbnb, great tech start-up founders that, you know, would really tell us, don't make this mistake, do this and that kind of thing... And we knew it was our ticket to a scalable business, because we would no longer be looking at our business from a South African perspective, but from a global perspective.”

21.15 “...But it's always valuable to learn from our peers, from other start-ups in the program, but also the mentors that they bring to the table, but also the customers. So, they also introduced us to, like Dutch based customers, and UK based because it's in the network. But if we just arrived as two entrepreneurs from South Africa with no one, knowing no one in anything, it would have just been like starting an entirely new business again.”

Entrepreneurs noted that several of the accelerator programmes in South Africa were funded by large corporates in the financial and tech sectors. Such initiatives demonstrate the role that large corporates play in the development of new enterprises in the South African EE.

#### **5.4.4. Entrepreneurial support organisations**

Several participants were part of regional and international entrepreneurial support organisations. They spoke of the benefits of belonging to a network of entrepreneurs with whom they could share ideas and discuss common challenges. Membership of these organisations also raised the profile of the entrepreneurs, attracting favourable attention from potential funders. Some entrepreneurial support organisations had their own funding arm, as a resource for members.

Non-financial support was perceived by all research participants as a critical success factor for black female entrepreneurs. None of the interviewees felt that they had the knowledge, skill or experience to succeed in developing their businesses to a point that

they could attract VC. Furthermore, most acknowledged that they did not have access to the social networks which facilitated access to resources including financial capital and required intervention from established players within the EE to bridge this gap.

### 5.5. Gender bias

Gender bias was a recurring theme in all interviews with the entrepreneurs. All spoke of having encountered it from different quarters and at different points in their entrepreneurial journey. All entrepreneurs also stated that they believed that they had overcome the effect of bias and successfully positioned themselves as competent businesswomen with the people they encountered. Research participants had encountered gender bias before going into business. Two interviewees who had studied engineering, had had to contend with the bias of male engineering students who appeared reluctant to involve them in their project teams. Others had encountered bias when meeting potential clients. Two entrepreneurs had been told directly that they did not know what they were talking about – subsequently the clients concerned had been proved wrong.

20.2 "... But I think for me, one of the things that I have to obviously even now deal with is being a black CTO, for example, a co-founder of a technology company that's using exponential technologies, like artificial intelligence and machine learning, and all these things. And a lot of times, you know, when you get around the table, and its males that are, you know, obviously older, they firstly, question your credibility. Like, what do you, what have you done with your life to get here?"

21.20 "...And this CEO sat there, and he said, I don't know why I'm listening to you, because you clearly don't know what you're talking about. Let's talk to the expert..."

Two entrepreneurs who had white male partners had found that in meetings, clients and potential investors assumed that their partners were the chief executives of the business and ignored the female entrepreneurs, seemingly assuming that they were subordinates with no decision-making authority.

21.16 "...Yeah, there were three of us in the room. It was me, M... (white, male co-founder) and him. And I was not in the room, basically, like I was not at all, his back was completely turned to me. And, and he was just talking to M... the whole time..."

A few entrepreneurs who had a white co-founder advised that they felt that this had been beneficial when seeking funding from angel investors and fund managers.

17.4 "...But as a white male, you're likely to have family, friends who are angels, those who are going to give you a bar to start. So that's not something that I had access to..."

Some of the research participants noted that female entrepreneurs were expected to put in more preparation than their male counterparts for an investment pitch, having to provide more information on the business model, financials and potential markets for their products.

15.29 "...I knew a lot of men who I started with who also started their own other start-ups, and how, without an engineering background building a tech company, they didn't have the ability to code, they were outsourcing everything, they kept on raising funding as easy as possible. With me, I had to have a working product, I had to have a lot of customers, and yet we were making a lot of money..."

Reasons for this bias, as perceived by the entrepreneurs themselves, were social perceptions and expectations. The traditional role of women in South Africa is seen by many to be that of a mother and homemaker.

1.2 "...It was also quite uncomfortable for some of the men to work with you because remember, they used to, to women, especially black women, they used to women, maybe helping them in their homes..."

In addition, many professions in the STEM sectors are seen to be suitable only for men, on the basis that women apparently lack the attributes – both intellectual and physical to be successful in these types of careers. One entrepreneur felt that being short in stature placed her at a disadvantage when dealing with male clients and investors.

20.2 "... But I think for me, one of the things that I have to obviously even now deal with is being a black CTO, for example, a co-founder of a technology company that's using exponential technologies, like artificial intelligence and machine learning, and all these things. And a lot of times, you know, when you get around the table, and it's males that are, you know, obviously older, they firstly, question your credibility. Like, what do you, what have you done with your life to get here?"

Another reason for the bias noted by several interviewees was the fact that most investors in South Africa were white men. The entrepreneurs' perception was that these investors felt more comfortable and had more confidence in investing in male-owned businesses. Two entrepreneurs whose businesses were aimed at solving problems

suffered by women, perceived that South African male Investors did not see the value in female oriented products and services.

9.15 "...And when I started pitching at events very early in my journey, I faced mostly male judges who had no idea what women wanted in my specific space..."

16.24 "...And a lot of a lot of conversations, were just I don't understand how this is valuable, or I don't understand the problem space. And you'd have to sort of try and get them in the mind frame of your wife..."

What stood out in the interviews with these entrepreneurs was their determination to overcome this bias. The two engineers made an effort to engage with the male students and to demonstrate their ability to learn and take leading roles in projects. The entrepreneurs who had been overlooked in meetings took steps to position themselves in subsequent encounters. They made sure that their qualifications, track record of success and position in their enterprises was fully understood by both clients and investors upfront. Some interviewees had been fortunate in finding female angel investors or mentors who had facilitated their access to resources – financial and non-financial.

#### **5.5.1. Commentary of fund managers**

Fund managers interviewed acknowledged that the VC industry was male dominated in that most VC fund managers were men, in fact, white men. Fund managers noted that women had difficulty in navigating VC networks as these were largely male.

8.7 "...Even if someone had to create a tech related beauty thing, I cannot see the four guys (fellow fund managers) getting excited about it..."

One advised that most female entrepreneurs get filtered out early on in the investment selection process. Fund managers agreed that the VC industry in South Africa was dominated by men and that most male VC fund managers were biased against women. Three fund managers interviewed were of the opinion that more female involvement in the VC industry would increase investment in women owned enterprises.

17.6 "...I mean, as a fund manager, like the VC I'm, I'm probably one of the few females I see that like, you know, it's very much a male dominated industry. If we look at across all our three portfolios, we've got 15 investments, and one of them has female founders..."

This study demonstrated that gender bias has a material effect on the ability of female entrepreneurs of all races to attract VC. It adversely affects the perceptions of both potential clients and funders. This research does however indicate that female entrepreneurs are able to overcome the effects of gender bias through talent, assertiveness and diligence.

## **5.6. Differences between women and men**

The study found that women and men had different outlooks and approaches in a number of respects. These differences influenced their behaviour, their approach to enterprise development and how they presented themselves to clients and investors. They also affected the perceptions of funders – how they perceived their businesses and their confidence in placing funds with them.

One entrepreneur interviewed felt that women in technology were more attuned to customer needs than men and therefore better at explaining business benefits. This sentiment found support in the views of another research participant who noted that she always led investor pitches, in preference to her male co-founder, as they agreed that she was better able to interact with non-technical businesspeople, although she had technical expertise as well, when required.

Some entrepreneurs noted that women prepared more meticulously than men for client presentations and pitches. One believed that women were more open and honest than men when pitching to investor. A few entrepreneurs interviewed noted that women were more community-spirited than men. Several of the enterprises forming the basis of this study had a social impact. Two of the research participants also stated that they felt a responsibility to be a role model for their own children and other young women of colour.

Some interviewees felt that other women entrepreneurs lacked confidence and self-belief when it came to succeeding in business. Others labelled women as cautious and risk averse in their approach to enterprise development.

### **5.6.1. Commentary by fund managers**

The two male fund managers were of the view that many female entrepreneurs were too cautious and risk averse. As a result, they did not pitch to potential investors with sufficient confidence. One fund manager made the point that funders were more likely to be swayed by a less detailed, confidently delivered pitch than a more detailed

presentation in which the presenter appeared to lack conviction of the enterprise's prospects for success.

Other fund managers observed that they received very few applications for Funding from female entrepreneurs. They ascribed it to impostor syndrome. Their view was that many female entrepreneurs lacked the self-belief to become entrepreneurs and to pitch their business proposals to Investors. One fund manager confirmed that female entrepreneurs were more mindful of creating positive social impact than men were.

On balance the differences noted between women and men were often found to be positive by the female entrepreneurs who participated in the study. Their view was that women approached business with greater care and attention to detail and were more customer focused and community spirited. On the other hand, fund managers often found female entrepreneurs to be overly timid and self-effacing in their presentation of their business models. Their opinion was that this approach was off-putting to investors.

### **5.7. Role of culture**

The research indicated that culture played a significant role in the decision to become an entrepreneur. Cultural influences with regard to risk perception played a role in the selection of university qualifications as well as the choice whether to follow a corporate career or start a new venture. Cultural perceptions of the traditional role of women and wives and mothers also had an important bearing.

One entrepreneur observed that historic deprivation had made older black people more risk averse. They perceived entrepreneurship as high risk compared to paid employment. They preferred the security of a regular income and the fringe benefits associated with corporate employment, e.g., bonuses, houses, cars.

17.5 "...So black communities don't teach their children to be high risk, because, you know, with high risk, very little reward, and coming from our history of black people haven't had wealth, and if anything, black people are trying to increase generational wealth, and that doesn't come with risk, and not in our upbringing..."

By contrast, some entrepreneurs noted that they had left secure highly paid corporate jobs to start their own businesses. They pointed to the temptation of simply applying for another job, when encountering obstacles in their business ventures. Other entrepreneurs noted that some people found the idea of being hands-on in a small start-up demeaning. Such individuals preferred the status and comfort of a white-collar career.



### **5.7.1. Traditional role of women in South Africa**

The female entrepreneurs interviewed, consisted of young, childless singletons, more mature married women with children as well as a single parent and some individuals in a relationship with no children. The entrepreneurs with no children expressed gratitude that they were able to focus on building their businesses without the burden of child-care which, implicitly was regarded as being the responsibility of women. Those with children described the challenges of trying to achieve work-life balance.

### **5.7.2. Commentary by fund managers**

One fund manager observed that entrepreneurship did not appear to command respect in the black community.

22.6 "...So in, in, in predominantly black communities and families, entrepreneurs are not as well regarded as they potentially are in an Indian environment or even in like a Jewish sort of community where entrepreneurship is held highly. I feel like, in my second-hand understanding is that, in a black community, if you're an entrepreneur, it's almost like you failed at being a professional..."

Other fund managers noted the difficulty in walking away from lucrative corporate salaries, particularly in instances in which the entrepreneur was supporting an extended family. Fund managers agreed that juggling a new business with the demands of family life was a challenge.

8.9 "...Yeah, it's, it's when you're starting a company, we see it is extremely stressful for our founders. And if you want to try and have children, you know, there's a 10- year commitment that you're making. So, if you start that at 23 to 33, you know, when a lot of woman might want to be getting married, I mean – each to their own..."

The study indicated a perception among certain members of the South African black community that entrepreneurship is high risk. It is seen by some as a last resort in the event that an individual is unable to obtain employment. The traditional role of a woman as a wife and mother is another cultural inhibitor to female entrepreneurship and requires hard choices between building a business or concentrating on family life.

## **5.8. Relationships and networks**

All entrepreneurs interviewed spoke of the importance of networks as a means of accessing resources and leveraging relationships to gain entry to networks to which they

did not already belong. Each entrepreneur's journey to attracting financial capital was unique. There were however some common factors. The participants in the study may be categorized into three broad groups. The first group were qualified professionals who had built successful careers before starting their own businesses. They had leveraged their professional network of colleagues and business associates to gain access to resources, including financial capital. The second group were young graduates with a degree in a STEM discipline or an idea for a technology-based offering. They had been selected for accelerator programmes – some associated with their universities through which they had gained access to the resources they needed to develop their innovative ideas into commercially viable products or services. A third group in order to build their business and validate their business model, had a built a community or network of customers or potential customers which they were then able to leverage to persuade capital providers to support their businesses.

Irrespective of their starting point, all except one of entrepreneurs interviewed had participated in an accelerator programme through which they had developed their business models into a proposition which was attractive to funders. The accelerator programmes had enabled them to gain entry to valuable networks. Membership of the programme gave them access to networks of service providers, which gave them access to mentorship, professional services and funders, with whom they gained a level of credibility through their membership of the accelerator programme. Some interviewees spoke of close relationships with the fellows in their cohort within an accelerator programme – personal networks which were a source of useful advice and collaboration opportunities. Other research participants belonged to organisations of fellow entrepreneurs and spoke of the benefits of being part of a community who shared the same struggles and could offer advice based on personal experience.

15.23 "...So being able to be part of that community had enabled me to connect to people who have walked the similar journey that have walked into and can in depth advice on how to best position my business and the things to look out for, as I grow the business..."

A number of participants mentioned the value of relationships with former colleagues which had been a valuable source of advice and contacts. Others had received assistance from family members and personal friends in the form of financial and non-financial support. A number of entrepreneurs interviewed spoke of the benefit of attending or speaking at conferences and of participating in competitions as a way of building networks and attracting clients or potential funders.

Several participants emphasised the value of their relationship with their co-founders or business partners. These partners were identified as a source of complementary skills, access to resources – both financial and non-financial and moral support. They had found their business partners through different personal and professional networks. In two instances, the business partner was a spouse. Another had partnered with her sister. In other cases, the business partner was a fellow student or former lecturer or former colleague. Two participants did not have business partners.

#### **5.8.1. *Commentary by fund managers***

One fund manager noted the advantage of the personal network from which initial angel investment or seed capital could be raised. Another noted that, given the deprived background of many South African black females, few had such networks, which left a gap which needed to be filled by public or private sector funding.

It was also noted by the two female fund managers interviewed that as, funders were mainly men, the networks on which they relied for information, on which to base their investment selection were also male dominated. Female entrepreneurs did not often have access to these networks which placed them at a disadvantage in the investment selection process.

No entrepreneur interviewed had been able to establish her business enterprise without financial and non-financial support from external parties. All research participants relied on relationships and networks to access different components of the entrepreneurial ecosystem. Without these resources, they would not have been able develop their business ventures to a point at which they would be of interest to funders.

#### **5.9. *Prior life and work experience***

The entrepreneurs interviewed had a wide range of profiles. They were of different ages, family backgrounds and at different life stages. All except one had a university degree. Qualifications ranged from the arts to commerce to STEM disciplines from medicine to computer science. Some were single and childless, others were married or in a relationship, some had children. Some were new graduates with no work experience, others had worked in a corporate environment and yet other had previously run other businesses. Some came from entrepreneurial families or had run their own small businesses, while still at school. Others had parents who were academics, politicians or salaried employees. In each case, the researcher sought to establish what factors had contributed to the entrepreneur's success in accessing early-stage funding.

Age was considered by the more mature interviewees to be an advantage. It gave credibility when pitching to potential investors. The older entrepreneurs had also had the opportunity to amass savings and assets which they were able to use to fund the start-up of their businesses. In addition, they had had work experience which had given them business skills which could be used to their advantage in their new venture. Moreover, through both personal and professional relationships built up over time, they had social networks which could be exploited to acquire resources for their businesses.

3.13 But I also just think that I genuinely think that if I were me, at 23 doing this, I think the chances would be even with the private education and university degrees, I think it would be, I think it'd still be harder. I think I think that age just gives us, gives me a level of credibility, it wouldn't give my 23 year old counterpart.

16.4 I think my age, our age was definitely an effect - like having a bit of life experience.

Some research participants came from affluent backgrounds. They had been educated at private schools and spoke unaccented "Model C" English. These entrepreneurs regarded their backgrounds as an advantage as they believed that it facilitated their interaction with clients and investors who apparently associated fluency in English with business professionalism.

In two instances, the entrepreneurs' parents were senior high-profile members of government, which may have raised the entrepreneurs' own business profiles and facilitated access to certain business networks.

16.20 I know that growing up in the southern suburbs of Cape Town means that I can have conversations that I'm comfortable with around I don't know, just living in Cape Town, you know, and what's school kids go to and all of these things, and my accent is not necessarily an accent that people would listen to, and then make negative assumptions about my intelligence.

Entrepreneurs who had come from entrepreneurial families had the benefit of role models in the form of parents or siblings who had succeeded in establishing businesses, which boosted their confidence in their own entrepreneurial ability.

Entrepreneurial family members were a source of encouragement, moral support and business advice. It should be noted however, that in a few instances, family members who were not themselves entrepreneurs, were supportive of the entrepreneurs' efforts and contributed start-up capital or living expenses in the early stages of the business.

19.6 My dad always tells me I educated you, for you to be an entrepreneur. For you to be an employee. I feel like if you stay as an employee, you've actually failed yourself.

21.4 I had my mom and dad just pretty much allow us a living allowance that went straight into the company and allowed us to iterate and like try other businesses

University qualifications had the obvious advantage of bringing technical expertise which could be deployed in the business in the creation of innovative customer solutions. Commercial qualifications provided valuable financial skill sets. The one interviewee who only had a Matric, had overcome this disadvantage by having a co-founder (also her spouse) who was a qualified engineer. Studying at university had also enabled the research participants to build networks of lecturers and fellow students, from which they sourced business partners, employees, technical advice and access to start-up and accelerator programmes.

21.21 So, in fact, one of our team members now was my master's supervisor... and taught us a lot of what we know.

Prior corporate experience provided business operational skills. It also exposed some of the entrepreneurs to opportunities which they subsequently chose to exploit in their own business ventures. Corporate employment in several instances, brought the research participant into contact with more experienced businesspeople who became mentors, even after they had left their jobs and were setting up their own firms. Working for a corporate also introduced the interviewees to networks of service providers and investors which were valuable resources in developing their business enterprises.

2.14 And, you know, having been bred there from an investment experience perspective, and having spent majority of our careers there, ...(bank) has funded debt on some of our deals, and they continue to be supportive and eventually even provided working capital facilities.

Entrepreneurs who had previously run other businesses regarded this experience as beneficial. It provided important planning, financial, sales, marketing and operational skills.

In some instances, entrepreneurs gained valuable market insights which they used in the development of their current business, pivoting from one business model to another with greater potential to succeed.

20.9 We quickly realized that when once plugging those into our business model, it completely invalidated it, it was completely flawed... And so we were like, Okay, well, we now need to actually reevaluate our entire business model. And so that was our first sort of massive pivot, or second rather.

### **5.9.1. Commentary by fund managers**

Fund managers agreed that education and work experience provided self-confidence as well as skill which were both important attributes to female entrepreneurs seeking to attract financial capital. One fund manager also noted that corporate experience enabled would-be entrepreneurs to build professional networks which were advantageous in raising capital and accessing other resources.

Two fund managers noted that entrepreneurs from affluent backgrounds were often at an advantage as they were able to source seed capital to develop their business concept from family connections.

There is no single formula for a successful entrepreneur. Research participants demonstrated that diverse backgrounds, talents and experiences could be leveraged to build a successful venture.

### **5.10. Government policy**

Given the South African government's stated SME development, research participants were asked to elaborate on the extent to which they had benefited from support received from any government agency or department. The entrepreneurs interviewed fell into three broad groups.

The first group had benefitted from funding received from a government department. These entrepreneurs had built a technology-based solution in the health and education spaces respectively. The second group of entrepreneurs had tried to obtain funding from government agencies but had either given up as the process was too bureaucratic or had been declined. The third group had not tried to access government support as from what they had heard, it was not worth the effort.

A number of participants had benefitted directly or indirectly from funds made available from the SA SME Fund which is co-funded by the public and private sector. Several of research participants stated that, as black females, they had benefitted from the government's BEE policy through initiatives set up to promote investment in and procurement from black-owned and female black owned businesses.

### **5.10.1. Commentary by fund managers**

Two fund managers commented on government support of entrepreneurs. Both were of the view that government should not fund entrepreneurs directly. Instead, government should provide an enabling framework. Examples given included support for entrepreneurial programmes at schools and universities, promotion of pension fund and PIC investment in new enterprises, continued investment in research, development and innovation, and partnerships with the private sector similar to their co-investment in the SA SME Fund. Their view was that investment selection was best left to the private sector.

Knowledge of government support among interviewees appeared to be scant. With two exceptions, perceptions were that it was difficult to obtain and not worth the time spent. Perceptions among fund managers were that government collaboration with the private sector in the enterprise development space had been successful and worthy of further expansion. BEE policies appeared to have been beneficial for black female-owned business ventures.

### **5.11. Conclusion**

This study highlighted the rigorous requirements of VC funders. They demand detailed business proposals and financial projections to enable them to make detailed business decisions. They also exact substantial risk premiums in return for funding early-stage businesses with little or no track record. VC funders draw on their networks both to obtain information on potentially attractive investments and to support the businesses in which they have invested.

The research further revealed that angel investment or seed capital is essential to enable entrepreneurs to develop their business concepts into viable models which will attract VC funders. Angel investment is often obtained through personal networks – family and friends as it does not present an attractive proposition for commercial funders. Previously disadvantaged entrepreneurs who do not have access to personal networks with financial capital often struggle to obtain this kind of seed funding.

The study also demonstrated the importance of non-financial support. Entrepreneurs with technical qualifications often still lack the skills required to run a business. Research participants emphasised the importance of mentorship and business education in the early stages of their business. Mentors were often drawn from personal and professional networks developed in previous careers. Mentors also provided the benefit of their own

networks to entrepreneurs in the form of introductions to other advisors as well as potential investors. It was noted that most of the entrepreneurs interviewed had accessed mentorship and business education through accelerator programmes often funded by large corporates or funders. The research showed that female entrepreneurs are subjected to gender bias at different stages of their entrepreneurial journey. They often struggle to gain credibility with potential clients and investors. They have to work harder and prepare more detailed information than men do, in order to satisfy the demands of funders.

Women, particularly black women, are frequently constrained by the traditional roles assigned to them by their culture. They are expected to juggle the demands of a career with those of childcare and homemaking. These cultural expectations make it difficult to devote the time and energy necessary to establish a business. In addition, the study found that in black culture does not always value entrepreneurship. Many black people, particularly the older generation, regard it as inherently high risk and prefer the relative safety of a professional career with corporate fringe benefits. This study underscored the importance of relationships and networks. Entrepreneurs relied on connections provided by personal and professional networks to access advice, business, skills, business partners, employees and funding. Black female entrepreneurs often had limited networks and therefore leveraged the networks of others.

Prior life and work experience was found to be valuable. Not only did such experience increase the entrepreneurs' skill set and knowledge needed to establish and operate a business, but it also enabled entrepreneurs to build social networks of fellow-students, former lecturer, colleagues and business associates through whom they were able to acquire resources for their business ventures. Younger entrepreneurs with more limited networks relied on networks acquired through mentors, accelerator programmes and entrepreneurial support organisations.

The research showed that government policy was supportive of enterprise development. BEE policies and public-private funding partnerships were found to be particularly effective. Research participants did however indicate that some government programmes were less helpful and application processes for government support were found by entrepreneurs to be bureaucratic and time consuming. Overall, the study demonstrated that while there are very few female entrepreneurs who succeed in accessing early-stage capital, those who do, are diligent, innovative, tenacious, resilient women. It further demonstrates the transformative benefits of entrepreneurial support to early-stage businesses.



## **6. Chapter 6 – Discussion**

### **6.1. Introduction**

The chapter provides a detailed discussion of the research results presented in Chapter 5. The purpose of the research was to examine how black female entrepreneurs had leveraged the South African EE to access early-stage funding. The research sought to identify the components of the EE on which these entrepreneurs had relied, through what networks and mechanisms, they had connected to these components and how the EE components had facilitated early-stage funding.

In this chapter, the findings were compared and contrasted with the extant literature discussed in Chapter 2. The findings suggested that entrepreneurs harnessed social networks – their own and those of other players in the EE to access the necessary resources to develop their businesses, ultimately enabling them to attract financial capital from funders. The research explored the role played by social capital within an EE in a developing country context.

The study further examined the impact of gender and racial stereotypes on entrepreneurs' social capital and how disadvantaged groups compensate for deficiencies in social capital. It considered whether the differences between male and female entrepreneurs described in the literature were genuine or simply perceived, and if real, whether the differences impacted the business's performance.

Finally, the research reviews the nature of government support for black female entrepreneurs and assesses its effectiveness. The study also explores possible improvements in government-funded enterprise development programmes.

#### **6.1.1. Overall findings.**

The difficulty in identifying South African black female entrepreneurs who had succeeded in obtaining VC funding is reflected in the literature. Brush, Greene, Balachandra, & Davis (2018) describe a thirty-year research study conducted in the United States of America (USA), in which the percentage of VC funding allocated to women did not exceed 4% in any single year. The research study revealed that the entrepreneurs who managed to attract VC investment did so by using the social networks which they had developed to access resources within the ecosystem and build an attractive investment proposition. The implication for theory is that social capital is an essential ingredient of business success. Practitioners in the enterprise development space should encourage

established entrepreneurs and professionals with substantial social capital to share their networks with emerging entrepreneurs. The message for policy makers is that policies need to address this gap for the many disadvantaged entrepreneurs who as a result of South Africa's history, have not had the opportunity to accumulate social capital.

## **6.2. Requirements of investors**

The research showed the ability of funders to stimulate regional innovation and develop the EE as posited by Sun, Chen, Sunny, & Chen (2019). The exacting requirements of investors ensured that only the most promising innovations received funding. As noted by Sun et al. (2019), they provided access to non-financial support such as strategic planning, professional services, recruitment of key personnel and access to markets.

The study found evidence of the five contributions by VC firms to the EE, identified by Ferrary & Granovetter (2009), namely financing, selection, signalling, collective learning and embedding described in Chapter 2 of this report. Funders played a much larger role in an EE than simply providing funding. They acquired extensive knowledge of the establishment and growth of innovative start-ups. They also acquired extensive social networks within the EE over time to which they provided access to the businesses which they supported (Alexy et al., 2012). In so doing, they enabled the entrepreneur to leverage the social capital which they have accumulated. This role was confirmed in the research by entrepreneurs who spoke of the value which funders had provided to their business beyond simply financial capital.

The research confirmed that the funders seek to fund innovative HGVs in preference to lifestyle businesses, on the basis that HGVs will generate superior returns. It is too soon to ascertain whether the HGVs which were the subject of this study will achieve their potential, so it is difficult to for this study to contribute to the debate in the literature as to whether HGVs generate more economic benefit than lifestyle businesses, in the form of jobs, improved productivity and economic growth (Shane, 2009; Morris et al., 2015). It was however already apparent that the innovations being exploited by these businesses were having beneficial effects in terms of efficient agricultural methodology, financial education and upliftment of deprived communities through novel forms of lending and employment of low-skilled individuals.

While it is true that funders appear ruthless in their selection process and driven only by financial returns, they play a vital role in the EE. In developing a support network of mentors and service providers for their investee companies, they build the EE which

benefits the region in which they operate. It may be argued that they increase the social capital of the entrepreneurs, by introducing their own network to the entrepreneurs, which has corresponding spin-off benefits to the entrepreneurs themselves and their value chain.

### **6.3. Seed capital**

The research clearly demonstrated that innovation alone would not attract VC investment. Ideas had to be developed into viable business models which required seed funding or angel investment. Aspiring entrepreneurs who could not access such funding, would be unlikely to succeed in commercialising their business concept.

Research participants confirmed that seed capital or angel investment was difficult to attract, firstly as the angel investor network in South Africa was underdeveloped and secondly, because it was heavily dependent on social networks. Cumming & Zhang, (2019) noted that angel investments are based largely on personal relationships and informal selection processes. Entrepreneurs with white male co-founders from affluent, backgrounds, were able to access seed capital far more easily than those who did not have that kind of social capital. This is reflected in Becker-Blease & Sohl (2007) who noted that women entrepreneurs in the USA were far less likely to receive angel investment than men and were also more likely to receive it from female angel investors. In addition, in South Africa, as experienced by the entrepreneurs in the study, there was the added dimension of race. It was noted by both entrepreneurs and fund managers, that it was generally easier for a young white person to obtain seed capital from personal networks than a young black person.

The finding demonstrated that EEs require a range of financial resource providers for different stages of the business life cycle. The research confirmed social capital theory that social networks are a means to accessing financial capital. Developers of entrepreneurial support programmes need to ensure that they contain an element of funding to support the commercialisation of innovative ideas. The recommendation to policy makers is that funding is made available to provide seed capital to previously disadvantaged individuals who are unable to attract it from their own social networks.

### **6.4. Non-financial support**

The research indicated the value received by entrepreneurs from all components of the EE, beyond the providers of financial capital. It showed that a successful enterprise also needed human capital, social capital, political and built capital or infrastructure (Bliemel

et al., 2019). The research demonstrated how entrepreneurs in the study used social networks to access non-financial support, indicating that social capital facilitated access to non-financial resources as well as financial capital.

In this study, all except one of the entrepreneurs interviewed, participated in an accelerator programme, in order to attract funding for their business. In several instances, these accelerator programmes were established by funders to ensure an ongoing pipeline of suitable investments. The study confirmed the components of the accelerator programme package described by Pauwels, Clarysse, Wright, & Van Hove, (2016) which includes mentoring, training, counseling, location services and opportunities to pitch to investors, and it underscored their importance. The study revealed how participation in accelerator programmes enhanced entrepreneurs' social capital, by enhancing their networks of advisors, fellow entrepreneurs and resource providers.

The study provided evidence that non-financial support is as important for enterprise development as financial capital. This finding showed the importance to the EE of mentors and professional service providers. It also demonstrated that social capital assists in obtaining non-financial support.

### **6.5. Gender bias**

The research demonstrated that gender stereotypes had an inhibiting effect on female entrepreneurship, lending credence to the research done by Gupta et al. (2019), which showed that commercially driven HGVs were associated with men, whereas low growth, socially motivated ventures were associated with women. The women interviewed confirmed that women were not expected to be in the engineering or technology sectors and that their credibility in those fields was questioned. Given the policy focus on HGVs, gender stereotyping places women seeking funding for HGVs at a disadvantage.

The research found that gender bias existed in the South African VC industry. It was however moderated by the uniquely South African phenomenon of BEE. In addition, the study showed that the younger generation of female entrepreneurs appeared to be better equipped than the previous generation, to deal with clients and investors who showed bias towards them.

Several research participants observed that the South African VC industry was dominated by white men, echoing the experience of women in other countries, described by Brush et al. (2018). Their experience was that they were required to put more

information into their pitches to investors than men. Both entrepreneurs and fund managers interviewed, were of the view that more diversity amongst VC fund manager would result in more favourable treatment of female entrepreneurs of all colours.

The research confirmed the social capital literature which suggests that women have less social capital in terms of access to VC social networks than men. The study indicated that one of the principal challenges faced by South African black female entrepreneurs is that by virtue of gender bias, historical inequalities, and traditional perceptions of women, they lack access to social networks which creates a consequent deficiency of social capital. This short fall in social capital makes it difficult to access resources within the EE. The female entrepreneurs who were successful in accessing VC had been able to leverage the social capital of other players in the EE. The implication for government is that it has a role to play in supporting black female entrepreneurs in compensating for their lack of social capital through appropriate policies and programmes.

#### **6.6. Differences between women and men**

This study noted a distinction between real and perceived differences between men and women. The research also highlighted the difference between men's perceptions of women and women's own perception of themselves. It was noted that women were more attuned to customer needs and had better inter-personal skills than men. This observation finds support in the literature in which it is suggested that the multiple roles that women play provide opportunities to enrich interpersonal skills, which can be deployed in a business context (Ruderman et al., 2002).

The female entrepreneurs interviewed described themselves variously as hardworking, focused on customers and customer benefits, having integrity and paying attention to detail. Most stated that they had learned to be assertive in establishing their positions as founders and demonstrating their competence when presenting their business cases to prospective funders. Several had showed courage and confidence in their business concept, by leaving promising careers to concentrate on building their business venture.

By contrast, one male fund manager interviewed found women to be over-cautious when presenting their business proposals which funders interpreted as lacking confidence in their business concepts. Even a female fund manager was of the view that many women lacked the self-belief to become entrepreneurs. Another female manager noted that many women of colour had become successful professionals in the corporate world and

appeared to prefer the safety of a corporate career. These two observations also inferred a view that many women are over-cautious and risk averse. The observations of the fund managers conform with the literature (Gimenez-Jimenez, Edelman, Dawson, & Calabrò, 2020; Carlin, Gelb, Belinne, & Ramchand, 2018). This study has however provided some evidence that caution and risk appetite are not defined by gender. The study has lent weight to the view of Malmström, Johansson, & Wincent (2017) and suggested that both male and female funders' perception of women as lacking in leadership ability, risk appetite, business acumen, experience, tenacity and agility, is unfounded.

Poggesi, Mari, & De Vita (2016) posited that women entrepreneurs may be at a disadvantage as women are less likely to have formal education in business and less prior experience in managerial positions. The female entrepreneurs in this study did not appear to suffer from this disadvantage. It appears that in South Africa, particularly with the implementation of BEE, education and career are affected more by class or financial status, than by race and gender. The entrepreneurs in this study were from affluent or at least comfortable middle-class backgrounds and did not indicate that they had lacked educational opportunities or been held back by gender in their corporate careers.

Gupta, Wieland, & Turban (2019) noted that entrepreneurs in high growth and commercial ventures were seen as having masculine traits while those in social ventures were seen to have more feminine traits. Two fund managers commented that female entrepreneurs were often more concerned with the social than the financial impact of their offering which did not always conform to funders' priorities. This observation does find some factual basis in the study as nine out of the fourteen of entrepreneurs interviewed had businesses which had community benefits – including health, education, food security, and sustainable use of recycled materials. These businesses had however attracted positive attention from funders. The conclusion is that while community spirit may be a female trait, it does not mean that female founded businesses with social impact cannot generate commercial returns sufficient to attract VC funding. There are VC fund managers who are taking greater interest in ventures with an ESG focus, based on investor demand (Eccles & Klimenko, 2019).

This study did not find evidence of gender specific character traits. It suggested that business acumen, risk appetite and leadership qualities are no more likely to be found in white male entrepreneurs than black female entrepreneurs. Several research participants had demonstrated risk appetite by leaving established corporate careers to start a new venture. They also enjoyed the support of former employers and colleagues who demonstrated confidence in their ability by being willing to back them, either directly

or through referrals. The implication for practitioners in the funding space is to be mindful of gender bias in the investment selection process and to create diversity in investment committees to reduce the possibility of bias. The suggestion to female entrepreneurs pitching to funders is that they consciously adopt a promotion focus, so that prudence is not interpreted as lack of conviction in the potential of their business concept.

### **6.7. Role of culture**

The literature indicated that entrepreneurship among black female entrepreneurs, is constrained by cultural perceptions of the traditional role of women in certain cultures, including African culture. This notion did find some support in the research; however, the findings were nuanced in that the entrepreneurs interviewed, while acknowledging the existence of cultural beliefs, had not been constrained by their culture. This finding suggested that the modern generation of women of all races is far less likely to be inhibited by tradition in their life and career choices.

There is a long-held view that women in developing countries who become entrepreneurs do so because they cannot find formal employment and out of necessity to support their families, rather than to exploit an innovation or opportunity (Ngoasong & Kimbu, 2019). While there is no doubt that that is the case for many South African women of colour (Nambiar et al., 2020), the study suggested that it is not universally true. The research participants were well-educated, and several had enjoyed successful corporate careers. They had chosen entrepreneurship, not out of necessity but because they had developed an innovative solution that they believed could be exploited commercially.

The literature suggested that women in both developed and developing countries are expected to shoulder the burden of child-care and other domestic duties (Ngek, 2018; Gupta et al., 2019). The entrepreneurs interviewed did not challenge this view. The entrepreneurs who were single and childless expressed gratitude that their status gave them the independence and freedom to focus on their businesses. Of the entrepreneurs with children, two were in business partnerships with their spouses, both of whom were extremely supportive of their having a leading role in their business ventures. The other two entrepreneurs who were married, also both spoke of their supportive spouses. Fund managers interviewed advised that women seeking to start a business needed to devote themselves to this pursuit completely and that entrepreneurship could not be combined with motherhood easily. This finding confirmed the theory that women are often constrained in their entrepreneurial pursuits, by the expectations of society that they fulfil the roles of mother and homemaker. The implication for policy makers wishing to

promote female entrepreneurship is that they need to implement programmes such as maternity benefits and affordable child-care, in order to reduce these constraints.

In conclusion, the research did not find evidence to suggest that women are genetically deficient in the qualities required for entrepreneurship. There are differences in approach between men and women, but the study did not indicate that women-led businesses underperformed relative to those led by men. This finding is borne out by research done by Malmström, Voitkane, Johansson, & Wincent (2018). The study suggested that an entrepreneur's abilities are often a matter of perception, influenced by bias rather than hard fact. The research did find that the society's expectations of women to care for home and family could limit their ability to build a business but found evidence that this effect was diminishing among the younger generation of women.

## **6.8. Relationships and networks**

The research found that social networks which enabled entrepreneurs to access resources were critical success factors in receiving early-stage funding. Motoyama & Knowlton (2017) drew attention to connections among entrepreneurs, among support organisations, and between and among entrepreneurs, supportive individuals and support organisations and their importance in maintaining a well-functioning EE.

Research participants with one exception highlighted the role that mentors had played in supporting the development of their business. Mentors fell into two categories: people drawn from the entrepreneur's personal network, namely friends, former colleagues or bosses and mentors appointed for them by accelerator programmes. Mentors were typically experienced entrepreneurs who were using the knowledge they had acquired, to advise new entrepreneurs. They demonstrated the value to the EE of "entrepreneurial recycling" of knowledge and skill, attained in earlier ventures and applied to new start-ups (Spigel & Vinodrai, 2020). The exceptional entrepreneur who claimed not to have needed a mentor, relied extensively on the internet and social media when seeking answers to business questions. Apart from dispensing advice, mentors also acted as lead generators and deal-makers for the entrepreneurs in the study, introducing them to clients and suitable funders or investors, as alluded to by Brown & Mason (2017).

All except two entrepreneurs interviewed, belonged to one or more entrepreneurial support organisations. The two exceptions were both active on social media and appeared to draw support from people whom they followed on popular platforms such as Instagram. The majority belonged to different organisations both local and



international. These organisations offered advisory and support services and connected entrepreneurs to each other. Research participants welcomed the relationships which they were able to build with their peers as these relationships enabled them to share learnings and best practice and develop a supportive culture for entrepreneurship in their regions. Membership of some of these organisations often gave the entrepreneurs credibility in the eyes of potential investors as they had to meet stringent requirements for membership, which was by invitation only.

An interesting observation was the manner in which participants sought to supplement their lack of social capital, through the use of technology. Some used the internet or social media to identify and join accelerator programmes and entrepreneurial support networks. This supports the view expressed by McAdam, Crowley, & Harrison (2020) in which the writers suggest that digital technology has the potential to level the entrepreneurial playing field for women. Digital social platforms could be argued to be becoming digital social networks which give rise to a new version of social capital. This view finds support in research done by Pergelova et al. (2019) which suggested that technology “democratised” access to international opportunities, without compromising work-life balance, thereby supporting the advancement of female entrepreneurship.

Another encouraging distinction from extant literature may be seen in the membership profile of the entrepreneurial support organisations to which the research participants belonged. Research such as that done by Neumeyer, Santos, & Morris (2019) suggested that non-white females belonged to less well-developed and well-resourced networks than white males, to the detriment of their businesses. This research did not find any evidence to suggest that women entrepreneurs of colour were excluded from any entrepreneurial support organisations, locally or internationally. In addition, the international organisations dedicated to female entrepreneurial development appeared to be well funded and well resourced.

The study found evidence of a different view of networks expressed by Hampton et al., (2015) who noted that female entrepreneurs who approached male dominated networks in the technology sector with confidence, did not struggle to gain access. One entrepreneur interviewed commented that sometimes it was an advantage to being “the only woman in the room” and enabled her to attract the attention of people to whom she wished to connect. This finding suggested that a window of opportunity may exist for women in sectors, where they have been under-represented historically. Their novelty factor may hold the key to entry into the network.

The study has found evidence that relationships with different actors within the EE, from mentors to fellow entrepreneurs, can provide access to information or opportunities, which can greatly enhance the prospects of a new business venture. The study suggests that these actors provide social capital by leveraging their own social networks to assist entrepreneurs in obtaining information and human capital which ultimately enables them to develop their businesses to a point at which they are able to raise financial capital.

The implication for theory is the reinforcement of social capital as an antecedent for entrepreneurial success. Policy makers should seek to level the playing field for disadvantaged groups who lack social capital through partnerships with private sector support organisations. Practitioners in the enterprise development sector should actively recruit experienced businesspeople, such as retired business executives, to support nascent entrepreneurs both directly and through their personal social networks.

### **6.9. Prior life and work experience**

In chapter 5, this report presents the findings regarding the age, education and experience profiles of the entrepreneurs interviewed. In this section, the report outlines the manner in which the different elements of their profile enabled them to acquire the various types of capital needed to establish their business ventures.

Education and work experience provided them with human capital. Human capital is an important component of any business, comprising education, work and life experience which can inform the entrepreneur's approach to tackling the complexities of establishing and growing a business (Coleman, 2007). Semrau & Hopp (2016) posited that human capital facilitates the accumulation of social capital in that people with higher levels of education are better able to access social networks through which they can gain access to resources. Florin, Lubatkin, & Schulze (2003) confirm that through human and social capital, entrepreneurs can acquire financial capital.

Age or maturity were considered beneficial. Older entrepreneurs had been able to accumulate savings or financial capital for their businesses. In addition, over an extended period of time they had built up skills and social networks enhancing their human and social capital as described in the preceding paragraph.

In essence, the findings of the research were that these entrepreneurs had exploited their different work and life experiences to develop and expand social networks through which they had acquired the necessary resources for their businesses.

## **6.10. Government policy**

The literature identifies public policy and institutions as a vital component of a country or region's EE (Isenberg, 2010; Mason & Brown, 2014; Spigel & Harrison, 2018). South African government policy is prima facie supportive of SME development and the advancement of women from disadvantaged groups.

The experience of entrepreneurs in the study suggested that government support for SMEs was not always effective. This finding supported research done by (Herrington & Kew, 2018b) which indicated that South Africa's support of entrepreneurship lagged that of other countries in the region. More effective appeared to have been public-private partnerships such as government funding of the privately managed SA SME Fund and the Black Business Growth Fund, and the BEE policies which have spawned private sector supplier development programmes.

The study suggests that there may be value in government reviewing its current support programmes to assess their impact and to understand which programmes are not benefitting their target audiences and why. The research further finds merit in government seeking additional partnerships with private sector resource providers to support entrepreneurs from previously disadvantaged groups, rather than provide direct support.

## **6.11. Conclusion**

This chapter presented a discussion on the findings of the research which sought to explore the role of social capital in enabling black female entrepreneurs to access the EE and obtain funding for their high growth ventures. The conclusion was that social capital enabled the acquisition of human capital which facilitated access to financial capital. Cultural capital was an enabler of social capital.

The research demonstrated that VC funders had social networks which gave them access to information, skills and financial capital, all of which could be leveraged by the entrepreneurs whom they funded. The study further confirmed the presence of homophily in VC networks, which adversely affected the prospects of black female entrepreneurs seeking VC funding.

The research found that black female entrepreneurs needed entry into the social capital embedded in social networks to obtain the necessary resources to build an attractive business model for angel investors and ultimately VC funders. Gender and race were

found to exclude these women from certain networks. They therefore needed to leverage the social capital of others, such as white male co-founders, or mentors, to be accepted within the right social networks.

The study further suggested that education was a source of social capital, in that the connections derived through fellow students and lecturers, enabled access to social networks. Likewise, a corporate career or previous experience of running a business, enabled black female entrepreneurs to acquire social capital through the social networks of former colleagues and business associates which gave access to both non-financial and financial resources.

The research indicated that black female entrepreneurs were not necessarily as risk averse as suggested by certain writers (Gimenez-Jimenez et al., 2020). The study suggested that prudence and attention to detail were sometimes misinterpreted by fund managers as caution and lack of confidence.

Culture was shown to be an inhibitor to black, female entrepreneurship. The traditional view of women as primary caregivers was seen as conflicting with the demands of a start-up business venture. In certain black communities, there was also a negative view of entrepreneurship which discouraged people from stepping outside the comfort zone of a corporate career.

Government was found to be an important player in the EE. BEE policies were seen to have had a profoundly positive effect on black female-owned businesses. The findings suggested that government intervention was most effective when supporting private sector programmes for enterprise development, rather than providing funding directly to entrepreneurs.

## 7. Chapter 7 - Conclusions

### 7.1. Introduction

The final chapter presents the contributions of the study. It includes a discussion of the principal conclusions of the research and a conceptual framework which demonstrates how the South African entrepreneurial ecosystem supports black female entrepreneurs in accessing early-stage capital. It goes on to discuss the implications for business and theory. Recommended actions for policymakers, funders and entrepreneurs are suggested.

### 7.2. Research conclusions and conceptual framework

The researcher has developed a conceptual framework to explain the processes within the EE whereby entrepreneurs exploit social capital to acquire other forms of capital, necessary for the development of their business ventures. The framework borrows from the framework of the EE as a complex adaptive system posited by Roundy et al. (2018) in that it shows the processes in the system as non-linear with multiple feedback loops between the components.

**Figure 2: Conceptual Framework of the EE using Social Capital Theory**



#### Researcher's own model

- The study has demonstrated that social capital, the resources embedded in social networks, is a critical success factor for black female entrepreneurs in accessing early-stage funding. Social capital is embedded in personal and professional networks, which are important in order to access resources (Florin et al., 2003).

- The research further indicates the dynamic non-linear processes in the EE. Through complex networks, entrepreneurs acquire the different kinds of capital, necessary to establish and grow their business ventures (Roundy et al., 2018). Information capital in the form of an innovative idea or opportunity; human capital in the form of talented and business partners and staff with complementary skills, as well as mentors and role models who provide advice and business education (Bliemel et al., 2019). The knowledge, experience and skills embodied in the human capital enable the entrepreneur to develop a business model attractive to investors, initially family, friends or angel investors and later VC funders who bring the necessary financial capital to enable the business venture to develop and scale (Sun et al., 2019).
- The study also demonstrates the different roles adopted by players within the EE. Mentors can become funders or introduce entrepreneurs to other investors. Investors can introduce entrepreneurs to their network of mentors and professional service providers or provide mentorship themselves (Brown & Mason, 2017).
- Entrepreneurs, as they advance in their entrepreneurial journey can provide both non-financial and financial support to nascent entrepreneurs (Mason & Brown, 2014). Even entrepreneurs whose initial business venture is not successful can recycle the knowledge and experience gained from it into a new venture of their own or join another entrepreneur to co-found another business (Spigel & Vinodrai, 2020). The same writers note that staff from failed enterprises can also be redeployed into other ventures, who will benefit from what they have learned.
- Knowledge institutions, such as universities and research and development houses can be a source of information capital in the form of innovation invented by the entrepreneurs themselves or by others who they identify through social networks and bring into their ventures as co-founders or employees (Spigel, 2017). Knowledge institutions can also be sources of other forms of information capital, such as business education and may provide incubation and accelerator programmes in collaboration with corporate or VC funders, thereby enhancing the human capital of participating business ventures (Ferrary & Granovetter, 2009).
- VC funders, via their social networks, can obtain information capital about new innovations and business opportunities for which they can provide financial capital or they can pass the opportunity on to one of their investee companies (Pierrakis & Saridakis, 2019).

- The research indicates the importance of institutional capital – both formal and informal, to entrepreneurial success. Formal institutions comprise the legislative and regulatory framework that underpin the EE, as well as government policies and programmes (Urban & Muzamhindo, 2018). A supportive framework will encourage entrepreneurs to seek out and develop business opportunities through their networks, whereas a formal institutional framework that is less supportive or corrupt, will not necessarily stifle entrepreneurship, but will cause entrepreneurs to engage differently with their networks to circumvent regulatory obstacles to growing their businesses (Urban & Muzamhindo, 2018).

Informal institutions encompassing culture and traditions as well as societal and family norms, perceptions, stereotypes and bias, may be conducive to entrepreneurship or discourage it. Individuals with a history of entrepreneurship amongst families and close friends are more likely to choose an entrepreneurial path. Society's view of entrepreneurship and entrepreneurs also plays a vital role (Spigel & Harrison, 2018). A society that values entrepreneurship and is supportive of all races and genders becoming business owners, is conducive to black female entrepreneurs gaining entry to business networks and social capital (Nambiar et al., 2020).

### **7.3. Implications for business**

The study demonstrates that black female entrepreneurs have the same potential for entrepreneurship as any other group, given the same antecedent conditions and circumstances. This research showed that black females with academic qualifications or professional or business experience, were capable of developing innovative ideas into commercially viable, fundable solutions. Key to this success is the right enabling framework of mentorship and a supportive policy framework. The study further indicates the potential economic benefit to the wider community of developing the entrepreneurial potential of black female entrepreneurs.

### **7.4. Implications for literature/theory**

This study has demonstrated that social capital theory may be used to explain the processes within an EE. The research showed that the effective functioning of an EE is dependent on dense social networks between the players within it (Neumeyer, Santos, Caetano, et al., 2019). As these writers infer, embedded in these networks are financial and non-financial resource - entry into the networks facilitates access to the resources.

The research presents a nuanced perspective on gender bias. The findings confirm the existence of gender bias, but simultaneously indicate that its effect is diminishing in certain networks in the face of demonstrated competence and confidence.

## **7.5. Recommendations**

### **7.5.1. To policy makers**

The study suggests that there may be merit in doing a comprehensive regulatory impact assessment of the legislative framework (e.g., company, labour and licensing laws) governing small business in South Africa to eliminate unnecessary red-tape and to simplify the process of setting up and operating a business venture. Policymakers should also review the effectiveness of government enterprise development agencies, funds and programmes, as these research findings indicate that certain initiatives appear to be under-performing or are not suitable to achieve the desired outcome. The study shows that there is merit in government sponsorship of early-stage investment programmes for previously disadvantaged groups, to the extent that policy intervention is willing to complement and increase sector private investment rather than play a leading role in the investment selection and management process (Bertoni, D'Adda, & Grilli, 2019). Policymakers should also ensure that funds and programmes established to serve previously disadvantaged groups are appropriately structured to ensure that they are accessible to the target audience.

### **7.5.2. To funders**

The study shows the importance of ensuring that entrepreneurs are educated in the requirements of funders when presenting investment pitches and post-investment. It is in the interest of the funders that entrepreneurs receive the requisite non-financial support in the form of mentorship and business skills training. The research also demonstrates the importance of angel investment or seed capital to commercialise an innovative idea. For disadvantaged groups who lack access to this kind of funding through personal networks, there is merit in funders allocating dedicated capital to this stage of enterprise development, to ensure that innovative opportunities are not lost for lack of finance.

The study also indicates that homophily is a real phenomenon in South African early-stage capital markets. Lack of diversity among fund managers appears to result in lack of diversity in investees. It is suggested that increasing the representation of previously disadvantaged groups on fund management teams, will broaden the perspective of the



team, making them more receptive to a wider range of investment opportunities. The study indicates that greater diversity would have significant financial as well as social benefits.

### **7.5.3. To entrepreneurs**

The research demonstrates that business acumen is as important as technical expertise when seeking to attract early-stage capital. Entrepreneurs need to upskill themselves or seek out mentors and professional advisors to address the skills gap. The study confirms the necessity of social capital in attracting resources to establish and scale an enterprise. Entrepreneurs from previously disadvantaged groups should consciously seek out connections which can provide access to knowledge, markets and funding. The research demonstrates that technology and social media can play a valuable role in the process of extending social networks, thereby increasing social capital.

### **7.6. Limitations of research**

The study was constrained by the fact that it was cross-sectional, limited to a fixed point in time, which also happened to coincide with a global pandemic. It was therefore not possible to gauge the progress and fortunes of the businesses over time to assess the effectiveness of the support provided through the EE, nor to isolate the effects of the pandemic on the EE.

Furthermore, the participants were drawn from only two geographic locations. The findings may not be generalisable to black female entrepreneurs in other parts of South Africa. The participants were also somewhat homogenous in terms of class in that most were drawn from comfortable backgrounds and had received good quality education. It was therefore not possible to isolate the effect of class on access to social capital and resources within the EE.

The focus of the research was on opportunity-based entrepreneurs in HGVs. Some writers have taken issue with the distinction between necessity- and opportunity based entrepreneurship, seeing it as overly dualistic and suggesting that research should consider entrepreneurial phenomena over a continuum, rather than in rigidly defined categories (Urban & Muzamhindo, 2018).

### **7.7. Suggestions for future research**

The current study was a cross-sectional study, taking a snapshot of each entrepreneur at a point in her entrepreneurial journey. Future studies would benefit from a longitudinal

approach in order to assess the progress of a business over an extended period of time, examining how the entrepreneur uses social capital to navigate the processes of the EE.

It would also be valuable to do a quantitative study to test the validity of conceptual framework set out in Figure 2, considering the nature of the relationships between the role-players within the system and quantifying the impact of cause and effect of the interactions between them.

## **7.8. Conclusion**

The study sought to determine the factors which enable black female entrepreneurs to access the resources in the EE necessary to attract early stage-capital for HGVs. The research demonstrated that financial support to enable commercialisation of an initial concept was critical as was non-financial support in the form of mentorship and business education to enable entrepreneurs to progress to the stage at which they could attract VC funders for growth capital.

The study found that social capital theory made a valuable contribution by elucidating the processes by which the entrepreneurs attracted resources through social networks. The findings indicated that black females often faced challenges in accessing social networks by reason of gender stereotypes, culture and the traditional view of women as mother and homemakers.

The research suggests that there is merit in policy makers ensuring that black female entrepreneurs are enabled by a supportive regulatory framework and funds and programmes tailored to meet their needs. It is further recommended that funders promote diversity in the teams responsible for early-stage capital investment decisions as the findings show that it will lead to diversity of investment opportunities.

Entrepreneurs create and bring to life new technologies, products and services and create new markets and jobs in the process (Adclick Africa, 2018). South Africa needs more people who are entrepreneurial and innovative to progress. All groups, of all genders and races, need to be given the same opportunities to exploit their entrepreneurial potential for the benefit of the country and its people.

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## Appendix 1: Consent request letter to entrepreneurs

Date

Name

Company

Dear Name

As part of my Masters programme at GIBS business school, I am conducting research on the experience of black, female entrepreneurs in South Africa, who access early-stage capital funding and am trying to find out more about how they use entrepreneurial ecosystems and networks to do so. Our interview is expected to last about an hour and will help me gain insight into your personal journey as a black, female entrepreneur and how you went about raising capital. Your participation is voluntary, and you can withdraw at any time without penalty. All data will be stored and reported without identifiers. If you have any concerns, please contact my supervisor or me. Our details are provided below.

Researcher name BRETT JURY

Email: [19405881@mygibs.co.za](mailto:19405881@mygibs.co.za)

Phone 0824412737

Research Supervisor SEAN SMITH

Email: [smiths@gibs.co.za](mailto:smiths@gibs.co.za)

Yours faithfully

Signature of participant: \_\_\_\_\_

Date: \_\_\_\_\_

Signature of researcher:

Date: \_\_\_\_\_

**Appendix 2: Consent request letter to fund managers**

Date

Name

Company

Dear Name

As part of my Masters programme at GIBS business school, I am conducting research on the experience of black, female entrepreneurs in South Africa, who access early-stage capital funding and am trying to find out more about how they use entrepreneurial ecosystems and networks to do so. Our interview is expected to last about an hour and will help me gain insight into your experience of dealing with black, female entrepreneurs seeking to raise seed or venture capital. Your participation is voluntary, and you can withdraw at any time without penalty. All data will be stored and reported without identifiers. If you have any concerns, please contact my supervisor or me. Our details are provided below.

Researcher name BRETT JURY

Email: [19405881@mygibs.co.za](mailto:19405881@mygibs.co.za)

Phone 0824412737

Research Supervisor SEAN SMITH

Email: [smiths@gibs.co.za](mailto:smiths@gibs.co.za)

Yours faithfully

Signature

Signature of participant: \_\_\_\_\_

Date: \_\_\_\_\_

Signature of researcher:

Date: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



## Appendix 3 Codebook

<b>Code</b>	<b>Code Groups</b>	<b>Themes</b>
○ clarity and life planning important for female entrepreneurs	the juggling act of women in business	Differences between men and women
○ Conflict between demands of entrepreneurship and bringing up children	the juggling act of women in business	Differences between men and women
○ corporates won't give female entrepreneurs a chance	the juggling act of women in business	Differences between men and women
○ difficulty of balancing work and family	the juggling act of women in business	Differences between men and women
○ difficulty of being a woman in tech	the juggling act of women in business	Differences between men and women
○ black women lack self-confidence	the triple whammy of South African black female entrepreneurs	Differences between men and women
○ black women miss out on opportunities	the triple whammy of South African black female entrepreneurs	Differences between men and women
○ black women have lower risk appetite because of family responsibilities	the triple whammy of South African black female entrepreneurs	Differences between men and women
○ don't take black women in business seriously	the triple whammy of South African black female entrepreneurs	Differences between men and women
○ exposure of women of colour to business and business terminology	the triple whammy of South African black female entrepreneurs	Differences between men and women
○ lack of sophisticated business exposure	the triple whammy of South African black female entrepreneurs	Differences between men and women
○ very few black women in STEM space	the triple whammy of South African black female entrepreneurs	Differences between men and women
○ female entrepreneurs are more cautious and methodical	women are more risk averse	Differences between men and women

○ risk appetite low	women are more risk averse	Differences between men and women
○ women are more honest than men in pitching to potential funders	women are more risk averse	Differences between men and women
○ culture not conducive to asking questions	women more community minded	Differences between men and women
○ few black female entrepreneurs apply for VC funding	women lack self-confidence	Differences between men and women
○ imposter syndrome	women lack self-confidence	Differences between men and women
○ Women don't believe they will be successful	women lack self-confidence	Differences between men and women
○ Women limit themselves	women lack self-confidence	Differences between men and women
○ female entrepreneurs more aware of social impact	women more community minded	Differences between men and women
○ helping women impacts the whole community	women more community minded	Differences between men and women
○ motivated by social justice	women more community minded	Differences between men and women
○ responsibility of being a successful black female entrepreneur	women more community minded	Differences between men and women
○ started business to address health inequality	women more community minded	Differences between men and women
○ started business to create a community	women more community minded	Differences between men and women
○ want to be a role model	women more community minded	Differences between men and women
○ women care more than men about benefits to people	women more community minded	Differences between men and women

○ women more sensitive to customer needs	women more community minded	Differences between men and women
○ advantage of being a white male	bias in VC industry	Gender bias
○ advantage to have partner who is a white male	bias in VC industry	Gender bias
○ bias of VC investors against women	bias in VC industry	Gender bias
○ Diverse VC teams will promote diverse founders	bias in VC industry	Gender bias
○ female entrepreneurs get filtered out by VC funders earlier in the investment selection process	bias in VC industry	Gender bias
○ hard to navigate VC networks	bias in VC industry	Gender bias
○ Male VC funders not open to solutions to female problems	bias in VC industry	Gender bias
○ not a lot of female funders in SA makes it harder for female entrepreneurs	bias in VC industry	Gender bias
○ VC funders are mostly white male	bias in VC industry	Gender bias
○ white males have greater access to start-up capital	bias in VC industry	Gender bias
○ women entrepreneurs are rare	bias in VC industry	Gender bias
○ women find it harder to access certain networks	bias in VC industry	Gender bias
○ women investors believe in women entrepreneurs	bias in VC industry	Gender bias
○ man ridiculed business concept	male bias	Gender bias
○		

○ men don't understand products designed for women	male bias	Gender bias
○ men struggle to work with women	male bias	Gender bias
○ need to be assertive	male bias	Gender bias
○ women must demonstrate successful business model - men can outsource everything	male bias	Gender bias
○ women must work much harder than men	male bias	Gender bias
○ women need to position themselves to be taken seriously	male bias	Gender bias
○ women struggle to sell business concept to investors	male bias	Gender bias
○ black women are overlooked in business	male bias	Gender bias
○ black women face barriers even after receiving funding	male bias	Gender bias
○ perception of government support programmes	government support	Government policy
○ role of government	government support role of government	Government policy
○ Black Industrialist Scheme funding not feasible for start-ups	inappropriate support programmes	Government policy
○ advantage of being a black woman in business	role of BEE	Government policy
○ black owned companies get funding because of connections not qualifications	role of BEE	Government policy
○ funds want the benefit of BEE status	role of BEE	Government policy
○		

○ importance of BEE credentials	role of BEE	Government policy
○ value of BEE status	role of BEE	Government policy
○ government BEE procurement policy provided opportunities	role of government	Government policy
○ government don't automatically support black owned tech businesses	role of government	Government policy
○ government support geared towards BEE	role of government	Government policy
○ government support has not been forthcoming despite running a programme for a government department	role of government	Government policy
○ inadequate government support	role of government	Government policy
○ obtained funding from SEFA	role of government	Government policy
○ obtained funding from the Department of Arts and Culture	role of government	Government policy
○ provincial government do business introductions	role of government	Government policy
○ received grant funding	role of government	Government policy
○ received support from the Department of Science and Technology	role of government	Government policy
○ SEFA application for funding seen as long and arduous	role of government	Government policy
○ Allan Gray Fellowship offers a lifetime community of entrepreneurs	non-financial support from entrepreneurial support organisation	Non-financial support
○ Allan Gray fellowship provides a valuable network	non-financial support from entrepreneurial support organisation	Non-financial support

○ Allan Gray programme offered structure and a coach	non-financial support from entrepreneurial support organisation	Non-financial support
○ Allan Gray provided active support systems	non-financial support from entrepreneurial support organisation	Non-financial support
○ membership of international entrepreneurial organisation has provided international exposure	non-financial support from entrepreneurial support organisation	Non-financial support
○ benefit of belonging to an entrepreneurial association	non-financial support industry bodies/professional organisations	Non-financial support
○ learning from successful start-ups internationally	non-financial support industry bodies/professional organisations	Non-financial support
○ support from industry bodies	non-financial support industry bodies/professional organisations	Non-financial support
○ support of entrepreneurial organisations	non-financial support industry bodies/professional organisations	Non-financial support
○ VC is a male dominated industry	non-financial support industry bodies/professional organisations bias in VC industry	Non-financial support
○ advisor built first financial model for business	non-financial support mentors	Non-financial support
○ advisors	non-financial support mentors	Non-financial support
○ family friend inspired spirit of entrepreneurship	non-financial support mentors	Non-financial support
○ importance of role models	non-financial support mentors	Non-financial support
○ lack of sponsorship is a challenge	non-financial support mentors	Non-financial support
○ mentorship	non-financial support mentors	Non-financial support
○		

○ mentorship from angel investor	non-financial support mentors	Non-financial support
○ valuable advice from mentor	non-financial support mentors	Non-financial support
○ business advisory support by funder	non-financial support VC fund managers	Non-financial support
○ importance of having a funder who gets involved in the business	non-financial support VC fund managers	Non-financial support
○ Mentorship and support from VC fund manager	non-financial support VC fund managers	Non-financial support
○ People in the VC offer active support systems	non-financial support VC fund managers	Non-financial support
○ Private equity company provided office space, shared resources, and client introductions	non-financial support VC fund managers	Non-financial support
○ VC funder introduced entrepreneur to debt funder	non-financial support VC fund managers	Non-financial support
○ VC funder helps with pitching and deal structuring	non-financial support VC fund managers	Non-financial support
○ VC funder provides financial education	non-financial support VC fund managers	Non-financial support
○ VC funder understood and appreciated technology	non-financial support VC fund managers	Non-financial support
○ some investors aren't a good fit	non-financial support VC fund managers disadvantages of VC investment	Non-financial support
○ accelerator programme gave access to network	power of accelerator programmes	Non-financial support
○ accelerator programmes enabled business to scale	power of accelerator programmes	Non-financial support
○ accessing funding by entering competitions	power of accelerator programmes	Non-financial support

○ being part of accelerator programme assisted in getting funding	power of accelerator programmes	Non-financial support
○ benefit of participation in an accelerator programme	power of accelerator programmes	Non-financial support
○ funding from accelerator programme	power of accelerator programmes	Non-financial support
○ joined an accelerator programme in London	power of accelerator programmes	Non-financial support
○ joined an accelerator programme in New York	power of accelerator programmes	Non-financial support
○ age gives credibility	entrepreneurial background	Prior life/work experience
○ brother has left a corporate career to start a business	entrepreneurial background	Prior life/work experience
○ entrepreneurial family background	entrepreneurial background	Prior life/work experience
○ entrepreneurial personality	entrepreneurial background	Prior life/work experience
○ started own business at a young age	entrepreneurial background	Prior life/work experience
○ challenge of no track record	entrepreneurs prior experience	Prior life/work experience
○ importance of industry knowledge	entrepreneurs prior experience	Prior life/work experience
○ importance of learning from failure	entrepreneurs prior experience	Prior life/work experience
○ importance of persistence	entrepreneurs prior experience	Prior life/work experience
○ importance of life experience	entrepreneurs prior experience	Prior life/work experience
○ needed because of experience	entrepreneurs prior experience	Prior life/work experience
○		



○ shifted business idea in response to market	entrepreneurs prior experience	Prior life/work experience
○ academic qualifications	entrepreneur's skill and expertise	Prior life/work experience
○ advantage in pitching to understand tech	entrepreneur's skill and expertise	Prior life/work experience
○ benefit of professional qualification	entrepreneur's skill and expertise	Prior life/work experience
○ importance of education	entrepreneur's skill and expertise	Prior life/work experience
○ importance of understanding finance	entrepreneur's skill and expertise	Prior life/work experience
○ lack of knowledge of how VC works	entrepreneur's skill and expertise	Prior life/work experience
○ qualified as a CA	entrepreneur's skill and expertise	Prior life/work experience
○ scholarship to do overseas MBA through British Council	entrepreneur's skill and expertise	Prior life/work experience
○ studied business science at UCT	entrepreneur's skill and expertise	Prior life/work experience
○ benefits of privileged upbringing	family support makes a difference	Prior life/work experience
○ brother inspired her to do mechanical engineering	family support makes a difference	Prior life/work experience
○ financial support from parents	family support makes a difference	Prior life/work experience
○ Found out about Allan Gray programme through brother at private school	family support makes a difference	Prior life/work experience
○ funding from family	family support makes a difference	Prior life/work experience
○ parents are entrepreneurs	family support makes a difference	Prior life/work experience
○		

○ support of family	family support makes a difference	Prior life/work experience
○ support of spouse	family support makes a difference	Prior life/work experience
○ White entrepreneurs have benefit of financial support from family and friends interned at RMB and Investec	family support makes a difference	Prior life/work experience
○ investment banking experience	prior experience in corporate	Prior life/work experience
○ overseas work experience	prior experience in corporate	Prior life/work experience
○ previously worked in advertising and marketing	prior experience in corporate	Prior life/work experience
○ prior work experience	prior experience in corporate	Prior life/work experience
○ value of professional experience	prior experience in corporate	Prior life/work experience
○ worked for Public Investment Corporation	prior experience in corporate	Prior life/work experience
○ first business was a mobile beauty business	prior experience in own business	Prior life/work experience
○ prior experience in own business	prior experience in own business	Prior life/work experience
○ ran a successful tech business previously	prior experience in own business	Prior life/work experience
○ business partner former colleague	importance of team members	Relationships and networks
○ Business partner is a white woman	importance of team members	Relationships and networks
○ Business partner is an actuary - complementary skills	importance of team members	Relationships and networks

○ cofounder is a university lecturer	importance of team members	Relationships and networks
○ complementary business partners	importance of team members	Relationships and networks
○ great business partnerships have shared values	importance of team members	Relationships and networks
○ importance of looking after employees	importance of team members	Relationships and networks
○ importance of partners	importance of team members	Relationships and networks
○ importance of the right business partner	importance of team members	Relationships and networks
○ partner came up with new business concept	importance of team members	Relationships and networks
○ Partners need to be dedicated to the business	importance of team members	Relationships and networks
○ the wrong business partner is damaging to the business	importance of team members	Relationships and networks
○ asking for advice leads to building relationships	network as source of resources	Relationships and networks
○ funding through networks	network as source of resources	Relationships and networks
○ importance of female networks	network as source of resources	Relationships and networks
○ importance of networks	network as source of resources	Relationships and networks
○ importance of networks with financiers	network as source of resources	Relationships and networks
○ importance of relationships	network as source of resources	Relationships and networks
○		

○ importance of support structure	network as source of resources	Relationships and networks
○ networks are a source of business advice	network as source of resources	Relationships and networks
○ obtained funding from investor met at a presentation	network as source of resources	Relationships and networks
○ PIC introduced entrepreneur to VC funder	network as source of resources	Relationships and networks
○ professional network	network as source of resources	Relationships and networks
○ Profile of VC investors informs networks	network as source of resources	Relationships and networks
○ informs investee profit		
○ relationship with university gives access to talent	network as source of resources	Relationships and networks
○ support from ex colleagues	network as source of resources	Relationships and networks
○ support from friends and colleagues	network as source of resources	Relationships and networks
○ value of attending conferences	network as source of resources	Relationships and networks
○ benefit of connections to university	support of academic institution	Relationships and networks
○ support from university incubators	support of academic institution	Relationships and networks
○ challenge of demonstrating idea is bankable	what investors want	Requirements of funders
○ different funders have different requirements	what investors want	Requirements of funders
○ entrepreneurs don't always speak the language of investors and clients	what investors want	Requirements of funders

○ importance of demonstrating a market	what investors want	Requirements of funders
○ importance of marketing and product	what investors want	Requirements of funders
○ Insufficient commercial impact deters VC investors	what investors want	Requirements of funders
○ investors don't want too much detail, just the basics	what investors want	Requirements of funders
○ investors looking for entrepreneurial passion	what investors want	Requirements of funders
○ investors prefer series A funding to seed investment	what investors want	Requirements of funders
○ investors want returns	what investors want	Requirements of funders
○ lack of governance is an issue for investors	what investors want	Requirements of funders
○ Many entrepreneurs don't validate their ideas before applying for funding.	what investors want	Requirements of funders
○ need a well-constructed business plan	what investors want	Requirements of funders
○ need to explain business benefits to potential funders	what investors want	Requirements of funders
○ need to have a workable business idea to pitch successfully	what investors want	Requirements of funders
○ not many early-stage VC funders in SA	what investors want	Requirements of funders
○ pitching to potential investors	what investors want	Requirements of funders
○ successful pitching is about selling business concept	what investors want	Requirements of funders

○ VC funders looking for innovative tech solutions	what investors want	Requirements of funders
○ VC funders want to see a prototype before they invest	what investors want	Requirements of funders
○ VC funders looking for minimum viable product and customer base	what investors want	Requirements of funders
○ disadvantage of VC - dilution of equity	disadvantages of VC investment	Requirements of investors
○ importance of timing VC investment	disadvantages of VC investment	Requirements of investors
○ Misalignment between requirements of grant funders and VC funders	disadvantages of VC investment	Requirements of investors
○ too early for VC fund to invest	disadvantages of VC investment	Requirements of investors
○ VC new in South Africa	disadvantages of VC investment	Requirements of investors
○ VC requirements	disadvantages of VC investment	Requirements of investors
○ VC terms unacceptable risk premium	disadvantages of VC investment	Requirements of investors
○ Black founders do not want to give up the perks of corporate jobs	safety of corporate career	Role of culture
○ black people have unfavourable perception of entrepreneurship	safety of corporate career	Role of culture
○ hardship of being an entrepreneur vs having a corporate career	safety of corporate career	Role of culture
○ moving from job to business full time	safety of corporate career	Role of culture
○ temptation of a corporate career	safety of corporate career	Role of culture
○ more opportunities for female entrepreneurs are emerging in SA	South African business culture	Role of culture

○ social entrepreneurs need funders who understand impact as well as profit	South African business culture	Role of culture
○ South African culture fixated on succeeding first time	South African business culture	Role of culture
○ South African investors are obsessed with revenue rather than building the business	South African business culture	Role of culture
○ South Africans are more race conscious	South African business culture	Role of culture
○ unconscious bias towards black female entrepreneurs	South African business culture	Role of culture
○ world of business is very cut-throat	South African business culture	Role of culture
○ funding from own resources	bootstrapping	Seed capital
○ secondary sources of income	bootstrapping	Seed capital
○ funding from angel investments	financial support angel investors	Seed capital
○ funding from angel investors	financial support angel investors	Seed capital
○ funding from SA SME Fund	financial support angel investors	Seed capital
○ funding raised from pitching competition	financial support angel investors	Seed capital
○ support from former employer	financial support angel investors	Seed capital
○ academics welcome the opportunity to apply their knowledge	support of academic institution	