



Institutional Correlates Influencing MSME Business Processes in South Africa

Dr. Taofeek Adejare Owoseni^{1,2} 

¹ *Wits Business School (WBS), University of the Witwatersrand, 2050, Johannesburg, South Africa*

² *Centre for Foundations & Interdisciplinary Studies (CFIS), Baze University, Abuja, Nigeria*

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*Corresponding author: Dr. Taofeek

Adejare Owoseni

E-mail:

taofeek.owoseni@bazeuniversity.edu.ng

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ABSTRACT

Institutional correlates affecting micro, small, and medium enterprises (MSMEs)' business processes and operations across different economies are wide, somewhat distinct, and varied, yet they lack a concise and integrated approach. The emerging South African economy further presents an interesting case, given its apartheid history with the white ethnic minority dominance and unequal spatial economy for entrepreneurs. This paper investigates various institutional correlates that could influence business processes and operations. The paper utilised a qualitative interview approach to derive the essential correlates along socio-cultural, political and economic dimensions. Interview responses from thirty-two entrepreneurs running micro, small and medium enterprises in Cape Town, Durban and Johannesburg were analysed using ATLAS.ti. Institutional theory and extant literature informed the emergent patterns. The positive and negative correlates signify what works, what can be continued, and what needs to be changed using institutional reforms. Relevant implications offer initial guidelines for research into institutional dynamics and public policies for enterprise development relevant to MSMEs in emerging economies.

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1. Introduction

If you ask any entrepreneur the reason for being in business, the answers will be as different and varied as the number of entrepreneurs you meet in time and space. Similarly, they will have different experiences

regarding the institutional and environmental factors influencing business operations and processes. However, a few things are likely to be in common among entrepreneurs, no matter how faintly defined their vision might be. They will have at least a business goal, make decisions daily or at intervals

(routine and/or strategic), and seek specific outcomes for their efforts (financial or otherwise).

The negative impacts of institutional and environmental factors on decision-making in small businesses may have far-reaching effects beyond just the outcome criteria. It may include continuous existence, survival, discontinuance and exit, with broader implications for jobs, capital assets, productivity and time losses. Due to their small sizes, small businesses are prone to institutional or environmental shocks (Charfeddine & Zaouali, 2022; Kabir & Abubakar, 2022; Wang et al., 2023). Also, enterprises vary in their responses to institutional and environmental changes (Chen et al., 2022).

Examining institutional conditions regarding the entrepreneurship process is better for public policy planning, as it assists policymakers in initiating and targeting reforms appropriately than individual-level factors that take more time to be affected by public policy (Bradley et al., 2021; Wang et al., 2023). Notably, the South African business environment is challenging for small businesses (Gqoboka et al., 2022; Mkhonza & Sifolo, 2022), the peculiarity of emerging markets as different from developed economies (Khan et al., 2024), the prevalence of studies in SMEs-environment fit with positivist leanings (Lv et al., 2021; Mahohoma, 2024), and unequal spatial economy for entrepreneurs in South Africa, advantageous primarily to some races based on an advantageous background over others (Enaifoghe & Ramsuraj, 2023; Mokalapa et al., 2024; Ngubane et al., 2023) laid the foundation for this study. Therefore, invoking institutional theory, utilising a qualitative interview approach, and deriving concise and easy-to-relate institutional correlates within an emerging African economic context fills an essential vacuum in the empirical literature and methodology.

Following this introduction is the literature review on institutions and small businesses, followed by the theoretical perspectives, the methodology and analytical approach, the results, the discussions, the implications and the concluding section.

2. Literature Review

2.1. Institutions and Small Business

The entrepreneurial environment that supports businesses to emerge and thrive has been of considerable interest in various economies. Concerns about how certain institutional variables—referred to as correlates in this paper—could influence

entrepreneurial processes at different stages in the development path laid the groundwork for this study. The SME-environment fit literature adopts an institutional perspective (Akenroye et al., 2024; Liu et al., 2020), including the Global Entrepreneurship Monitor (GEM) and Global Competitiveness Index (GCI). Although the concept and application of institutions vary in practice and among scholars, the paper adopts perspectives of institution arrangements where firms are embedded (Hughes et al., 2021) and as formal and informal rules that constrain, enable, empower or reward behaviour (Godlewska, 2021; Kafouros et al., 2022). Correlates have become an acceptable description of institutional variables or factors across different fields (Durham, 1999; Kim et al., 2021).

There is a general understanding that small businesses are vital for job creation in developed and developing economies (Hanuun et al., 2023). Some evidence suggests that institutional variables determine the rate of entrepreneurial startups (Charfeddine & Zaouali, 2022; Kayode-Ajala, 2023; Nguyen et al., 2021) and total entrepreneurial activity (Bjørnskov et al., 2022), survival (Court & Ariekpar, 2022) and internationalisation (Alam et al., 2022; Loganathan & Subrahmanya, 2021). The evidence points to the fact that institutions are important determinants of entrepreneurial behaviour (Kryeziu et al., 2023; Özbek et al., 2022; Salami et al., 2023) and capable of impacting, directly and indirectly, the rate at which people allocate and exert efforts based on available incentives within their environment (Di Vaio et al., 2022; Li, 2022; Salami et al., 2023).

GEM's 'Entrepreneurial Framework Conditions' (EFCs) indicate variables that can hinder or stimulate entrepreneurship activity within a country (Xavier et al., 2012). The EFCs place a high premium on the role of government, the private sector, and social and cultural norms. Generally, institutional dimensions of social-cultural, political, and economic factors support the EFC's conceptual framework.

Emerging economies exhibit peculiar institutional contexts different from developed economies (Xu & Meyer, 2013). The emerging economies are usually characterised by inefficient and less transparent markets, with government and related entities acting as both regulators and active economic players, often using state-owned or state-controlled firms. This situation is accompanied by increased network-based behaviours, increased risk, and uncertainty due to the high volatility of key economic, political, and institutional variables. Available evidence indicates that the institutional environment influences the

structure of economic, political and social incentives (Bradley et al., 2021; Finnegan, 2021). Institutions are to reduce transactional costs of behaviour (action), determine the structure of exchange (Sgroi & Sciancalepore, 2022), whose enforcement depends on a third party (Kim et al., 2020) and govern the performance of the economy (Chen et al., 2022).

For this paper, institutional correlates are related but specific variables that can have direct and/or indirect influence on business processes, with the possibility that any emerging effect (positive or negative) can be addressed using institutional and/or transactional arrangements within the business environment. The paper adopts a broad definition of small business from the National Small Business (NSB) Act in South Africa, including unincorporated enterprises (NSB, 2004).

The extant literature varies in its approaches to studying institutions in emerging economies. This paper broadly groups institutional arrangements into economic, political, and socio-cultural dimensions (Arestis et al., 2022). Specifically, socio-cultural dimensions can be viewed as how socio-cultural norms support or discourage business venturing, income generation and wealth creation (Xavier et al., 2012). South African society comprises two classes: highly educated and wealthy elites and the poor and poverty-ridden other class (Koelble, 2022; Koot et al., 2024). With increasing unemployment and inequality rates, an indication that contextual opportunities and growth do not lead to poverty reduction among black South Africans (Ngubane et al., 2023). A society supportive of entrepreneurship will have essential socio-cultural correlates that include positive dispositions towards business enterprises, capable and successful entrepreneurs who can act as role models, support entrepreneurs in their efforts to start again after a failure, networking and relationship opportunities with successful entrepreneurs and societal norm that promote recognition and reward system (Vatavu et al., 2022). Business owners with good social networks and role models are usually high-performers because they are more able to utilise network resources for patronage and support (Sahiti, 2023; Silva et al., 2022). Evidence shows that networks influence risk-taking (Gurtu & Johny, 2021; Hock-Doepgen et al., 2021), the startup process and making the first sales/profit (Dasawat & Sharma, 2023; Huang et al., 2022).

According to the Global Competitiveness Index (GCI), small businesses within an efficient economy like South Africa are to benefit from technology readiness, a viable stock market, and adaptive fiscal

and monetary policies. In addition to efficient transport systems, housing policies, a viable real estate sector, attractive land policies, and economic growth, these policies guarantee good living standards and improved lives (Mishi et al., 2023; Nel et al., 2023).

Further, economic institutional correlates will include providing accessibility to basic infrastructure like road networks, affordable energy, internet technology, public health care, quality educational systems and skills development (Bradley et al., 2021; Chen et al., 2023). Also, an efficient economy offers accessibility to different modes of financing, support for new startups and growing enterprises (Kayode-Ajala, 2023) and allocates entrepreneurial efforts (Arestis et al., 2022; Wei & Duan, 2024).

Context, to a greater extent, influences entrepreneurial activity and success. In 2019, private equity and lending decreased compared with previous years, and the capacity of enterprises was still low despite some improvement. The South African context must be intricately assessed with the economy, unemployment rates, entrepreneurship development, and the standards of education, among others (Bowmaker-Falconer & Herrington, 2020).

There is a vast capacity gap among South African entrepreneurs, particularly among young people (Ndlovu et al. 2024). Impliedly, entrepreneurs seem not to be exploring the full benefit of business opportunities in the country. Skills shortages can hamper the development of entrepreneurship and business enterprises in the country despite the availability of relevant infrastructure. Educational systems, both in quality and depth, are vital for entrepreneurial capacity development, as they propel the quality of labour available for absorption into the business and commercial sectors (WEF, 2020; Xavier et al., 2012). Educational attainment (Maziriri et al., 2022; Mxunyelwa, 2024) and entrepreneurial and human capital diversity are equally vital resources for enterprise development and economic growth (Pavel & Pia, 2024). Immigration laws can be utilised for economic gain (Zhang & Chun, 2018). By generating favourable conditions for the immigration of highly skilled individuals, countries can gain some benefit from an influx of talent, which can encourage innovation, enhance productivity, and foster the development of new industries.

Political correlates such as legal systems, intellectual property protection, labour relations, fighting corruption, and regulatory environment are essential. An inverse relationship exists between

entrepreneurial efforts, such as starting a business, and obtaining credit, and public sector governance, including corruption, on economic growth (Awwad, 2023). Therefore, corruption can reduce efforts devoted to high-growth entrepreneurial efforts and vice versa. A not-so-developed legal system can breed rent-seeking behaviours to the detriment of productive entrepreneurial behaviours (Fioroni et al., 2024). Notably, the political system should promote intellectual property protection, adequate commercial and financial transactions laws, laws regarding contract breaches, an efficient justice system through courts, freedom of speech, and the rule of law (Ibrahim et al., 2024; Iristian, 2024; Mahmutovic & Alhamoudi, 2024).

According to Chung et al. (2024), intellectual property protection influences entrepreneurial growth aspirations. Also, in the US, findings by Reddick and Ponomariov (2023) show that having better education institutional structures and characteristics can generate a more significant return on investment for the learners. Similarly, a state can attract and generate a per capita increase in venture capital investments, registered patents, sole proprietorship growth, and startup rate growth with quality institutions and infrastructures (Li, 2022). According to the Global Competitiveness Report, South African entrepreneurs are constrained by regulations that negatively impact the quality of education, wage flexibility, contract transparency, trust in government and corruption (WEF, 2020).

The paper seeks to expand this position using interviews to generate empirically relevant qualitative data based on the experiences of business owners, complementing existing data and evidence, and to bring essential dynamics into institutional correlates relevant to small business environments in emerging economies. This is important because suitable institutions assist entrepreneurs in developing propensity and ability to enterprise (Gnyawali & Fogel, 1994).

2.2. Theoretical Perspective

The paper adopts institutional theory. There is substantial agreement in the literature that institutions can shape the growth trajectory within an economy (Achuo et al., 2024; Adom & Ackom, 2023; Degbedji et al., 2024), especially within developing and emerging economies (Sobhan & Hassan, 2024; Tetteh et al., 2023). Scholars' approaches to institutional frameworks have primarily been influenced by Institutional theory in sociology (DiMaggio &

Powell, 1983) and institutional economics (North, 1990; North, 1991).

Numerous challenges driven by institutional factors have emerged, restricting and altering sustainability and development across various societal aspects. Institutions are the constraints humans create that shape political, economic, and social interactions. It involves both formal rules and informal constraints. The goal is to ensure orderliness and minimise uncertainties. It guides the direction of economic change towards growth, stagnation, or decline (Jwa, 2024). According to neo-institutionalists, institutions are social arrangements (not variables) with adaptive and resilient characteristics. These bi-directional characteristics of an institution make it both flexible and complex (Valdez & Richardson, 2013). Therefore, institutions can influence behaviour and can also be influenced (Kryeziu et al., 2023; Yuan et al., 2024). According to the institutional theory, the institutional context influences individual behaviour and firms within the circle of influence (Abid et al., 2024; Aschauer & Quick, 2024; Özbek et al., 2022).

An institution involves both formal rules and informal constraints that evolve with time. It guides the direction of economic activities and change towards growth, as it helps to reduce uncertainties and create order within the society (North, 1991). There is extensive and profound scholarship on the institutional perspective in entrepreneurship (Bläse et al., 2024; Cerviño et al., 2024; Hossain et al., 2024; Lima et al., 2024; Sobhan & Hassan, 2024). Every economy faces the daunting task of improving entrepreneurial practice using institutions that can truly deliver empowerment to MSMEs. However, institutionally induced constraints can impact business outcome metrics like performance, success and survival. Whereas, the goal of institutional arrangement is to achieve an MSMEs-friendly regulatory environment that is inclusive and non-threatening for business survival. Due to limited scholarly efforts in addressing economic, socio-cultural and political perspectives of institutions as they affect businesses in emerging economies, the paper attempts to address this gap by finding correlates that support or discourage business operational practices and efficiency.

The challenge of improving entrepreneurial practice in all economies is at the heart of institutions that enable and empower. Constraints impact business-level outcomes like performance, success, and satisfaction. MSMEs desire a well-functioning regulatory environment that is inclusive and non-suffocating for survival.

3. Methodology and Analytical Approach

3.1. Description of the Sample and Sampling Procedure

The study utilised purposive sampling because of its flexibility and easy-to-reach characteristics across different sub-groups of participants (Dahal et al., 2024). Three years of business operation experience was utilised to screen the participants, and interview questions were developed from the extant literature. The reference database was obtained from South Africa's Companies and Intellectual Property Commission (CIPC), with a population of 31,155 registered businesses, as part of a more extensive study. The researcher and two trained research assistants with research experience conducted the interviews in person across the three selected locations in Cape Town, Durban and Johannesburg. The respondents comprised of 19 males and 13 females. Participants participated voluntarily, with interview sessions lasting an hour or less, depending on the respondents. The interviewers kept audio recordings and field diaries as part of the proceedings following the ethics protocols approved by the University of the Witwatersrand, South Africa.

3.2. Analytical Approach

The analysis was conducted with ATLAS.ti software. Two-stage approaches were utilised. First, primary data (Transcribed audio responses) was loaded into the software, followed by inductive and deductive code derivation that aligned with the research objectives. The objective is to have manageable data for analysis. The next stage in the secondary coding was conducted to ensure data fitness and alignment with the corresponding codes. The support team reviewed the interview transcription and primary document before the codes were merged. The merging process was followed with data cleaning using a code analyser to remove similar and redundant codes. The goal of using a code analyser was to ensure intercoder reliability. It was this process that tested the reliability of the codes.

ATLAS.ti Boolean operators (query tools) allowed us to reassemble and constantly compare quotations' similarities and differences, rival explanations for observations, and negative instances. The analytical approach of content analysis occurred at this stage because emerging excerpts could be merged where necessary. The final stage of the analysis involved concept development and theory building using theory tools. The emergent network diagrams depict the relationship among, and between codes and quotations.

4. Presentation of Results

In line with the institutional focus, three institutional dimensions emerged: socio-cultural, economic and political, and relevant correlates under each dimension were derived. The emergent socio-cultural correlates are cultural barriers, security and crime, interracial marriage, race or gender, language, and family support. Furthermore, the emergent political correlates are poor government patronage (especially for non-indigenes), political mistrust and corruption, labour and unemployment, and non-tariff trade barriers/xenophobia, which emerged strongly as political contextual issues. Lastly, the economic emergent correlates are business finance, value chain development, opportunities, enterprise support, inflation, exchange rates, running costs, tariffs, utility bills, taxes, regulatory compliance, infrastructure, location, and skilled labour.

The correlates could have a negative or positive impact, depending on the entrepreneurs' operational experience, as shown in the network diagrams in Figures 1, 2, and 3. The results are presented in turn.

4.1. Socio-cultural dimension correlates

The socio-cultural correlates are highlighted in the network diagram in Figure 1, and further details are discussed below.

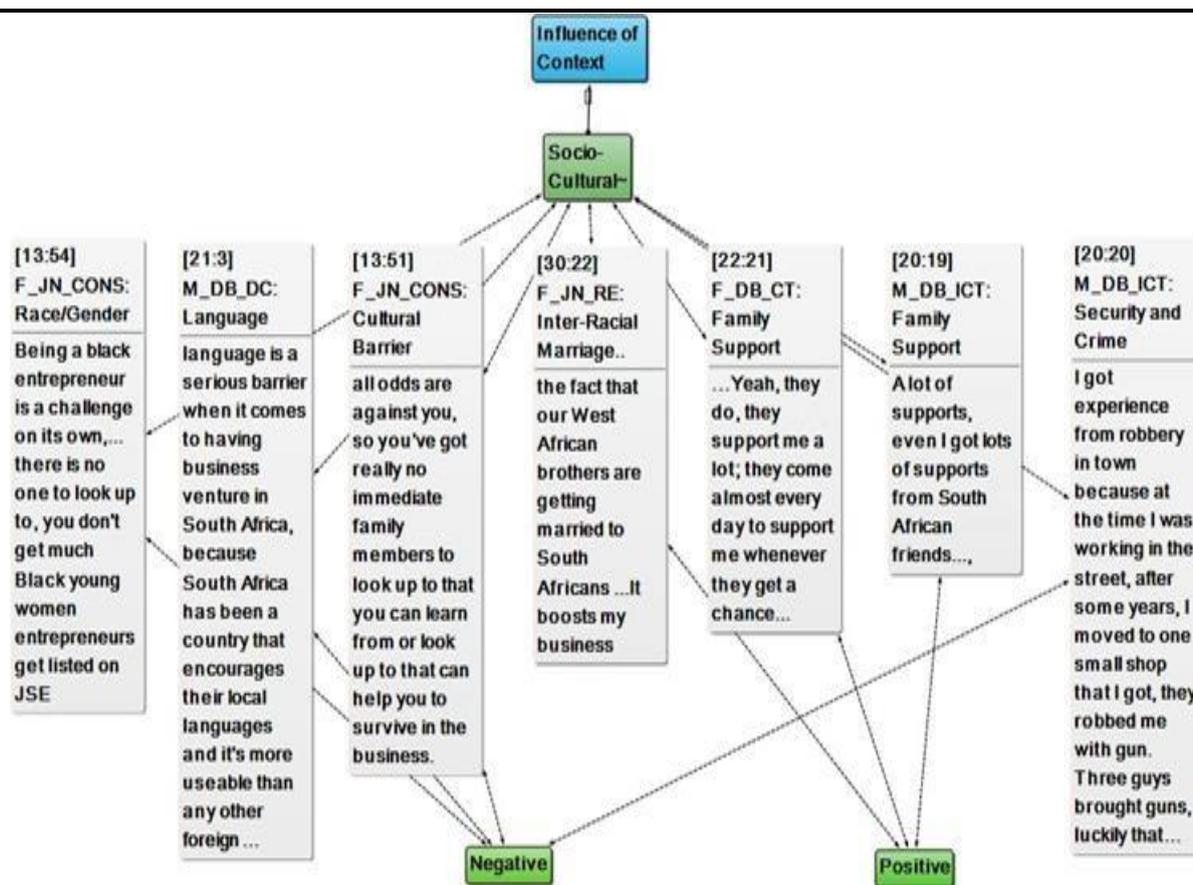


Figure 1: Network view describing the socio-cultural dimension correlates

From the results in Figure 1, gender bias exists within South Africa. The influence of the male gender is substantially higher, and limited opportunities for females in the business space are substantially male-dominated, challenging for females in general and black business owners in particular. Non-indigenous business owners are disadvantaged by limiting factors such as language barriers that reduce business and social-cultural interactions. As a corollary, the existence of cultural barriers further highlights the issues of language, race, and gender biases for the non-indigenes. However, interracial marriage was noted to have positive business implications for migrant entrepreneurs, as it stimulates consumer range and product range, increased patronage and larger market share. A supportive family is both a morale booster and increases business patronage.

However, respondents viewed security and crime differently across locations. From Durban, the perception was a lot more favourable than that of Johannesburg. Notably, the law enforcement agents

(South African Police and Metropolitan) were commended for their significant positive impact on crime rate containment. However, for Johannesburg, a not-so-pleasant perception emerged. When faced with security and crime challenges, business owners invested in preventive security measures, including having private security, installing cameras, and installing burglar bars. However, evidence emerged that providing personal or individual security adds to the cost of business operations. This is in addition to costs associated with robbery incidents, absence from office, and hiring outside secured locations for meetings due to fear of being attacked or robbed. These emergent negative correlates significantly impact productivity, efficiency, performance and business cost.

4.2. Political Dimension Correlates

Figure 2 presents the emergent institutional correlates under the political dimension, and the other findings are discussed below.

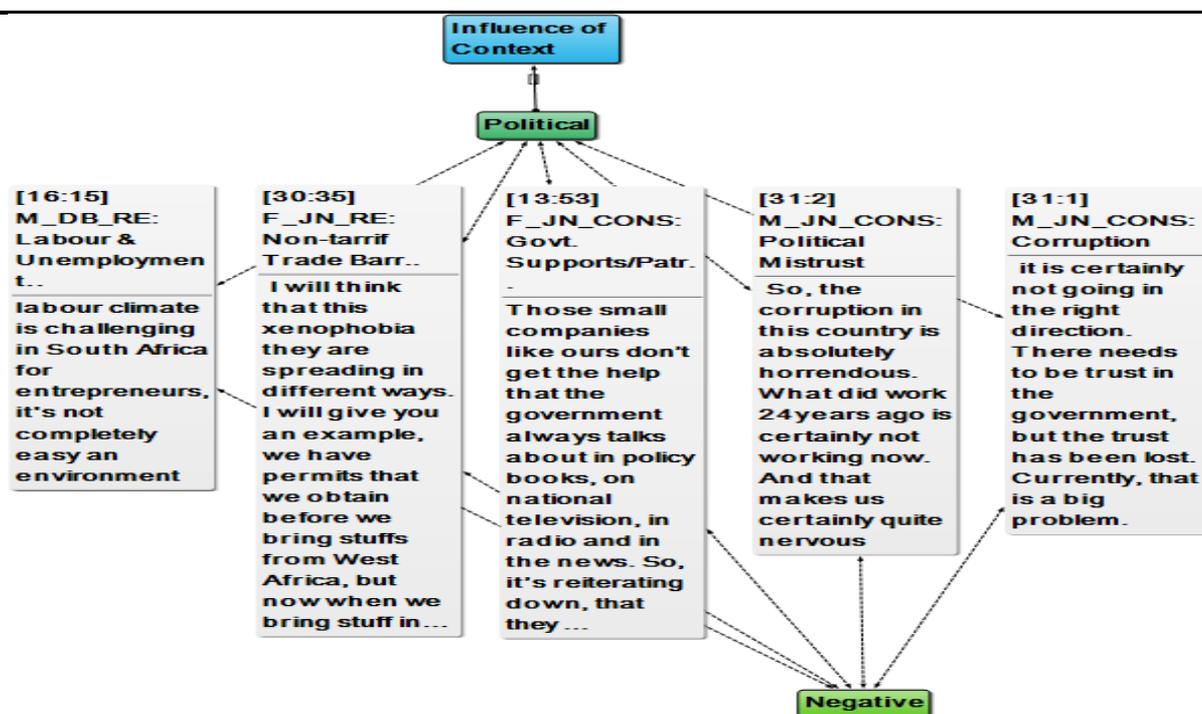


Figure 2: Network view describing the political dimension correlates

All the derived political correlates had a negative impact. Unemployment was found to be very high and had profound effects on business. The political context indicates deliberate and non-formal administrative bottlenecks against non-indigenous business owners. The trade authorities use non-tariff trade barriers against migrants who import ethnic food items from other African countries, like Ghana and Nigeria. Also, a high unemployment rate does not portend a positive outlook for businesses in general. As business owners are battling with a lack of requisite skill sets within the economy, increasing unemployment portends a negative outlook, with the possibility of increasing the crime rate.

Further, government-acclaimed support for small businesses was found not to be clear-cut, especially for those in specialised and highly competitive businesses such as the construction industry, where the demand for experience and competition is high. This finding is further elaborated in this excerpt:

... you've got certain requirements which only big organisations can fulfil, they can take certain jobs from the government, and we all know that the government is the biggest employer, you fail to get jobs from the government, then you fail to grow...

Female, Johannesburg (Construction, P35)

Our results show that the business community seems reluctant to rely on the government due to inconsistent policy and mistrust. Corruption and corrupt practices were found to be increasing; the business community appears to be burdened by the level of corruption, especially at the official level. This is further illustrated in the excerpt below.

... I think corruption is becoming more rife, I mean, everywhere. At times, it is obvious and at times it is not obvious, but I think it is something that we have to talk about. It's becoming more rife, and people are becoming more open about it. You know, people will say that if you want to get this, I need to know what I am getting in return, so it is also affecting business.

- Male, Johannesburg (ICT Services/Retailing, P2)

4.3. Economic Dimension Correlates

The emergent findings from the economic dimension are presented in Figure 3 and discussed as follows:

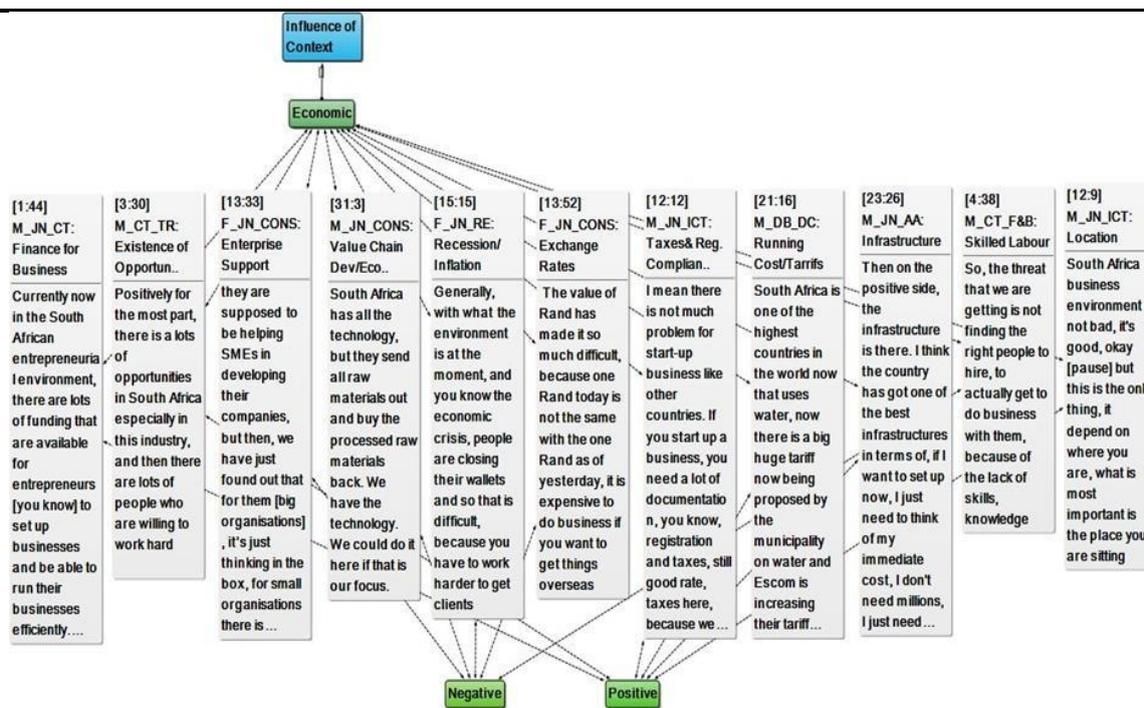


Figure 3 : Network view describing the economic dimension correlates

The findings show that many domestic sources of startup financing, from private and public institutions, are available in South Africa. However, evidence of limited access to finance emerged for entrepreneurs in the construction industry. Both time-consuming and cumbersome administrative and bureaucratic processes are reported as constraints hindering access to finance.

... but when SMEs go to those institutions to ask for financial help, there are too many requirements and documents to be filled by the entrepreneur... - Female, Johannesburg (Construction, P32)

However, some entrepreneurs (especially the non-indigenes) had contrary explanations regarding availability and access to small business financing. They argued that such an opportunity is more accessible to Indigenous entrepreneurs and not to non-indigenes. However, the general impression is that funding opportunities are available for small businesses in South Africa. The mixed results might be due to an information gap or an inability to meet the specified criteria. By racial classification, some Indigenous South African entrepreneurs wanted more than a cash injection into their businesses, but a business-level playing ground with perceived advantaged ‘competitors’. However, immigrant entrepreneurs complained about a lack of access to institutional finance and business support, which constrained their growth and expansion plans.

The participants generally confirmed that South Africa has features of an efficiency-driven economy, such as

increased niche opportunities for product and service demands. The economic features encourage new business ventures, and the availability of enterprise support from the findings. However, the peculiar challenges facing every small business differs and is not the same.

The idea that some sectors’ value chains are not deep enough has emerged. The economic dimension focus indicates, as shown in Figure 3, that the existence of technology does not reflect opportunities available for small businesses operating within the process industry. The multidimensional negative economic correlates, such as inflation, unemployment, a low exchange rate (the rand to a dollar), running costs (water and electricity bills), and a lack of skilled labour, pose many challenges. These challenges significantly impact the ability of small businesses to scale operations, be profitable, and generate employment. All these variables add to the costs of running a business.

Furthermore, while corporate registration costs and taxes appeared reasonable and affordable for most businesses, the context still indicates not-so-favourable laws and regulations that are risky and burdensome for business survival. The paucity of skilled labour was a huge challenge for most businesses. The location of the business is vital for patronage and growth. Lastly, the availability of infrastructure is positive for new venture creation and growth.

5. Discussion

The apartheid history laid the foundation for different South African business classes. A dual logic characterises South Africa's economy: an influential, elitist, and well-educated class, compared with a less educated and less economically empowered class just struggling to survive (Koelble, 2022; Koot et al., 2024). Such might be the basis for the need for a level playing field between the perceived strong competitors and the weak small businesses operating in the same industry, as canvassed by some entrepreneurs. The significant dominance of males is quite evident within the business context in South Africa. Substantial business growth or success is uncommon among female business owners since their businesses are not listed on the Johannesburg Stock Exchange (JSE). Evidence supporting the impact of culture on economic and management behaviours emerged (Akpa et al., 2021). For instance, psychological differences (Villanueva-Flores et al., 2021) and race and ethnic factors (Kabir & Abubakar, 2022; Koot et al., 2024) influence how Africans pursue business activities. The challenge of unfavourable competition in the paper aligns with previous findings (Owoseni & Ahwireng-Obeng, 2024). This may also be linked to the reported wide disparity between educational achievement and socio-economic backgrounds across races in South Africa (Shahaboonin et al., 2021). Further, according to the World Bank, the social, economic and political opportunities in South Africa are uneven, and inequality is also increasing (Fourie, 2022).

A corollary to unfavourable competition is policy inconsistency, growing mistrust, and burdensome regulations that are primarily non-supportive of the operational performance of small businesses. The main concern is the capacity of small businesses to cope with such instability. A previous study about South African business owners found that small businesses hardly engage in serious planning (Utete & Zhou, 2024). Meanwhile, businesses with better resources exhibit resilience and work around institutional prescriptions to achieve their business goals (Ebekozi et al., 2024). Lack of economic resources, discrimination, fear, suspicion, apathy and the development of local solutions for problems have all been attributed to the lack of effective participation and integration of people experiencing poverty in the major institutions within an economy (Sefalafala, 2024). Therefore, small businesses will require customised intervention and business development services (BDS) to save them from possible failure, operational losses and exit.

Further, the environment characterised by growing unemployment, untapped business opportunities, and availability of startup financing portend a mismatch. The current results corroborate earlier findings, indicating that limited capacity among South African entrepreneurs impedes the uptake of business opportunities (Utete & Zhou, 2024). Also, Steekelenburg et al. (2000) reported that not more than 18 per cent of micro business owners in South Africa are complete planners, while others use a reactive strategy. There is an obvious need to build strategy, planning, and business financing capacity. In addition, the value chain in some sectors is too weak or underdeveloped. Whereas small and micro businesses benefit from deep value chains within an economy. Policy attention is needed here.

In addition, previous studies have reported skill shortages among employees in South Africa (Matjokana & Olalekan, 2024), including the Department of Higher Education and Training (DHET). Research has consistently linked educational attainment and successful enterprises among South Africans (Morris, 2011; Mxunyelwa, 2024). Apart from the scarcity of skilled labour, available evidence indicates skills and capacity gaps among entrepreneurs (Ayandibu & Ayandibu, 2024; Boucher et al., 2024), and one of the economies with the lowest high-expectation entrepreneurial activity (HEA) (Utete & Zhou, 2024). Skill shortages across the board can limit the growth of high-impact enterprises that can create substantial jobs within society.

South African small businesses are still facing access to finance constraints despite the acclaimed availability of finance. Business expansion and growth are still significant challenges. The documentation requirements for accessing finance are burdensome. These findings agree with other studies on South Africa, which identified similar factors that hinder entrepreneurship (Eze & Lose, 2023; Telukdarie et al., 2023). Similarly, the issues of non-tariff barriers to trade (NTB) and challenges associated with access to finance by migrant entrepreneurs corroborate some reports (Owoseni & Ahwireng-Obeng, 2024).

The cost of doing business increases, corroborating reports on value-chain-associated costs and inequalities in South Africa (Lang et al., 2022). Also, crime and security, the negative consequences of corruption and corrupt practices, costs associated with crime, security, and xenophobia attacks, corroborating some indicators listed in the GCI report, add to the cost of doing business. The findings are consistent with reports highlighting discrimination, bias, crime, and corruption in South Africa (Aghimien et al., 2023; Owoseni & Ahwireng-Obeng, 2024).

Generally, it is evident from the findings in this paper that entrepreneurs are still facing challenging business environments, similar to other studies (Aghimien et al., 2023; Dikgwatlhe & Mulenga, 2023).

6. Study Implications and Recommendations

Studying South Africa's institutional correlates suggests an opportunity for theory development and testing. Policy intervention is needed to address multidimensional issues of high business costs arising from corruption, security and crime, energy and water rates, burdensome regulation, exchange rate instability, lack of depth in the value chain, and policy inconsistency beyond small businesses' control.

Also, corruption and lack of trust manifest significantly in the results. The effects are highlighted in terms of increasing costs of business transactions, the general perception of government services and its ability to curb corruption and build trust through transparency (generally and in specialised and competitive industries) through patronage and confidence building. For most small businesses, there are perceptions of limited capacity to compete and bid for specific advertised jobs by the government without receiving special aid or preference. They cannot meet some of the criteria for contract bidding. All these challenges constrain growth across different sectors. Therefore, some bidding requirements unfavourable to small businesses' growth must be reviewed. The Small Enterprises Development Agency (SEDA) can support MSMEs operating in some sectors by advocating for the inclusion of equity factors in the procurement process and transparent partnerships without compromising the cherished autonomy of many small business owners.

On the part of the owners of small businesses, the issues of information asymmetry regarding available finance, opportunities, capacity building to achieve growth and networking to reduce socio-cultural barriers (especially between South African and migrant entrepreneurs) need to be addressed at individual levels using available institutional structures and BDS at a reasonable cost. One key area worthy of owners' attention is the need to improve their networking skills for mentorship, access to timely information regarding business opportunities, leveraging, partnership, and market information, among others. Further, entrepreneurs must plan strategically for short, medium and long terms, beginning with a good location and growth plans. This is necessary for two reasons: to take advantage of opportunities and prepare to leverage other institutional resources.

Further, having beneficial business partners will be relevant according to the results, but structuring

beneficial partnership deals requires negotiation and communication skills, and institutional support may be required using BDS. Business partnerships can positively influence business opportunity attraction and support, and positively impact business capacity, decision-making, and outcomes. Also, communication, language, understanding, and trust-building are key ingredients for cultivating partnerships between migrant and indigenous entrepreneurs.

A politically constrained context, mainly in favour of employees and against employers, may be interpreted as having the impact of a typical double-edged sword. While favouring labour, the capacity of businesses to employ more employees can be constrained by increasing unemployment. A highly suffocating labour law (in favour of employees) will negatively impact enterprises' ability to absorb more labour and pay wages (Aghimien et al., 2023). Also, a mismatch of skills and wage expectations could be burdensome. Strict employment policy favouring employees and constraints on employers portend adverse effects on the capacity to employ, business growth and productivity in the general economy. This will require a reasonably equitable and balanced policy framework.

The peculiar nature of small businesses is worthy of consideration, as they require tailored business development support. This will be relevant regarding BDS provisions and regulatory requirements, which are considered according to size, capacity and opportunity sets. There may be a need for special interventions designed to support growth-oriented gazelles, females and vulnerable enterprises.

As an efficient economy, South Africa attracts substantial human and capital resources within a calendar year. However, the need to deepen the value chains in key sectors to benefit micro and small businesses is evident. Developing value chains would enlarge niche opportunities for small businesses, export development and economic growth.

In sum, in all developed and developing economies, individual and environmental variables have been proven to significantly influence the startup rate, growth, decline, exit, re-entry, and the resources assigned to enterprises (Monteiro & D'Andrea, 2023). Expectedly, a suitable environment with the right entrepreneurial behaviours by individuals can entrench entrepreneurship within society.

7. Conclusion

Some of the critical challenges facing most developing economies include creating an enabling environment for

business to thrive, addressing unemployment, and fostering a truly entrepreneurial economy. This paper sought to identify business-related correlates, both negative and positive, that can influence or slow down the achievement of such objectives. The proposition is that once the correlates are identified, an institutional arrangement can be explored to address them by the policy makers. The paper used a qualitative interview approach, and there were convergent views among entrepreneurs interviewed in this paper regarding some socio-cultural, political, and economic correlates classified in the diagrams (Figures 1, 2 and 3) as either negatively or positively impacting. The merit of this paper is that it highlights key correlates that enhance or constrain business processes in small enterprises for policy and practice. Since the influential role of institutional environment on entrepreneurial behaviour is well established in the literature, it will be a worthy research endeavour to examine further the causal influence of different institutional correlates identified using different methodologies and a larger sample size, with the underlying objective of stimulating an ideal environment for entrepreneurship to thrive.

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