Entrepreneurial ecosystems and challenges of small business development in a South African Township

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Marlon Parker

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Overview

The small business sector is a critical contributor to the South African economy providing employment to more than 8 million people. Due to the high levels of unemployment, especially amongst young people, the government and many other agencies have prioritized support to develop small businesses in South Africa. Small businesses are already facing a number of challenges that impact their growth and sustainability. This has been perpetuated by the COVID-19 pandemic and lockdown strategies in South Africa.

This research identified a number of key areas of support to small businesses operating in townships. Although a number of entrepreneurship ecosystems exist in South Africa, few have been set up to support township entrepreneurs. The adoption of technology has also proved to be supportive in helping small businesses succeed but its uptake has been limited in township or informal businesses.

This research study hope to explore the following key questions:

1. What prevents the growth of small businesses in townships such as Westridge, Mitchell's Plain?
2. How can a data platform and ecosystem toolkit support township entrepreneurs?

Background

It has been highlighted in a number of studies that the stimulation of entrepreneurship is needed for long-term economic growth and prosperity. Small and medium-sized enterprises (SMEs) have been identified as key drivers of employment and economic development. It is also evident that entrepreneurship is important to address the challenge of youth unemployment and can unlock job creation opportunities. SMEs contribute as much as 60% of total employment and up to 40% of GDP in emerging economies therefore playing a significant role in driving economic growth.

According to a study by the World Bank (2017) there's more than 400 million small businesses in emerging economies. This suggests that SMEs and entrepreneurship is an effective way of creating jobs. This new paradigm shift highlights that stimulating growth and job creation is not just the role of large enterprises but that small businesses are playing its part in both developed and developing economies. Research by Dutta, (2017) and Fourie (2018) stated that developing countries have accelerated their support for small businesses in a bid to alleviate dire poverty levels due to small businesses being identified as more labour intensive compared to larger businesses.

According to Ahl (2006) and Harrington, et al. (2010) businesses are critical to the advancement of any economy owing to their capacity to provide jobs, and entrepreneurial activity stimulates economic growth through job creation and innovation. A study by Hawk (2018) of small businesses in emerging markets indicated that 80% of these businesses lack access to credit. According to the World Bank (2013) more than 65 million small businesses in emerging markets have an unmet financing need of $5.2 trillion every year. In order for small businesses to thrive it requires a supportive entrepreneurship ecosystem.

Enabling Entrepreneurial Ecosystems

Moore (1996) defined a business ecosystem as a community of interconnected heterogeneous actors with complementary competences and participating in a value-creation process. Demil et al., (2018) further expanded that an ecosystem may be defined as part of the environment where the business interacts and implements its business model.

"The essential characteristics of business ecosystems are the following: They are multi-entity, made up of groups of companies not belonging to a single organization. They involve networks of shifting, semi permanent relationships, linked by flows of data, services, and money."

Fuller et al. (2019)

It is therefore important to note that an ecosystem should not be limited to a static view of stakeholders and the business processes. It does require a redesign of internal processes so that the business can become more flexible and responsive beyond just a technology platform Evans and Gawer (2016). A study by McKinsey & Company (2020) highlighted that governments can enhance national entrepreneurial culture by boosting the national entrepreneurship ecosystems.

Dynamic	Based on co-evolutionary rather than a static view of relationships and capacities.
Collaborative	Driven by crafting novel product combinations drawing on complementary offerings.
Influence-based	Shaped by partial influence rather than full ownership or control.

Indirect	Profits from system transactions or involves cross-subsidies, as often monetization occurs indirectly.
Emergent	Generates and embraces unanticipated shifts, reversals, and unintended consequences.
Network oriented	Involves overlapping networks, rather than discrete, linear value chains.
Externally focused	Focuses strongly on activities beyond individual company borders.

Ecosystem perspectives Fuller et al. (2019)

Fuller et al. (2019) stated that in order for businesses to leverage local entrepreneurship ecosystems that they would need to shift from a traditional and static perspective to new ways of applying and capturing value. Jacobides et al.(2018) agreed that businesses and stakeholders in an ecosystem need to co-evolve as they redefine their capabilities and partnerships over time.

Research by Pidun et al. (2020) analyzed more than 100 successful and failed business ecosystems, across sectors and locations, found that the ecosystem design challenge can be addressed by answering six specific questions: detailing the problem; identifying the key stakeholders; understanding the value sharing in the ecosystem; governance model of the ecosystem; solving the chicken-or-egg problem and long viability of the ecosystem.

According to a study by the Allan Gray Orbis Foundation (2017) the following factors impact the Southern African entrepreneurial ecosystem:

1. **The economic climate.** The South African economy has been growing slowly with high levels of unemployment. It has also been reported that the South African GDP has fallen by 16% between the first and second quarter of 2020 (StatsSA, 2020).
2. **Bureaucracy and red tape.** State-owned enterprises (SOEs) prevent private sector enterprises from entering key sectors dominated by these SOEs.
3. **Large firm dominance.** The South African economy is dominated by large companies that account for 90% of the South African market. These large businesses also prefer

doing business with trusted suppliers they have built a long-term relationship with. This therefore excludes opportunities for new or small businesses in the market.

4. **The dual economy.** Majority of entrepreneurs from disadvantaged communities struggle with resources and market access due to their communities being excluded from the formal economy or being underserved.
5. **Infrastructure.** South Africa struggles with energy constraints and many businesses are having to lose productivity due to ongoing load shedding across the country.
6. **The education system.** The quality of school education in South Africa for most people living in poverty and in underserved communities are poor. The structure of the educational system also doesn't allow for creativity, innovation and entrepreneurial thinking which is needed for growth.

A survey by the Aspen Network of Development Entrepreneurs (ANDE) in South Africa highlighted the following gaps in the entrepreneurial ecosystem:

1. Mismatch between capacity support and funding
2. Early stage funding gap
3. Support available but fragmented
4. Better coordination between initiatives required.

Entrepreneurial Ecosystem Gaps (ANDE, 2015)

In South Africa, SMEs or SMMEs (Small, Micro and Medium Enterprises), has at times been overlooked as an important sector for economic growth and development specifically in township or peri-urban areas. It has however changed as the South African Government's National Development Plan has expressed an aspiration that by 2030, 90% of all jobs should be created by small, medium and micro enterprises (SMMEs).

The South African Government have therefore created a number of funding and support programmes through the Department of Trade and Industry, the National Empowerment Fund, Development Bank of South Africa, Small Business Finance Agency, Industrial Development Cooperation, Small Enterprise Development Agency and the Technology Innovation Agency providing much needed support to SMMEs across South Africa.

No	Name of Programme	Venture Stage
1.	BBSDP – Black Business Supplier Development Programme (DTI)	Startup, Early,

		Acceleration
2.	Co-operative Incentive Scheme (DTI)	Startup, Early
3.	Green Energy Efficiency Fund (IDC)	Early, Acceleration
4.	Black Industrialist Scheme (BIS)	Early, Acceleration, Growth
5.	Incubation Support Programme (DTI)	Early, Acceleration
6.	Isivande Women's Fund (DTI)	Startup, Early, Acceleration
7,	Rural and Community Development Fund (NEF)	Startup, Early, Acceleration
8.	Small Enterprise Finance Agency (IDC)	Startup, Early, Acceleration
9.	Support Programme for Industrial Innovation (DTI)	Startup, Early, Acceleration
10.	Technology Innovation Agency (DSI)	Startup, Early, Acceleration
11.	Transformation and Entrepreneurship Scheme (IDC)	Startup, Early
12.	Women Entrepreneurial Fund (IDC)	Startup, Early, Acceleration
13.	Gro-E Scheme (IDC)	Startup, Early, Acceleration
14.	Imbewu Fund (NEF)	Startup, Early, Acceleration,

		Growth
15.	National Youth Development Agency SA Young Entrepreneurship Fund	Startup, Early
16.	Risk Capital Facility Programme (IDC)	Startup, Early, Acceleration
17.	Identity Development Fund (SEFA)	Startup, Early Stage, Acceleration, Growth
18.	Enablis Acceleration Fund (SEFA)	Startup, Early Stage, Acceleration, Growth
19.	Transformation and Entrepreneurship Scheme (IDC)	Startup, Early Stage, Acceleration,
20.	The Jobs Fund	Startup, Early, Acceleration, Growth

Government Funding Support to SMMEs in South Africa

No	Name of Programme	Venture Stage
1.	Cape Craft and Design Institute	Startup, Early, Acceleration
2.	Eastern Cape Information Technology Initiative	Startup, Early
3.	Ekurhuleni Business Facilitation Network	Early, Acceleration
4.	Gauteng Enterprise Propeller	Early, Acceleration, Growth

5.	Incubation Support Programme (DTI)	Early, Acceleration
6.	National Youth Development Agency	Startup, Early, Acceleration
7,	Small Enterprise Development Agency	Startup, Early, Acceleration
8.	Western Cape Department of Economic Development and Tourism	Startup, Early, Acceleration
9.	Support Programme for Industrial Innovation (DTI)	Startup, Early, Acceleration
10.	Technology Innovation Agency (DSI)	Startup, Early, Acceleration
11.	Technology for Women in Business	Startup, Early
12.	South African Women in Construction	Startup, Early, Acceleration

Government Capacity Building Support to SMMEs in South Africa

Small Businesses in South Africa

It has been stated that one in every six South Africans work in the informal sector. According to South Africa's first baseline study on registered small businesses, highlighted that these businesses only create 28% of all jobs in South Africa compared to the 60% to 70 % of small businesses in other emerging markets. The informal and township economy refers to all the economic activities occurring in peri-urban and township areas across South Africa.

It is therefore clear that there's no shortage of economic activity happening in townships as there's a vibrant activity of informal enterprises operating. The most popular business activity in townships is retail. These include street food vendors, spaza retail shops and shebeens with many operating from their homes and on a very small scale. According to the Cities Support Programme (2019) , the services sector are normally focused on social and personal services with the most popular industries being the taxi industry, early childhood development centres, hair salons and food preparation services. It was also noted that manufacturing activities are limited in townships and seldom does it link into larger supply chains or markets outside of the township.

Although the informal sector in South Africa is small compared to other developing countries, it provides livelihoods, employment and income for millions of workers and business owners. Entrepreneurs and small business owners do have a desire to grow their businesses but are faced with obstacles and constraints that cause hardship and failure.

The biggest opportunity presented by small businesses in South Africa is addressing the unemployment challenge, especially amongst young people. The number of new jobs created in South Africa is less than 50% of the number entering the workforce and the unemployment rate is 29% (while youth unemployment is more than 58%), contributing to high levels of poverty and inequality.

Currently fewer than 10% of youth access higher education of which only a fraction come from township or rural communities. Notwithstanding a massive pool of unemployed youth from which to recruit, many employers are having difficulties filling vacancies. The lack of jobs locally means many people depend on economic opportunities outside of their local communities and in the economic city centres. This drives the costs of participating in the workforce such as commuting, eroding the value of their wages, additional spending outside of their community on consumables and also the loss of time that they have available outside of work. These factors raise the cost of seeking employment, labour and reduction of productivity.

The high levels of unemployment in South Africa and poverty, especially in rural areas, are some of the main issues that have to be addressed by the government. Due to small businesses having shown a remarkable capacity to absorb labour it is imperative to provide support to them as it displays sensitivity to poverty mitigation. It is also evident that townships have been a way of life for many of the population with small businesses being established in these communities to survive and create economic opportunities for those in much need. Many small business owners who have started businesses to make ends meet are barely surviving but there have been those who managed to grow their businesses. Compared to other sub-Saharan countries, South Africa has a very low percentage of early-stage entrepreneurial activity (6%-10%).

In the midst of such difficult circumstances there has been a return to a positive tendency in the growth of the number of small businesses based on the SEDA SMME Quarterly Update (2019) survey. The number of small businesses increased by 4.4% to 2.55 million in 2019 and the number of people employed jumped by 29% to 8 million. According to the SEDA update more than 85% of the increase transpired in the formal small business sector. Small Businesses accounted for 10.8 million jobs and for close to two thirds of economy-wide employment.

Many entrepreneurs lack fundamental skills required to run a business and aligned to the inequalities in South African society find it difficult to access financial and social capital. This is evident in the research by SEDA (2019) that indicated 50.8 % of small business owners have not completed secondary education.

Kunaka and Moos (2019) reported that mentorship for small business owners can address the skills gaps. It was also highlighted that many small business owners favour interaction and learning by the doing-approach and recommended social learning through mentorship programmes.

Factors that impact Small Business growth

Currently, the South African the survival rate of small businesses is dismal with five out of seven new small businesses in South African failing within their first year with 90% within the first 10 years (Entrepreneur, 2014; Lings, 2014). According to Mbonyane and Ladzani (2011), Machado (2013) and Bushe (2019) the following are factors to consider that can lead to hindering growth of small businesses in South African townships:

1. Lack of compliance and legal requirements
2. Poor financial management
3. Lack of social capital
4. Poor control systems
5. Poor access to credit
6. Lack of infrastructure
7. Poor technology skills
8. Poor people management
9. Crime, corruption and unethical practices
10. Lack of business model
11. Poor business planning
12. Lack of professional management
13. Lack of understanding business needs
14. Lack of small business support structures
15. Lack of funding systems

Small businesses are often established out of necessity rather than opportunity, hence the inability to grow it at expected levels according to Olawale and Garwe (2010). The study also acknowledged the importance of good infrastructure in the form of *transportation, telecommunication* and *electricity* to business growth and development.

Infrastructural inadequacies were mostly rampant in townships characterised by poor road networks, transportation and lack of public services such as electricity, education, recreation, development and telecommunications services.

According to a report by GEM (2018) South Africa was found to be one of the least supportive countries in terms of providing support to small businesses. It was also highlighted in research by Cant (2012) and Bushe (2019) that small business support is critical to the survival of these enterprises especially in townships. The small business sector in South Africa has been historically constrained by the legal and regulatory environment, access to markets, access to finance, the acquisition of skills and managerial expertise, access to appropriate technology, the tax burden, and access to quality business infrastructure in rural and township areas.

Research by Xero (2019) reported that 59% of respondents claim that scheduled power outages by the national supplier posed a significant challenge for their businesses. More than 50% also indicated the unreliable connectivity has proved to have an impact on their business operations.

A thriving entrepreneurship and small business ecosystem would require a number of key elements according to research by the Kauffman Foundation:

1. Entrepreneurs who aspire to start and grow new businesses, and a strong network of people who support entrepreneurs.
2. Businesses should have access to talent that can help them grow.
3. People and institutions with knowledge and resources to help entrepreneurs.
4. Individuals and institutions that serve as champions and conveners of entrepreneurs and the ecosystem.
5. Access points to the ecosystem so that anyone and everyone can participate.
6. Intersections that facilitate the interaction of people, ideas, and resources.
7. Stories that people tell about themselves and their ecosystem.
8. Culture that is rich in social capital (collaboration, cooperation, trust, reciprocity, and a focus on the common good) makes the ecosystem come alive by connecting all the elements together.

Bushe (2019) proposed three perspectives that impacts on SMME failure: entrepreneur incapacity, environmental auspiciousness and enterprise incompetence. It was further envisaged that when small businesses fail the effects are a loss of revenue and profits, loss of motivation and propensity for venture creation, loss of jobs, loss of credibility, loss of family income, loss of entrepreneurial spirit, failure and collapse and closure.

These effects also have a much wider impact on a national scale by stifling economic growth, job losses, socio-economic impacts, loss of enterprising culture, poor job creation, loss of sustainable development, uncompetitive markets and poor wealth creation prospects. Bushe (2019) structured these elements into a conceptual analysis of the reasons behind small business failure and their inability to grow as a key contributor to the economy. An informal business is a livelihood strategy for poor people in both the developing and the developed world. However, most township small businesses do not grow in size and develop like those in the formal sector in the cities.

Rogerson (1996), Mbonyane and Ladzani (2011) and Bushe (2019) argued that while some informal businesses in larger cities grow, those in townships mainly just survive covering the household income. Lekhanya (2016) stated that the challenges faced by small businesses may be internal or external, and they have a huge impact on the survival and the sustainability of the business. It was also evident that township businesses operate in environments that differ from those in the economic centres hence their unique challenges.

The challenges experienced by township businesses as highlighted in the research (Makhitha, 2016; Mrasi et. al., 2018; Mukwarami et. al.,2018; Bhorat et. al., 2018; Myeko and Iwu, 2019) are lack of skills and knowledge; lack of finance, lack of relevant information on government support, crime, and absent infrastructure; lack of support from stakeholders, lack of legal knowledge, lack of funding, lack of business acumen, and poor technological skills; lack of management skills, finance and obtaining credit, access to markets, and developing relationships with customers; lack of education, lack of training, and inadequate government support ; ICT education, lack of ICT awareness; poor management skills, access to funding, lack of infrastructure, and poor government support; increased competition, high operating costs;poor marketing of the business; lack of financial and management training, lack of business models and lack of information.

Most of these above mentioned challenges can be overcome by adopting and streamlining the use of technology in the business processes and creating an enabling environment for local entrepreneurs.

Impact of COVID-19 on Small Businesses

Small businesses during COVID-19 will urgently require capital but cannot access it through the broken model of direct equity or expensive debt as these will lead to the demise of already-struggling businesses. This was evident by the research completed by STATS South Africa (2020) that highlighted more than 85% of small businesses had turnover lower than their normal range.

Approximately 38% of these businesses indicated that they will apply for financial assistance from government relief schemes, and approximately 23% reported deferring payments to the South African Revenue Service. Youth unemployment will be a huge challenge and it will require a multi-sector plan that will stimulate the entrepreneurial ecosystems to grow job opportunities.

An alarming 85% of small businesses reported that they won't be able to survive beyond 3 months and only 46% of the workforce were able to meet business demands during this period. The National Small Business Chamber (NSBC) survey reported that 53% of small businesses applied for relief funding with only 6% receiving the funding. It also indicated that 94% of small businesses stated that they will be in a cash- flow crisis and 63% revealed that they expect to lay-off workers within the next 30 days. More than 79% indicated that they will not be able to survive the pandemic or unsure of how they will be able to sustain post COVID-19. Many of small businesses were under pressure due to not having sufficient digital adoption and unable to leverage technology to operate online sales where it was permitted.

Adoption of Technology to Support Small Businesses

The literature provided a clear path that small businesses require a range of support and skills to ensure sustainability. With more than a third of South Africans having access to a smartphone, and a large number of people being online (36.54 million) and using social media (22 million), digital tools are key in supporting small businesses and its owners. It was reported by Citrix that 92% of businesses agreed that digital adoption directly affects company profits. This was supported by the research by Xero (2019) where 98% of respondents agreed that technology has led to high profit and efficiency increases.

More than half (54%) of the small businesses also reported that they are unprepared for the future. Although there’s a greater awareness of the impact of technology on business profitability, the adequate leadership, skills and knowledge for implementation have not found the same level of adoption. Yet 67% of businesses don’t intend to allocate budget for training employees in using their essential technologies.

According to Buhalis (2003) and Fosu (2018) small businesses are not utilizing digital technologies in their business to its full potential, especially in townships and underdeveloped regions. Steyn and Leonard (2012) reported that many small businesses seek the assistance of friends, relatives or other business owners in the initial process of the adopting technology. The lack of knowledge of appropriate digital tools also contributes towards small businesses not adopting the suitable technologies (Palvalin et al.,2013).

Fosu (2016) recommended that it is imperative for small businesses to be able to access workshops for upskilling in the role, opportunities and importance of technology in the 21st century digital economies.

Supporting Mitchell's Plain SMMEs

Image 1: Entrance to Mitchell's Plain

RLabs in partnership with the World Bank Group conducted a survey to understand the challenges of small business development in townships in Cape Town. The pilot project had a total of **1778 entrepreneurs** from Mitchell's Plain and surrounding communities who completed the survey between the **1 to 30 July 2020** via a mobile survey tool, Zlto. Mitchells Plain is one of the largest townships in Cape Town that was created in 1970 to alleviate the housing shortages amongst the coloured population on the Cape Flats. According to the Census (2011), Mitchell's Plain has a population of more than 310,000 people with over 67,000 households.

Image 2: Mitchell's Plain Community Map

Most of the respondents **(61.0%) were female** and **88.9%** were **first-time** business owners. **Forty-Six percent** of businesses were single owner businesses with **31%** employing up to 5 employees, **11%** between 6 to 10 employees, with **7%** employing 11 to 20 employees and **5%** employing more than 20 employees.

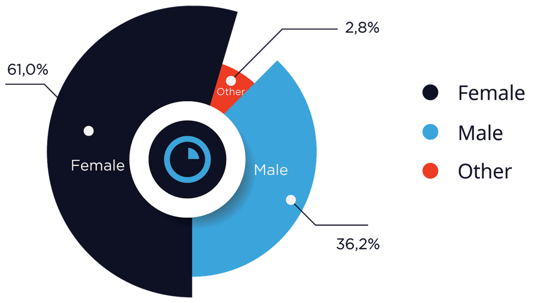

Figure 1: Gender

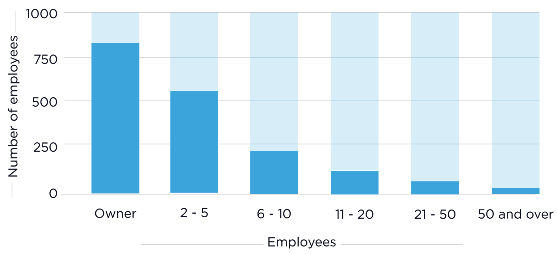

Figure 2: Number of Employees

More than **69%** of respondents indicated that this is their only business with **21%** operating 2 businesses. Almost **25%** of respondents indicated that they started their businesses to make money. This is largely due to the high-levels of unemployment in South African townships. Only **52%** of businesses were formally registered and why many businesses surveyed were unable to access government support.

Most of the respondents **53%** were operating a business in the **Retail Industry,** followed by businesses in the **Food and Beverage (9.7%)** and **Beauty Industries (7.9%).** This was evident in that majority of businesses **(52%)** Agreed or Strongly Agreed that they operate in a competitive industry. This supports the research that most township businesses are retail and service oriented.

Image 3: Mitchell's Plain SMMEs

It was also reported that **83%** of businesses generate monthly revenues of **R50,000 or less**. Most of the respondents **39.9%** indicated that they received business support from family and friends. Almost **25%** indicated that they have access to NO business support and only **4.2%** of respondents received business support from government programmes. Due to lack of business support is a concern for township entrepreneurs as only **19%** reported that they do not require a lot of assistance in their business.

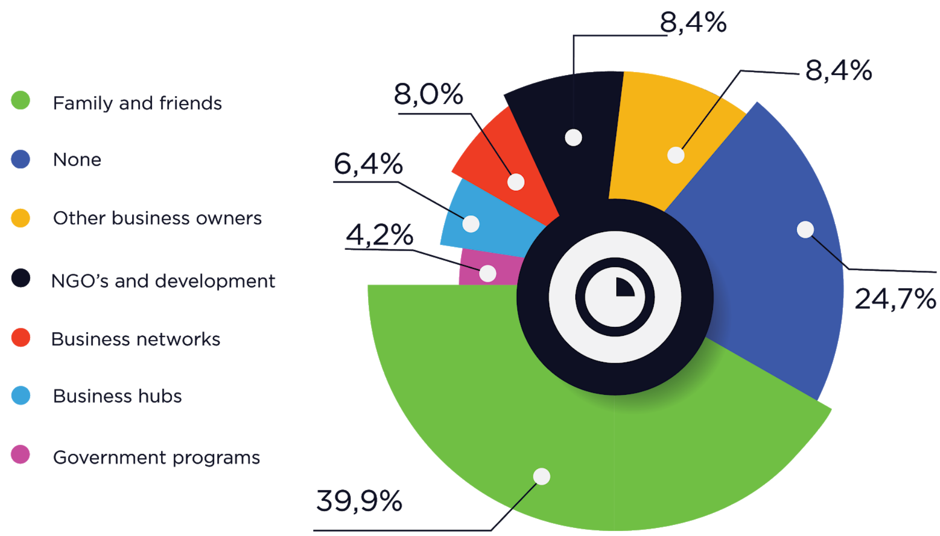

Figure 3: Source of Business Support

The type of business support requested by entrepreneurs were **Access to capital, Equipment , Digital and Technology, Business growth strategies** and **skills development**.

It was evident that for many of the township businesses a core reason for expanding their business is to create additional jobs. Most of the respondents **20.9%** reported that Job creation was their main reason for expanding business. This was followed by **Growth Prospects (16.9%)** and **Available Opportunities (16.3%).** This was evident in that majority of businesses **(52%)** Agreed or Strongly Agreed that they operate in a competitive industry.

Although **Retail Trade** is the most popular industry the current businesses are operating in, most indicated that they would expand their business into the **Food and Beverage** industry.

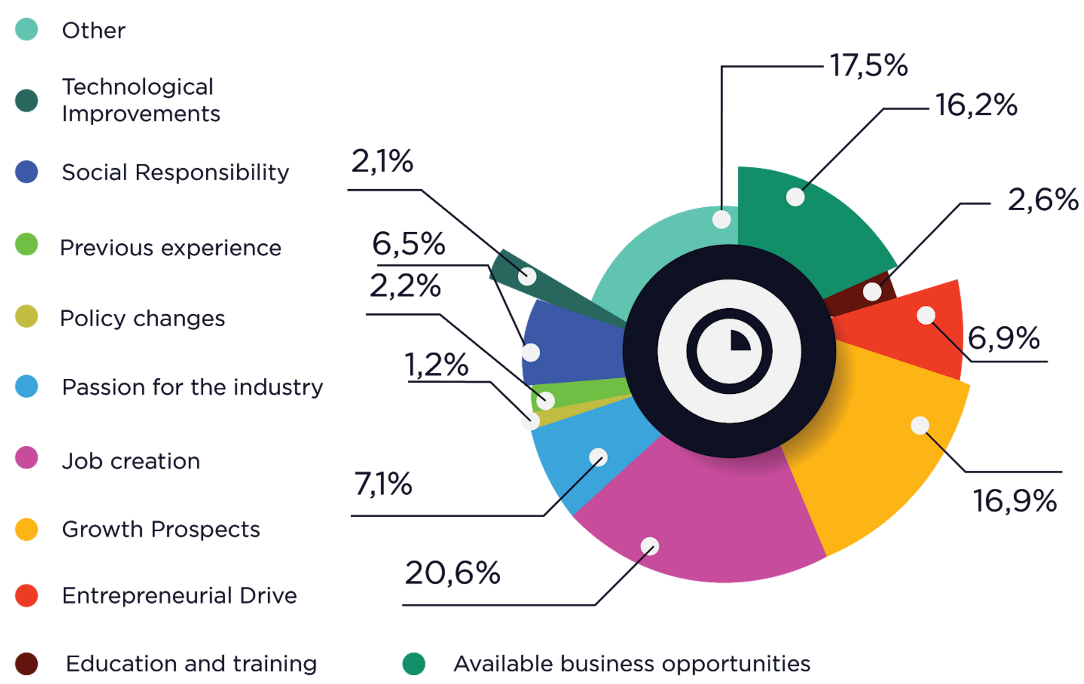

Figure 4: Reason for Expanding Business

Financing has also been proven to be challenging for businesses in townships. Majority of the respondents **(54.5%)** reported that they applied for funding but it was declined. The main reasons for declining the request for funding were due to **Insufficient operating history, Bad Credit** and **Limited Security.** This is evident in only **38%** of enterprises having a business bank account. Most believed their businesses are too small to open a business account.

Due to access to financing being difficult for township businesses, most of the respondents **(41.7%)** indicated that they source funding from **Family & Friends.** An overwhelming **66.3%** of respondents reported that the government is NOT providing enough support for small businesses. Majority of the respondents **(68.1%)** stated that government regulations are restrictive. The regulations that are most restrictive are **Licenses or Permits** and **Registrations.** Less than **25%** of entrepreneurs reported that they've accessed government funding. A **Government grant** was the most popular funding sourced. The **NYDA** and **Department of Trade and Industry** were the other funding sources accessed by the township businesses.

Entrepreneurs also highlighted that access to funding sources from the government will improve the performance of the business **(41.7%).**

Discussion

It was evident that technology limitations impact on the business growth. Technology skills and access were the most popular limitations as reported by the entrepreneurs. Almost 80% of respondents reported that they use a smartphone in their business sometimes all the time. Only 23% of respondents reported that they do not use a laptop in their business whereas 60% use one sometimes all the time in their business. Only 15% of respondents reported that they use e-commerce all the time in their businesses. Messaging (69%) and Social Media (63%) were reported as being used sometimes or all the time. Only 25% of respondents indicated that they use digital payments all the time in their businesses.

Township Entrepreneurial Ecosystems

Governments can enhance national entrepreneurial culture by boosting the national entrepreneurship ecosystems. In order to boost these entrepreneurship ecosystems it is important to identify the key stakeholders at both a micro and macro level. It is also important to understand the value sharing of the ecosystem between the various stakeholders with proper governance models in place. As much as the government can enable support to entrepreneurial ecosystems through favorable policies, access to resources, and infrastructure, the long viability of the ecosystem is critical to its success.

The Mitchell's Plain research also proved that township businesses and entrepreneurs are not easily able to access or plug into these entrepreneurial ecosystems. Many might belong to informal business forums or networks which lack visibility to many support initiatives by public and private sector stakeholders. An entrepreneurial ecosystem should therefore not be limited to a static view of stakeholders and business processes.

Access to Market

It was evident that for many of these SMMEs support would be needed to access new markets. These could include building access into private sector supply chains through supplier diversity and into public sector procurement. Due to most of the SMMEs being micro enterprises there's a need to build capacity and assist them with their supply chain development. One key strategy that many private sector partners have adopted is to get black-owned SMMEs into their non-strategic and non-capital intensive supply chain opportunities. These normally have a lower barrier to entry for supply chain onboarding but many township SMMEs would still require the much needed support.

Another opportunity where township SMMEs are able to grow and expand their market access is by leveraging digital technologies. Although only a small number of the participating SMMEs indicated that they are using e-Commerce in their businesses, it does present an opportunity for growth if the following are available for the entrepreneurs:

1. Digital skills to manage and operate an online store.
2. Low cost for payment processing and logistics.
3. A wider logistics and delivery network to support last mile delivery.

Digital Skills for entrepreneurs in townships

Although many of the entrepreneurs had access to digital equipment and used some digital tools, it was clearly not being used as part of their business operations. Most of the entrepreneurs also highlighted It is with this in mind that a curation of appropriate digital tools is needed that can be easily available for local entrepreneurs. This also presents an opportunity to equip these entrepreneurs with the appropriate digital skills that will lead to an increased adoption of technology in their businesses. The business owners also highlighted that technology is one of the tools that can be used to unlock growth in their businesses but that they will need support. It was therefore also evident that many entrepreneurs are unaware of digital support programmes in their local communities.

Limited Technology infrastructure in townships is also a hindrance in the adoption of technology in township businesses and more initiatives are needed to increase the access to infrastructure.

Capital and Business Support

Although entrepreneurs indicated that they have a need for business support, it was reported that only a small number were able to access formal programmes or support for their businesses. Most Small Businesses in townships are lacking programmatic support from the public and private sector. The majority of capital or funding resources also came from family and friends which could be due to the businesses still being in the early stages of growth, as well as a large number not having any business bank accounts. It does however provide some insights into how entrepreneurs finance their ventures when traditional capital is not easily accessible. During the COVID-19 Many entrepreneurs would therefore have to access more expensive capital from loan sharks as they are unableIt is therefore important that amongst all the business and funding support interventions that entrepreneurial ecosystem partners assess the appropriate type of interventions ensuring that it is co-created with the township entrepreneurs.

Recommendations

In order to build thriving entrepreneurial ecosystems with a strong focus on township businesses, would require a different approach by all stakeholders involved. The literature and research has highlighted that township entrepreneurs find it difficult to access or plug into existing entrepreneurial ecosystems. These entrepreneurs also find it difficult to navigate appropriate opportunities, access to tools and data that can support their businesses.

It is with this in mind that the following recommendations should be considered:

1. Provide an environment and platform to build local economic development ecosystems. This will ensure that there’s entrepreneurship networks in close

proximity to businesses in the township. It can also be used as a vehicle to create procurement opportunities for township SMMEs.

2. Create alternative financing models to provide SMMEs with access to low-cost capital. These could include exploring models such as crowd-funding, asset-based financing (e.g. purchase orders), revenue-based financing and hybrid finance models.
3. Digitizing businesses in townships can have a long-term impact on growth and have to be addressed by stakeholders. Support to entrepreneurs could be through a digital SME Toolkit (*see image 4*), providing digital skills training for township SMMEs, support with digitization of the SMMEs and accessible ICT infrastructure.

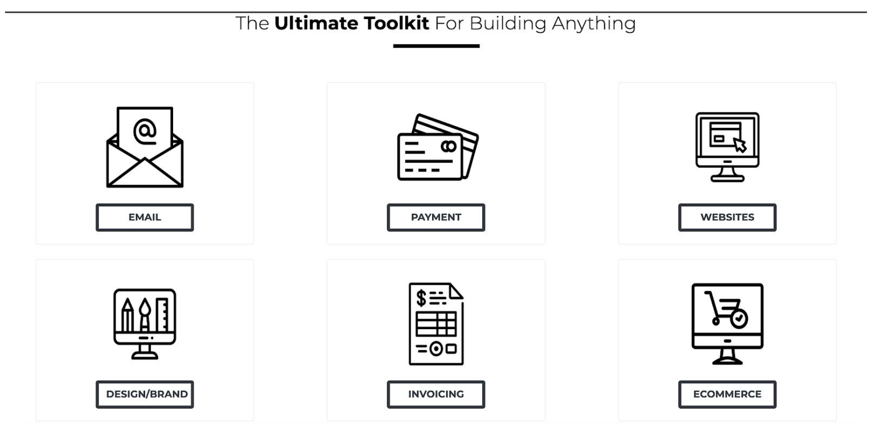

Image 4: The smeboost.org toolkit for small businesses

4. Providing a digital platform that will curate and map data of local township entrepreneurial ecosystems. The platform could provide the following services:
    - Mapping of SMME support services
    - Local SMME research and data reports
    - Support resources
    - SMME Opportunity listings
    - SMME Toolkit of digital tools
    - Public sector programmes and opportunities
    - Corporate procurement opportunities and innovation challenges

Although this research focused on Mitchell's Plain as a community of interest, each township across South Africa is different and would require further research in those settings. It is also important to note that SMMEs in urban and rural settings do have different needs therefore the digital platform and support development should consider those differences as part of building thriving entrepreneurial ecosystems in townships.

Conclusion

The findings confirmed what was evident in the literature (Buhalis, 2003; Fosu, 2018; Steyn and Leonard, 2012) that township businesses are experiencing limitations in their business growth. These limitations are due to a lack of digital integration and digital skills, lack of high impact business support from public and private sector stakeholders, limited access to funding instruments and market access challenges. These limitations also led to the demise of already-struggling small businesses during the COVID-19 pandemic as they could not access capital or financial assistance and were unable to migrate their business to leverage digital technologies. It is therefore important that a multi-stakeholder approach is needed to build entrepreneurial ecosystems but these partnerships should be intentional in including township entrepreneurs and businesses as part of building these ecosystems.

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