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Institutional and self-efficacy effects on systemic entrepreneurship: evidence from South Africa

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ABSTRACT

Research indicates that institutional weaknesses in several African economies often leads to uncertainty, but also provides opportunity so that different types of entrepreneurship may become more or less feasible in these economies. Recognizing that it is not always clear which institutions really matter, this study is important as it empirically examines the impact of formal and informal institutions, as well as the effect of entrepreneurial self-efficacy, on systemic entrepreneurial growth intentions. Hypotheses were statistically tested using primary data from early-stage enterprises ($n = 292$) in South Africa. Findings highlight a significant relationship between entrepreneurial self-efficacy as well as the normative institutional dimension and systemic entrepreneurship. By weaving in the entrepreneurial and institutional context of South Africa, this study has extended the theoretical and empirical reach of institutional theory to the domain of systemic entrepreneurship. Study implications relate to creating empirical links between the different institutional dimensions, self-efficacy and systemic entrepreneurship, which is vital for an African market setting as the context for entrepreneurship is often a distinctive one.

RÉSUMÉ

La recherche indique que les faiblesses institutionnelles de plusieurs économies africaines sont souvent source d'incertitude, mais offrent aussi des opportunités selon lesquelles différents types d'entrepreneuriat peuvent devenir plus ou moins réalisables dans ces économies. Reconnaissant qu'il n'est pas toujours aisé de savoir quelles institutions comptent réellement, cette étude est importante en ce sens qu'elle examine empiriquement l'impact des institutions formelles et informelles, ainsi que l'effet de l'auto-efficacité entrepreneuriale, sur les intentions de croissance entrepreneuriale systémique. Les hypothèses ont été testées statistiquement à l'aide de données primaires provenant d'entreprises en phase de démarrage ($n = 292$) en Afrique du Sud. Les résultats mettent en évidence le rapport significatif entre l'auto-efficacité entrepreneuriale, ainsi que la dimension institutionnelle normative, et l'entrepreneuriat systémique. En

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MOTS-CLÉS
Dimensions institutionnelles; réglementaire; normatif; cognitif; auto-efficacité entrepreneuriale; Afrique du Sud; Entrepreneuriat systémique et local

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tissant dans le contexte entrepreneurial et institutionnel de l'Afrique du Sud, cette étude a élargi la portée théorique et empirique de la théorie institutionnelle au domaine de l'entrepreneuriat systémique. Les implications de cette étude concernent la création de liens empiriques entre les différentes dimensions institutionnelles, l'auto-efficacité et l'entrepreneuriat systémique, ce qui est vital pour la mise en place d'un marché africain, étant donné que le contexte de l'entrepreneuriat est souvent spécifique.

1. Introduction

Institutional theory is widely recognized as a principal approach to examine how and why in different economies institutions have the ability to either promote or hamper entrepreneurial activity (Stenholm, Acs, and Wuebker 2013; Welter and Smallbone 2011; Urban 2019). Prior research highlights that the institutional environment shapes both the volume and the quality (type) of entrepreneurial activity in a country (Valliere and Peterson 2009). Moreover entrepreneurial performance will flourish only in an environment where formal institutions are sufficiently well-established to offer protection to private economic actors against expropriation by the government and or the elite (Ahlstrom and Bruton 2006; Shahid, Imran, and Shehryar 2018; Urban 2019).

However, findings illustrate that while institutions are widely accepted to influence the rate of formation and growths of enterprises (Kostova 1997; Levie and Autio 2011), it is not always clear which "institutions really matter" (Bardhan 2005, 499), especially since country institutional profiles that are "generalized across different economies tend to lose their significance" (Manolova, Eunni, and Gyoshev 2007, 210). Moreover, there has been a recent call that "both researchers and practitioner need to be aware that the conclusions from a specific context are not directly transferable to another emerging market context" (Nielsen, Hannibal, and Larsen 2018, 1681). Scholars have argued that although the different characteristics of institutions are associated in some qualities, they must be studied in specific contexts because each institutional dimension affects specific domains in a different manner (Bowen and De Clercq 2008; Bruton, Ahlstrom, and Han-Lin 2010).

We see this dilemma as presenting an interesting research opportunity, insofar institution-specific circumstances in emerging economies may directly influence different types of entrepreneurship activity (Bruton, Ahlstrom, and Obloj 2007). Scholars emphasize that there are distinct forms of entrepreneurship activity identifiable from their institutional contexts (Birley and Westhead 1994; Maas and Jones 2015; Sautet 2013). Several distinct categories have been studied in the entrepreneurship literature which include necessity-based versus opportunity-based entrepreneurship (Hessels, Van Gelderen, and Thurik 2008; Venter and Urban 2015; Xavier et al. 2013), productive versus unproductive entrepreneurship (Baumol 1990) and local versus systemic entrepreneurship (Sautet 2013). The classification "local versus systemic entrepreneurship" is useful as entrepreneurship is itself a consequence of the acceptance and development of institutions that encourage entrepreneurial behavior (Welter

and Smallbone 2011). An entrepreneur's actions are not only constrained by institutional forces in their environment, they also empowered, as "opportunities are obtainable for those who can understand and make the most of the local institutional regime" (Smallbone and Welter 2006, 195). An important belief is self-efficacy, which relates to how individuals tend to have confidence in their ability to influence the achievement of goals, and where research finds those with higher entrepreneurial self-efficacy as perceiving their environment as more opportunistic rather than burdened with risks (Chen, Greene, and Crick 1998; De Noble, Dong, and Sanford 1999).

Consequently, the purpose of our study is to gain a more nuanced understanding of the relationship between the institutional environment and self-efficacy in terms of systemic entrepreneurs in an African emerging market economy, namely South Africa. To the degree, therefore, that a countries' institutions may influence the beliefs, behaviors, and outcome effects of different types of entrepreneurial activity (Busenitz, Gomez, and Spencer 2000), we weave in the personal and institutional context in the theorizing and empirically testing of this article. Consequently, the research question of this article is formulated as: To what extent does the institutional environment, in terms of the regulatory, normative and cognitive dimensions, together with an individual's self-efficacy, influence systemic entrepreneurship in South Africa?

Our article makes several contributions to the literature. First, this study builds on earlier work on institutions classified as the formal and informal institutions that affect organizations into regulatory, normative, and cognitive categories (Kostova 1997). Extending current theory provides further levels of refinement for analyzing institutional arrangements as these factors are commonly considered to have implications for different types of entrepreneurial venture outcomes and consequently growth (De Clercq, Danis, and Dakhli 2010; Venter and Urban 2015). Additionally, we merge the context of South Africa with institutional and self-efficacy theorizing which will improve our understanding of the impact that the institutional environment may have on systemic entrepreneurship in an African context. This is important when considering that researchers argue that entrepreneurs must respond to and take advantage of their specific institutional environment, and where several differences have been noted in nascent and high growth entrepreneurship in the African context (Bruton, Ahlstrom, and Han-Lin 2010; Nyakudya, Simba, and Herrington 2018).

Second, the relationship between institutions and beliefs is important as the institutional environment influences both positively and negatively entrepreneurial aspirations, intentions, and motivations and thus affects the type of entrepreneurial activity that takes place in an economy (Bosma et al. 2018). Indeed the entire entrepreneurial process evolves because individuals have entrepreneurial intentions, act and are motivated to pursue opportunities (Kirzner 2009; Krueger 2007; Shane 2003). Self-efficacy, based on the tenets of social cognitive theory (SCT), favors the concept of interaction where behavior, personal factors, and environmental influences all operate interactively as determinants of each other (Bandura 1997, 2001). Consequently our article builds on prior research and uses an established theoretical framework to extend current theory by creating links between beliefs and the different institutional dimensions in relation to systemic entrepreneurship, which is important as the context for entrepreneurship is often distinctive one (Smallbone and Welter 2006).

The article first offers an overview of relevant theoretical foundations to provide a basis for the study hypotheses and highlights the texture of the entrepreneurial and institutional environments in South Africa. Next, the research design is explained in terms of sampling, measures and analytical techniques adopted. Results are then discussed in the context of the prior findings, and implications as well as future research avenues are suggested.

2. Literature review

2.1. Entrepreneurship in the emerging and South African context

Research on emerging markets has "increased over the past decade with different schools of thought and theories applied to leading emerging markets" (Peng, Wang, and Jiang 2008), primarily in Eastern European markets, with limited research conducted in African markets (Bruton, Ahlstrom, and Obloj 2007). This is a disconcerting omission when considering that African economies are unique environments that offer the ability to expand theory and increase understanding by incorporating more contextualized considerations (Bruton, Ahlstrom, and Han-Lin 2010; Urban 2019).

Moreover, there seems to be a generic approach that lumps all economies that are outside the realm of the mature and developed western European and North American economies into a homogenous group of less-developed, emerging or developing economies (Urban and Hwindingwi 2016). However, developing or emerging economies are not uniform even though they may be characterized by some common markers such as institutional voids, weak and less established markets, and unstable institutions specifically in terms of weak enforcement (Valdez and Richardson 2013).

South Africa has been on a long institutional reform path since the end of apartheid in 1994 (National Planning Commission 2011), and is arguably one of Africa's most advanced economies situated in the sub-Saharan African (SSA) region (World Bank 2018). However, South Africa also has one of the highest inequality rates in the world where according to the Living Conditions Survey 2014/2015 the country has the highest Gini coefficient (0.63) in the world (World Bank 2018). South Africa is characterized by a weak job-creating capacity leading to high unemployment and poverty rates. To address these inequalities a key priority of government has been to foster entrepreneurship and in particular high-growth ventures which can substantially reduce unemployment (Venter and Urban 2015).

Research has focused on entrepreneurship in less-developed and emerging economies as the pathway to open up economic progress for all, overcome challenges such as chronic poverty and unemployment (e.g. Urban 2019). Equally, entrepreneurship has emerged a viable scheme for national economic development in South Africa which can contribute to macro-economic growth, poverty alleviation and employment creation (Naudé 2010). Notwithstanding the potential of entrepreneurship to deliver economic growth (Baumol and Strom 2007), in Africa high-growth entrepreneurs are scarce and many African countries are dominated by survivalist type of enterprises with low expectations of growth and job creation (Venter and Urban 2015; Xavier et al. 2013). According to the series of Global Entrepreneurship Monitor (GEM) reports in terms of the Total Entrepreneurial Activity (TEA) rate South Africa

remains among the lowest in the peer group of developing nations (Xavier et al. 2013). In South Africa, similar to many African countries, the majority of its entrepreneurial activity is concentrated in the informal sector rather than high-growth-systemic entrepreneurship (Venter and Urban 2015). In recent years, there has been increasing appreciation that the institutional environment is critically important when tackling informal entrepreneurship since the conditions facing many entrepreneurs in many African countries, including South Africa, "make simply surviving a miracle, where the challenge is then to turn the miracle of survival into the miracle of growth" (Rogerson 2004, 767).

An investigative review of the literature suggests that the characteristics of institutions of emerging economies contrast with those of the developed market economies (Peng, Wang, and Jiang 2008; Stenholm, Acs, and Wuebker 2013; Urban and Hwindingwi 2016). In developed economies, markets are usually characterized by deep-rooted regulations, along with an established enabling environment which supports entrepreneurship. On the other hand, in many emerging economies there are primarily under-developed legal and political institutions which often result in confusing and unreliable business contexts (Peng, Wang, and Jiang 2008; Puffer, McCarthy, and Boisot 2010). Such "institutional voids" make a market "emerging," and lead to higher transaction costs and operating challenges for entrepreneurs in these markets (Khanna and Palepu 2010).

The institutional voids that frequently characterize emerging markets are diverse (for an overview, see Nielsen, Hannibal, and Larsen 2018), where some authors indicate a great variation and frequency of change in institutions, while others point to an unpredictable business environment due to an inefficient and/or corrupt legal and/or administrative systems, which all together contribute to a higher cost of doing business, and which may increase opportunistic behavior (Estrin, Mickiewicz, and Stephan 2013), as well as entrepreneurial behavior (Urban 2019). There is also a large variation in cultures and legal systems within Africa, where research further highlights that institutional weaknesses in several African countries often lead to uncertainty so that as the institutional context evolves, different types of entrepreneurship may become more or less viable in emerging economies (Bruton, Ahlstrom, and Obloj 2007; Urban 2019). Indeed, Baumol (1990) shows that institutional factors provide incentives for rent-seeking entrepreneurial activities (such as crime and corruption) versus socially productive entrepreneurial activities (such as the establishment of new enterprises).

One of the most critical issues facing developing countries is to understand where entrepreneurs originate from and what characteristics are relevant to their success (Venter and Urban 2015). In this regard, Sautet's (2013) classification of local versus systemic entrepreneurship is useful as local entrepreneurship, which dominates many African countries, refers to socially productive entrepreneurial activities constrained to serve a limited local market. With "local entrepreneurship there is neither accumulation of capital nor a complex division of labor and localized gains are obtained on the basis of personal, straightforward, and unstructured relations" (Sautet 2013, 392). Nonetheless, local entrepreneurship should not be confused with necessity entrepreneurship, although the two categories may overlap to some extent local

entrepreneurship is determined explicitly by the scope of the entrepreneurial opportunity in the market that constrains the growth of the business and not necessarily the motivation of the individual entrepreneur (Maas and Jones 2015; Venter and Urban 2015).

On the other hand, "systemic entrepreneurship is characterized by socially productive entrepreneurial activities undertaken by entrepreneurial ventures geared to exploit entrepreneurial values and gains beyond the immediate environment" (Sautet 2013, 393). This entails complex organizational structures supported by the accumulation of entrepreneurial capitals, and deployment of technology that enable large volumes of market transactions capable of harvesting substantial gains from trade and innovation that generates entrepreneurial momentum (Kirzner 2009; Maas and Jones 2015). Systemic entrepreneurship differs from the opportunity-based entrepreneurship in the sense that the former refers to the scope of the opportunity available in the market, whereas the latter refers to the individual's motivation. Nonetheless, systemic entrepreneurship generally results from the activities of opportunity entrepreneurs and the point in distinguishing local from systemic entrepreneurship is not to say that local entrepreneurship must always come before systemic entrepreneurship. While some local entrepreneurship endeavors will become systemic, most would not as such a conversion depends on the scope of the opportunities available in the market (Sautet 2013).

2.2. Social cognitive theory and self-efficacy

The Social Cognitive Theory (SCT) offers an effective unifying theoretical lens with which to build and test relationships between internal and external factors and their effect on entrepreneurial growth intentions (Venter and Urban 2015). Entrepreneurial activity and growth is typically theorized in terms of broad stages of entrepreneurial tasks (Chen, Greene, and Crick 1998; McGee et al. 2009), where the evolution of individuals from one stage of an entrepreneurial process to another is often the result of a combination of various motivational and belief elements (Shane 2003; Shane, Locke, and Collins 2003). The "capability for self-motivation and purposive action is rooted in intention" (Krueger 2007, 125). Individuals motivate themselves and guide their actions with anticipation via the exercise of forethought or intention (Bandura 1997), and, therefore, this propensity to act, is a crucial sub-dimension of entrepreneurial action (Shane, Locke, and Collins 2003).

Self-efficacy, with its theoretical roots in the SCT, has emerged as a key psychological construct in the literature and is an important motivational construct that influences "individual choices, goals, emotional reactions, effort, coping and persistence" (Chen, Greene, and Crick 1998; Urban 2019). Self-efficacy refers to individuals' convictions about their abilities and refers to one's capacity to perform at designated levels of performance (Bandura 2001). In the entrepreneurship literature this self-belief dimension has been conceptualized as task-specific self-efficacy, in the form of entrepreneurial self-efficacy (ESE) (De Noble, Dong, and Sanford 1999; McGee et al. 2009). ESE has also been investigated in relation to the influence of knowledge, experience, and education on gender disparity (Chowdhury, Endres, and

Frye 2019). Newman et al. (2019), through a systematic review of the literature on the theoretical foundations, measurement, antecedents, and outcomes of ESE, show that the agency perspective, informed by self-efficacy research, is the leading meta-approach to understanding entrepreneurial intentions and action-related beliefs.

McGee et al. (2009) demonstrate the multi-dimensional nature of the ESE measure by testing it within a four-phase venture creation framework: (1) The searching phase involves opportunity identification and development; (2) The planning phase consists of activities by which the entrepreneur converts the idea into a feasible business plan; (3) The marshalling phase involves assembling resources such as capital, labor, customers, and suppliers to bring the venture into existence; (4) The implementing phase requires that the entrepreneur grow the business and ensure the sustainability of the venture by employing (a) people management and (b) financial management.

This multi-dimensional four-phase venture creation ESE framework coincides with systemic entrepreneurship where the entrepreneur is concerned with the accumulation of entrepreneurial capitals using complex internal structures to gain large volumes of market transactions and exploit opportunities (Sautet 2013). Moreover, theoretically, ESE contextualized in specific institutional environments can influence the type of venture that individuals start up and have growth intentions toward. Therefore, it seems reasonable to hypothesize that those entrepreneurs who exhibit significantly higher levels of ESE are more likely to be positive in their growth intentions as associated with systemic entrepreneurship activity. Consequently, following prior studies where ESE is established as an important individual-level antecedent variable to entrepreneurial intentions (De Noble, Dong, and Sanford 1999; Venter and Urban 2015), hypothesis 1 (H1) was formulated.

2.3. Institutions: theorizing and context

The institutional framework of a society comprises the fundamental political, social, and legal ground rules that establish the basis for production and distribution, and organizations must conform to it if they are to receive support and legitimacy (DiMaggio and Powell 1983, 1991; North 1990; Scott 2001). According to scholars, the "core claim of institutional theories is that actors pursue their interests within institutional constraints" (Ingram and Silverman 2002, 3), and institutional theory is often used as a benchmark for analyzing the performance of ventures operating in developed and emerging markets (Peng, Wang, and Jiang 2008; Urban 2019). Following the perspective that institutions are defined broadly as the "rules of the game which are seen to include property rights, contract enforcement, and good governance" (North 1990, 21), various researchers demonstrate the importance of the institutional environment toward fostering broad economic development and specifically entrepreneurial development across different economies and nations (Bosma et al. 2018; Valliere and Peterson 2009).

The institutional environment can be described as duality, where on the one hand, formal institutions are coded as regulations, rules, and laws developed to facilitate political and economic exchange, and on the other hand, as informal cognitive and normative institutions (Baumol 1990; North 1990; Scott 2001; Urban 2019). Initially,

Scott (2001) conceptualized three pillars of institutions, while Kostova (1997) and others (see, Manolova, Eunni, and Gyoshev 2007; Urban 2019) have linked these dimensions with entrepreneurship. These dimensions are delineated in the context of South Africa's current socio-economic milieu to highlight their significance in the study hypotheses.

(a) The regulatory dimension comprises of national laws and rules that will support certain behaviors, while restricting other types of behavior. Moreover, regulations determine the accessibility of resources and capital requirements for starting and growing a venture (Busenitz, Gomez, and Spencer 2000). Entrepreneurs in emerging markets face rapid institutional changes, reflecting the rapidly changing economic climate and changes in levels of government involvement, ownership patterns and enforcement of business laws, all of which may impact their performance (Peng, Wang, and Jiang 2008; Urban and Hwindingwi 2016). Given regulatory constraints and other sensitivities it can be difficult for entrepreneurs to fill some institutional voids in emerging markets (Khanna and Palepu 2010), where research on Africa has shown that government involvement is more significant and at times more detrimental to entrepreneurship, than in other developed and emerging economies (Venter and Urban 2019). In the sub-Saharan African context, including South Africa, researchers highlight how "antiquated laws and procedures, well as poor management and corruption, plague legal and judicial systems in the region" (Urban and Hwindingwi 2016; World Bank 2018). In South Africa, government often creates regulatory burdens for entrepreneurs because of ignorance, ideological differences or inertia, a lack of coordinated focus where the issue of red tape is simply removed from one area while at the same time as legislation adds red tape in another area (Herrington, Kew, and Mwanga 2017). Furthermore, in South Africa, the cost of regulatory compliance is extremely high for entrepreneurs. Issues such as restrictive employment laws are one of the biggest regulatory obstacles to enterprise performance since any minimum wage settlements reached between big business and the unions are routinely applicable to small businesses that typically have no say in the negotiation process (Schirmer and Bernstein 2017). Furthermore, South Africa is characterized by structural problems such as the control by monopolies and hence the lack of competition in key areas which effect market access and the viability of small businesses (Urban 2019). Similarly, crime and corruption are having a significant impact on the South African economy where widespread criminal activity and patronage are of huge concern as they serve to stifle entrepreneurial activity and growth performance (Herrington, Kew, and Mwanga 2017; Urban 2019).

(b) The cognitive dimension refers to a deep-seated mental and symbolic intangible structure through which information is processed and in this category lie knowledge, skills, and experiences that entrepreneurs acquire to identify an opportunity, innovate and grow a venture (Urban 2019; Valdez and Richardson 2013). Prior research highlights that the cognitive dimension represents the "common cognitive frameworks that are adopted and shared between individuals' and whereby individuals interpret information of a given situation" (Busenitz, Gomez, and Spencer 2000). In this manner, individuals adopt and use the acquired knowledge and skills to understand conditions in their environment and identify opportunities (Urban 2019).

In South Africa, the education system continues to be a stumbling block to increase entrepreneurial activity and improve business performance, since the quality of primary and secondary education is problematic. Education in primary and secondary schools tends not to inculcate a positive attitude toward entrepreneurship as a career path of choice. As a result of South Africa's socio-political history the majority of South African citizens do not have family legacies of businesses or role models, which means that few people have practical experience of running a business or access to skills transfer. More specifically the education system is not teaching individuals to be creative, use personal intuitive, be independent thinkers or self-reliant, and consequently, most entrepreneurs in South Africa are severely disadvantaged by the lack of poor-quality education which constrains their ability to grow their businesses (Herrington, Kew, and Mwanga 2017). There is also a lack of effective institutional support in terms of the lack of interventions aligned with the needs of established small businesses that require professional skills to excel in growth and expansion (Venter and Urban 2015).

(c) The normative dimension refers to more informal practices and is made up social norms and values that are shared socially. The normative institutional dimension dictates how a social group in a region, or a country accepts entrepreneurial activity as a legitimate and respectable career that adds social value (Busenitz, Gomez, and Spencer 2000). In South Africa, many people feel that individuals that start a business have to work too hard for little money, and the development of an entrepreneurial culture in South Africa is rapidly being eroded by the perception that working for the government is the best way to earn a living; as evident by the number of discouraged work seekers and the number of people on social grants. Additionally, individuals perceive that as a result of high levels of government corruption "who you know" is more important than "what you do", thus further entrenching negative perceptions about entrepreneurship. The persistent socio-economic inequality in South Africa often stifles creativity and innovation, where the societal ethos is one of entitlement and state-dependency, rather than one of self-sufficiency (Herrington, Kew, and Mwanga 2017; Urban 2019).

Previous studies show that an enabling institutional environment can play an important role in either accelerating or inhibiting the establishment and growth of many formal and high-growth business ventures (Van Stel, Storey, and Thurik 2007; Urban 2019). High-growth or opportunity-driven ventures has been found to "differ systematically from necessity-driven ventures in terms of job creation expectations, projections for out-of-country exports, and the intention to replicate existing business activity versus creating a new niche" (Hessels, Van Gelderen, and Thurik 2008, 337). Such findings resonate with the characteristics of systemic entrepreneurship, and, therefore, a hypothesis 2 (H2) is formulated to reflect a positive relationship between the different institutional dimensions and systemic entrepreneurship growth intentions:

Furthermore, it is important to recognize that the relationship between institutions and an individual's orientation is important as the institutional environment has been reported to influence both positively and negatively different individual-level factors such entrepreneurial alertness and self-efficacy (Urban 2019), role models and

mentors (Herrington, Kew, and Mwanga 2017), fear of failure (Venter and Urban 2015), as well perceived opportunities and the desirability of enterprise growth (Bosma et al. 2018). Such an interface between institutions and an individual's orientation means that "the entrepreneurs" actions are not only constrained by institutional forces in their environment, they are also enabled as opportunities are opened for those who are alert and can understand and make the most of the local institutional environment (Welter and Smallbone 2011, 121). In this regard, research show that often institutional failures such as inefficient regulations, are mitigated by an entrepreneurs' ability, cognitions, and human and social capital, which helps them overcome institutional failures and make sense of their institutional environments, despite the level of institutional challenges they experience (Bosma et al. 2018; Welter and Smallbone 2011). Consequently, following prior empirical findings and the line of reasoning put forward in terms of the how different institutional dimensions combine with an individual's orientation, specifically in terms of self-efficacy, which shows a positive effect on new venture performance (Xie, Lv, and Xu 2018), hypothesis (H3) was formulated:

3. Methodology

The study context, South Africa, and more specifically the greater Johannesburg area is considered to be the hub of economic activity in South Africa where entrepreneurs of all types operate their formal and informal ventures. Both local and systemic entrepreneurship tend to be prevalent in the Johannesburg area, which has the highest number of both formal and informal entrepreneurs (Republic of South Africa 2013). A cross-sectional survey-based design was used to collect primary data from this study population. The following three hypotheses, as per the literature review were tested:

H1: There is a positive relationship between entrepreneurial self-efficacy and systemic entrepreneurship

H2: There is a positive relationship between the institutional environment in terms of (a) regulatory dimension, (b) normative dimension, and (c) cognitive dimension, and systemic entrepreneurship

H3: There is a positive relationship between the (a) regulatory institution, (b) normative institution, (c) cognitive institution, and entrepreneurial self-efficacy, and systemic entrepreneurship.

3.1. Data and sampling

The study sampling frame was sourced from the South African National Small Business Chamber (NSBC 2014) and a proprietary database from a Business Development Services (BDS) provider of early-stage start-ups. Furthermore, in line with the series of Global Entrepreneurship Monitor (GEM) reports, which recognizes entrepreneurship as a process, the operational definitions of an established entrepreneur were adopted (Xavier et al. 2013), where the venture had to "represented by owner-managers who currently own and manage their business for more than

3.5 years" (Bosma et al. 2018, 14). Owner-managers are usually well positioned in respect of all-encompassing strategic activities of the venture (Urban 2019). Furthermore, in order to classify the sampling frame in terms of local versus systemic entrepreneurs, based on characteristics provided by Sautet (2013) individuals in each category were identified as forming a homogenous and sufficiently similar category to justify calling them a whole group; consequently the outcome group of systemic entrepreneurs was used in this study. As a safeguard, respondents that scored high in both categories represented an indication of inconsistency and, therefore, deemed unreliable and not used in further analyses. Sampling parameters which also served as control variables included respondent's categorization (as mentioned the focus was on systemic entrepreneurs), age and ethnic group affiliation. These variables provided a fuller picture of the sample characteristics, and there is *a prior* theoretical basis for expecting these variables to have a systematic relationship with either the dependent or independent variable, or both (De Noble, Dong, and Sanford 1999; Urban 2019).

Ethical considerations ensured that the privacy and confidentiality of respondents was respected at all times. A self-administered survey was delivered online and via email and after several requests and reminders, from the 1400 randomly distributed questionnaires, 292 responses were completed comprehensively, resulting in a response rate of 21 per cent. This response rate was deemed acceptable for online e-mail-solicited surveys of this nature (Cooper and Schindler 2011). Sample characteristics reveal that in terms of age the average respondent was 44 years old and 41.4 per cent of respondents were ethnically classified as Black South Africans while 24.3 per cent as White South Africans, and 21.3 per cent as Asian/Indian South Africans.

Running preliminary Chi-square and *t*-tests on average differences between early (first wave) and late (second wave) responses against the variables helped assess whether non-response sampling bias was a problem (Cooper and Schindler 2011). Mean difference tests between these groups did not indicate statistically significant differences suggesting that non-response bias was not a significant challenge or problem in the data for this study.

3.2. Measures

Based on previous research, suitable measures were identified where theoretical and empirical support was evident for each construct. These constructs were operationalized as the institutional environmental dimensions, ESE and employment growth intentions. Each of these constructs has multidimensional variables, with multi-item indicators. The constructs and the variables measurement levels were not directly observable but were estimated from the variables, which in turn were estimated from the item measures. The latent variables were assessed through multiple manifest items and indicators (Cooper and Schindler 2011). All items were measured with five-point Likert scales ranging from strongly agree (5) to strongly disagree (1).

Institutional dimensions as independent variable (IVs) were based on the Busenitz, Gomez, and Spencer (2000) scale which is an appropriate instrument to use in the context of emerging economies (see, Manolova, Eunni, and Gyoshev 2007; Urban

2019). Prior studies report high reliability, internal consistency, and construct validity for each of these institutional dimensions (Urban 2019).

The ESE construct as an IV was measured on the basis of the four-phase multi-dimension venture creation framework with three items used to measure the ESE search dimension, four for ESE planning, three for ESE marshalling, six for ESE people, and three for ESE financial. In previous studies, the factor structure of the ESE items was tested using a confirmatory factor analysis which provided evidence of convergent validity (Chen, Greene, and Crick 1998; McGee et al. 2009). As ESE refers to an "owner's self-perception of a venture's orientation, their self-perception will be closely related to the behavior of the venture" (Urban 2019, 101). Consequently, ESE measures the owners' self-perception and accordingly serves as a relevant proxy for measuring the entrepreneurial tasks within the venture creation phases.

Systemic entrepreneurship as the study dependent variable (DV) was measured in terms of Sautet (2013) conceptualizations as outlined in the literature review, and operationalized with seven items related to systemic ventures such as: "large volumes of market transactions exploiting large gains from trade and innovation, complex organizational structure that enables economies of scale and scope to be captured, venture rests on impersonal and formal relations across many business networks, and entrepreneurial opportunity(s) available to me are wide enough to exist over an extended space, and go beyond the immediate community in which I conduct business." As the study was contextualized in an African economy where concerns over growth are crucial, the systemic entrepreneurship construct can successfully be measured by perceptions of future performance (Steffens, Davidsson, and Fitzsimmons 2009; Venter and Urban 2015), where a subjective assessment of venture performance has been applied successfully in numerous studies (Birley and Westhead 1994).

3.3. Data analysis

Considering the hypothesized construct and variable relationships were multi-layered, the latent variables were analyzed using exploratory factor analysis (EFA) as well as confirmatory factor analysis (CFA). To test the hypotheses, multiple regression analyses were conducted in order to examine the hypothesized set of relationships.

Considering a survey was used, the data had potential for common method bias. This was addressed through the Harman one factor test technique with Principal Component Analysis (Podsakoff et al. 2003). This test produced results which showed that five components explained a cumulative variance of less than the 50 per cent threshold, suggesting that common method bias was not a serious concern in this study.

4. Results

4.1. Validity and reliability testing

To test the validity of the model, initially EFA was employed to test the factor structure. For construct validity testing, the Kaiser-Meyer-Olkin (KMO) measure was used to verify the sampling adequacy for using factor analysis. Results across all of the constructs provided KMO value of 0.939 (which is better the threshold of 0.6), and

Table 1. Final pattern matrix and factor loadings and scale reliabilities.

Item/Component	1	2	3	4
ESE (α = 0.917)				
Brainstorm (come up with) a new idea for a product or service	.756			
Identify the need for a new product or service	.753			
Design a product or service that will satisfy customer needs and wants	.744			
Estimate customer demand for a new product or service	.721			
Determine a competitive price for a new product or service	.713			
Get others to identify with and believe in my vision and plans	.713			
Delegate tasks and responsibilities to employees in my business	.710			
Deal effectively with day-to-day problems and crises	.682			
Inspire, encourage, and motivate my employees	.661			
Manage the financial assets of my business	.606			
Systemic entrepreneurship (α = 0.805)				
My venture is based on large volumes of market transactions exploiting large gains from trade and innovation		.817		
My venture entails a complex organizational structure that enables economies of scale and scope to be captured		.798		
My venture rests on impersonal and formal relations across many business networks		.797		
My venture involves the coordination of multiple inputs, often resulting in the production of many products		.715		
The entrepreneurial opportunity(s) available to me are wide enough to exist over an extended space, beyond my immediate community		.652		
Normative institutions (α = 0.868)				
Turning new ideas into businesses is an admired career path in this country			.798	
In this country, innovative and creative thinking is viewed as a route to success			.750	
Entrepreneurs are admired in this country			.748	
People in this country tend to greatly admire those who start their own business			.737	
Regulatory institutions (α = 0.698)				
Government organizations in this country assist individuals with starting their own businesses				.801
The government sets aside government contracts for new and small businesses				.750
Even after failing in an earlier business, the government assists entrepreneurs in starting again				.743

Extraction Method: Principal Component Analysis; Rotation Method: Varimax with Kaiser Normalization; Rotation converged in 6 iterations.

the Bartlett's Test of Sphericity was significant ($\chi^2(496) = 5889.288$, $p \leq 0.001$). Varimax rotation with Kaiser Normalization was used. Items with no loadings, single loadings or cross-loadings were deleted from the data. Four factors were extracted with eigenvalues >1, which explained 71 total percent variance. A comprehensive overview of the factors extracted can be seen in the Pattern Matrix, shown in Table 1. The factor structure departed somewhat from the theoretical model, where only the regulatory institutions and normative institutions showed acceptable factor loadings whereas cognitive institutions failed to load as a distinct factor and was subsequently discarded in future analyses.

To check for internal consistency and reliability, scale reliabilities were calculated using Cronbach's alpha coefficient and satisfactory results were obtained (>.70), see Table 1 (the regulatory dimension was considered as a borderline case and carried forward)(Cooper and Schindler 2011).

CFA was then applied where modification indices were identified and applied to the model for testing. An absolute fit index using 90 per cent confidence interval for

root mean square error of approximation (RMSEA) was set in order to be less than 0.08 for the goodness of fit model (Bentler 1990). The other fit indices considered was the comparative fit index (CFI) which accounted for or was equal to the discrepancy function adjusted for sample size. CFI ranges from 0 to 1 with a larger value indicating better model fit. Acceptable model fit is indicated by a CFI value of 0.90 or higher (Bentler 1990). Additional model fit indexes considered were incremental indexes of goodness fit index (GFI), non-normed fit index (NNFI), Tucker-Lewis index (TLI), relative fit index (RFI) and the adjusted goodness of fit index (AGFI) which were set to be higher than 0.90 for a goodness of fit model (Bentler 1990).

The CFA results indicated that the model's goodness fit index was reliable with CFI of 0.976, IFI of 0.976, RFI of 0.925, all well above 0.90. The RMSEA of 0.051 and SRMR of 0.039 were also good fits at below the required threshold of 0.06. Although the model was validated, the cognitive institutional dimension was eliminated and while two ESE dimensions, implementing people and finance were observed, a compound ESE measure was used instead which is line with the EFA results and study hypotheses.

4.2. Descriptives and correlations

Table 2 shows the results in terms of descriptive statistics and inter-correlations of the study variables. On average above mid-point mean scores were observed across factors where the highest scores were on ESE (M = 4.39, SD = 0.79) followed by systemic entrepreneurship (M = 4.16, SD = 0.87). Several positive and some significant correlations between the factors were observed, which highlights relatively high levels of associations between these factors and the DV, and vice versa. For instance, ESE was positively and significantly related to systemic entrepreneurship ($r = .179$; $p > 0.05$) and there was a positive, significant relationship between the normative institutions and venture performance ($r = .289$; $p < 0.01$), as well as a positive, significant relationship between the regulatory ($r = .305$; $p < 0.05$).

4.3. Hypothesis testing

A simple model/estimation equation captured in the multiple linear regression model was formulated as: "Equation 1: ESE = ImplPeople =∼

$$\text{ImplPeople1} + \text{ImplPeople2} + \text{ImplPeople3} + \text{ImplPeople4} + \text{ImplPeople5} + \text{ImplPeople6}$$

$$\text{ND} = \sim \text{ND1} + \text{ND2} + \text{ND3} + \text{ND4}$$

Table 2. Descriptives and correlation matrix.

	Mean	Std. dev.	1	2	3	4	5	6
1. ESE	4.38	0.79	1.000					
2. Regulatory institutions	2.95	0.78	0.117*	1.000				
3. Normative institutions	2.98	0.97	0.547**	0.528**	1.000			
4. Respondent age	1.35	0.86	0.184	0.210*	0.289*	1.000		
5. Respondent education	2.03	0.72	0.379*	0.291	0.301*	0.186	1.000	
6. Systemic entrepreneurship	4.16	0.87	0.179*	0.289**	0.305**	0.111*	0.142	1.000

**Correlation is significant at the 0.01 level (one-tailed).
*Correlation is significant at the 0.05 level (one-tailed).

Table 3a. Model summary.

Model summary[a]

Model	R	R^2	Adjusted R^2	Std. error of the estimate	Change statistics					Durbin-Watson
					R^2 change	F change	df1	df2	Sig. F change	
1	.309[b]	.096	.089	1.021	.096	15.297	2	289	.000	
2	.781[c]	.609	.601	.676	.513	93.609	4	285	.000	1.823

[a]Dependent Variable: Systemic entrepreneurship.
[b]Predictors: (Constant), Age, Education.
[c]Predictors: (Constant), Age, Education, ESE, Regulatory institutions, Normative institutions.

Table 3b. ANOVA statistics.

Model[a]		Sum of squares	df	Mean square	F	Sig.
1	Regression	31.955	2	15.977	15.297	.000[b]
	Residual	301.855	289	1.044		
	Total	333.810	291			
2	Regression	203.352	6	33.892	74.041	.000[c]
	Residual	130.458	285	.458		
	Total	333.810	291			

[a]Dependent Variable: Systemic entrepreneurship.
[b]Predictors: (Constant), Age, Education.
[c]Predictors: (Constant), Age, Education, ESE, Regulatory institutions, Normative institutions.

Table 3c. Coefficients.

Model[a]		Unstandardized coefficients		Standardized coefficients		
		β	Std. Error	Beta	t	Sig.
1	(Constant)	3.669	.212		17.267	.000
	Education	−.247	.045	−.310	−5.527	.000
	Age	.006	.060	.005	.094	.925
2	(Constant)	8.154	.306		26.654	.000
	Education	−.004	.034	−.005	−.123	.902
	Age	.058	.040	.054	1.437	.152
	Regulatory institutions	−.093	.083	−.042	−1.118	.264
	Normative institutions	−.357	.068	−.268	−5.276	.000
	ESE	−.456	.074	−.416	−8.614	.000

[a]Dependent variable: Systemic entrepreneurship.

$$\text{ESE} \;=\; \text{ImplFin} \;=\sim \text{ImplFin1} + \text{ImplFin2} + \text{ImplFin3}$$

$$\text{RV} \;=\sim \text{RV2} \;+\text{RV3} \;+\text{RV5”}$$

Tables 3a–c show the multiple regression results for each of the study hypotheses, where the first model is the base model, including the control variables, and the second model includes both the control variables and the relevant IVs.

In Table 3a, the base model indicates an adjusted R^2 of 0.089 while model 2 indicates an adjusted R^2 of 0.676. ANOVA statistics in Table 3b reveal significant results for both models: Model 1 = F (15.977) = 15.297 ($p = 0.000$); Model 2 = F (33.892) = 74.041 ($p = 0.000$).

Table 3c shows the regression coefficients for both models. In model 1 it is interesting to note that the control variable education 1 ($\beta = -0.310$, $t = -5.527$, $p < 0.001$) was a negative value but a statistically significant predictor on the DV.

In model 2, the addition of the normative institutional dimension ($\beta = -0.268$, $p < 0.001$) and ESE ($\beta = -0.\ 4169$, $p < 0.001$) were negative but significant which means that H1, H2 and H3 can be partially supported.

To evaluate any multicollinearity issues, variation inflation factors (VIF) and tolerance values were computed where the diagnostics in combination with collinearity statistics reveal VIF values of >1, and can be understood as no evidence of multicollinearity amongst the study variables (Cooper and Schindler 2011).

5. Discussion

Our study extends existing research on systemic entrepreneurship (e.g. Sautet 2013, Maas and Jones 2015) by examining the extent to which the institutional environment, and an individual's self-efficacy, increases growth intentions in the South African market context. Specifically, the findings resonate with a growing stream of research which shows that individual entrepreneurs are not necessarily a homogeneous set of actors but instead individuals with beliefs, capabilities, and intentions that are all shaped by institutions, and have differential interests in terms of potential entrepreneurship activity (Stenholm, Acs, and Wuebker 2013; Urban 2019).

Our study results resonate with similar studies which report that the normative institutional profile of a country has an impact on venture growth and performance, since country norms and values affect entrepreneurship (De Clercq, Danis, and Dakhli 2010). Our positive finding in terms of the normative institutional dimension and growth intentions supports the notion that the normative institutional dimension relates to the "embeddedness of entrepreneurship in social structures and relationships that reinforce entrepreneurial activity." Indeed if entrepreneurship is not appreciated in a particular country, then not only will it be "associated with criminality and corruption but also other forms of economic support will prove ineffective" (Baumol 1990, 235). The embeddedness of entrepreneurship in social and structural relationships suggests that entrepreneurship is a self-reinforcing process and that an individual's intention does not depend on his or her preferences alone, but is influenced by what others in society or community choose (Bosma et al. 2018). Additionally, confirm that successful entrepreneurs build networks of trust, which assists them in creating social legitimacy within the market. Such embeddedness of entrepreneurship in social structures is aligned with systemic entrepreneurship activity which typically takes place beyond the local level and involves complex impersonal networks through multiple linkages among ventures (Sautet 2013). Therefore, our study has successfully extended the theoretical reach of the normative institutional dimension to the domain of systemic entrepreneurship in the South African context.

What also emerged from our findings is that formal regulatory institutions do not translate to positive growth-orientated entrepreneurial intentions. It is plausible that while systemic entrepreneurs in similar institutional environments may exhibit higher levels of ESE they perceive the regulatory institutional environment as not driving intentionality toward growth in terms of employment creation. Prior studies, such as by Stenholm, Acs, and Wuebker (2013) show that the regulatory framework in a country is positively associated with entrepreneurial activity and they suggest that

legal and policy measures intended to reduce the complexity start-ups will increase the rate of entrepreneurship in a country. Perhaps in an African emerging market context a combination of weak administrative regulations and poor execution of regulations hinder entrepreneurial growth intentions. Research on Africa has shown that when it comes to business, government involvement is more significant and at times more detrimental to the entrepreneurship, than in other developed and emerging economies (Urban and Hwindingwi 2016). This observation is in line with literature on the institutional framework, which posits that productive entrepreneurial behavior is subject to the regulatory context in which that action is taken (De Clercq, Danis, and Dakhli 2010).

An important insight which emerges from our study findings, in terms of the normative institutional dimension rather than the regulatory dimension having an impact on systemic entrepreneurship growth intentions, is that at a country level factors that differentiate developed economies from emerging economies are the presence of rule-based governance versus relational governance (Singh 2012). So while rule-based (regulatory focused) versus relationship-based (normative focused) governance mechanisms are at two extreme ends of a continuum, many emerging markets seem to be primarily based on relational governance as opposed to rule-based governance (Singh 2012). The transition from "a closed, opaque and relation-based governance system to a more open, transparent and rule-based governance system" makes the role of institutions very salient in Africa and emerging markets because transitions in social, legal and economic institutions are evident (Singh 2012; Urban 2019).

The study findings further resonate with entrepreneurship theorists' observations that there are different forms of entrepreneurship in terms of local versus systemic, where the latter has the potential to expand and lead to systemic broader economic activities and development (Sautet 2013). There is growing evidence that certain types of entrepreneurs are responsible for fostering long-term economic growth. High-growth or high-impact entrepreneurs operate ventures with above average impact in terms of job creation, wealth creation, and the development of entrepreneurial role models. Understanding the antecedents and attributes driving these systemic entrepreneurs has become a primary focus for researchers, policy makers and practitioners interested in driving economic development (Bosma et al. 2018). Indeed, without individually held growth intentions by systemic entrepreneurs it is unlikely that an entrepreneurial economy will yield Schumpeter's (1943) creative destruction levels of entrepreneurial growth required to impact macro-economic growth measures such as employment creation and innovation.

6. Conclusions

The results of our study may also be applied to strategic policy development to improve support for effective decision making toward post-venture-launch growth dynamics. Such policy development is specifically important in an emerging economy context such as South Africa where remedial policy frameworks are required as part of the transitional economy regulative institutions. South Africa is not unique in the challenges that emerging economies face in the nature and structure of institutions

and quality of entrepreneurship. There are several countries in Asia, the former Soviet bloc, South America and other emerging African economies that have been dealing with challenges of entrepreneurship and institutional development. For example, similar challenges have been documented in studies conducted in the former Soviet Republics and in China (Smallbone and Welter 2006), where the historical contexts of these transitional economies is reported to have significant effects on how formal and informal institutions evolve and how such institutions influence entrepreneurial development (Puffer, McCarthy, and Boisot 2010).

Furthermore, by applying an empirical lens, our study has increased the relevance of systemic entrepreneurship theory by expanding it from mostly a descriptive nature to an empirical study with evidence that accounts for the influence of the institutional dimensions and ESE on growth intentions in an African market context. In many African countries, such as South Africa, Nigeria and Ghana, governments have introduced policies to encourage systemic and opportunity-based entrepreneurship and increase skills and knowledge so that high-growth entrepreneurship can create jobs and competitive enterprises (Venter and Urban 2015). However, similar to many African countries, in South Africa there are a lot of survivalist type ventures which have consistently been shown to generate low economic contributions when compared to systemic or high-growth entrepreneurs (Bosma et al. 2018). Consequently, our study highlights that institutional theory and ESE are relevant to emerging economies, such as South Africa, as it allows scholars to compare and contrast these constructs and their relationships in similar contexts.

Recognizing that many individuals in emerging economies may have the desire to grow their businesses but are not engaging because they are lacking in self-belief and requisite entrepreneurial skills in terms of ESE, it is imperative that programs aimed at enhancing ESE be developed and implemented at business incubators and across training programs. The behaviors to which ESE corresponds are required of entrepreneurs well beyond the point of establishing their ventures and need to be continuously refined to manage successful adaptation to the specific institutional environments which they face. The practical implications of this focus on ESE relate to the design of curriculum and teaching methodologies which can enhance learning and foster ESE. Educators must design programs to ensure that entrepreneurs perceive themselves as capable and willing to be entrepreneurial, since systemic entrepreneurship must be accompanied by relevant skills, knowledge and attitudes. Moreover, by testing an instrument, used predominantly in the western context, the CFA results highlight that distinct factors emerge in terms of ESE and these results provide evidence of reliability and validity of these measures in a non-western African emerging market setting.

The primary limitation of this study was the cross-sectional design which prohibits causal relationships to be established and subsequently a longitudinal design may provide richer data in future studies. Another limitation was that the study depended on perceptual data where responses may have been prejudiced by perceptual and cognitive biases. However, these biases were to some extent restrained through the use of the *ex-ante* method of countering common method bias. Study limitations also relate to the representativeness of the sample as no comprehensive database on small

enterprises is currently available in South Africa, and furthermore the selection criteria used for the present study merely serves as a starting point for future sample selection. Similar to prior studies, using an aggregate measure of the institutional dimensions may have concealed elusive differences in less readily observable influences such as cultural traditions and informal political institutions that affect entrepreneurial activities in emerging economies. A promising possibility of research may be to focus on mediating and/or moderating variables such as the entrenched inequalities which act as a major determinant to business growth and employment creation. Further fine-grained analyses of how institutional holes or deficiencies can create opportunities for systemic entrepreneurship would also provide a fertile area for future research.

Disclosure statement

There is no conflict of interest in relation to the research and this publication on part of the authors.

Notes on contributors

Prof Boris Urban was the inaugural Chair in Entrepreneurship at Wits and has more than 30 years of academic and professional experience where he has practiced, taught and researched organisational behaviour, strategy and entrepreneurship. Based on more than 100 articles in academic journals his work is well recognised in the field and he is a highly cited researcher. In terms of advocacy, he has contributed, as subject expert, to several initiatives such as the World Economic Forum, EY G20 Entrepreneurship Monitor Report, Sunday Times Directors Event, SME Summit, LeaderEx, and MIT Global Start-ups panels.

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