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# Informal sector entrepreneurship, individual entrepreneurial orientation and the emergence of entrepreneurial leadership

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## ABSTRACT

The informal economy plays an integral role in addressing the socio-economic issues facing many nations around the world. Informal sector entrepreneurship activities contribute 10–20% of the GDP in developed economies and up to 60% in developing economies. In South Africa, the informal sector accounts for 15–17% of total employment and about 5.2% of the country's GDP. Yet, very little attention is given to how informal sector entrepreneurship shapes individual entrepreneurial orientation and the emergence of entrepreneurial leadership, and vice versa. The lack of attention to the notions of individual entrepreneurial orientation and the emergence of entrepreneurial leadership from the informal sector is worrisome given that a significant number of now successful entrepreneurs in African contexts began their business operations within the informal sector. This article presents a multilevel analysis of the emergence of entrepreneurial leadership in the informal sector of South Africa. We draw from “rags to riches” inspirational accounts and social identity theory to develop an integrative framework on the emergence of entrepreneurial leadership in the informal sector. Short case studies of successful entrepreneurial leaders who emerged from the informal sector are presented for illustrative purposes. This paper aims to provide valuable insights into one of the understudied but rapidly growing entrepreneurial contexts, informal sector entrepreneurship, and how this context shapes individual entrepreneurial orientation and the emergence of entrepreneurial leadership. This exposes a previously hidden territory for new insights and further studies on how to advance entrepreneurship development research and praxis.

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## 1. Introduction

More than two-thirds of enterprises in the world operated in the informal sector during their start-up phase (Autio & Fu, 2015). Williams (2018) further notes that even higher proportions of entrepreneurs are operating in the informal sector considering that an

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unknown number of informal enterprises do not report their actual operations. The informal economy plays an integral role in addressing the socio-economic issues facing many developing nations (Autio & Fu, 2015; Gurtoo & Williams, 2009; Webb et al., 2013; Williams & Youssef, 2015). Webb et al. (2013) noted that informal sector activities contribute 10–20% of the GDP in developed economies and up to 60% in developing economies. In fact, the informal sector in South Africa accounts for 15–17% of total employment and about 5.2% of South Africa's GDP (Stats SA, 2017). Botha (2012) further confirms that the informal sector in South Africa is instrumental in providing employment opportunities for the greater population who cannot secure employment in the formal sector. In other sub-Saharan countries such as Zimbabwe, Central Africa Republic and the Democratic Republic of Congo, the informal sector has been noted to contribute over 90% of total employment (Galdino et al., 2018; Mukorera, 2018). Yet, very little attention is given to how informal sector entrepreneurship influences entrepreneurial behavior such as individual entrepreneurial orientation and entrepreneurial leadership, and vice versa (Gurtoo & Williams, 2009; Webb et al., 2013).

The informal sector has been noted to be among one of the least studied topics in entrepreneurship research, especially in African contexts (Hallgren et al., 2018; Namatovu et al., 2018). Moreover, there has been limited attention paid to the emergence of entrepreneurial leadership from informal sector entrepreneurship, especially in African contexts. The fundamental research questions in this paper are therefore:

- How do contextual factors (poverty, unemployment, inequality, discrimination and institutional failures) influence informal sector entrepreneurship, individual entrepreneurial orientation and the emergence of entrepreneurial leadership?
- What role does informal sector entrepreneurship play in shaping individual entrepreneurial orientation and the emergence of entrepreneurial leaders?

To address these research questions, this article presents a multilevel analysis of the emergence of entrepreneurial leadership in the informal sector of South Africa. The article draws from “rags to riches” inspirational accounts and collective identity theories (Webb et al., 2009) to develop an integrative framework on the emergence of entrepreneurial leadership and individual entrepreneurial orientation in informal sector entrepreneurship. Short case studies of successful entrepreneurial leaders who emerged from informal sector entrepreneurship are presented for illustrative purposes.

The purpose of this paper is to develop an integrative framework on the emergence of entrepreneurial leadership and individual entrepreneurial orientation through informal sector entrepreneurship. This paper is a response to the calls for studying understudied contexts such as informal sector entrepreneurship (Hallgren et al., 2018; Namatovu et al., 2018; Webb et al., 2009). While informal sector entrepreneurship is a widespread phenomenon throughout the African continent, this paper focuses on South Africa. South Africa is one of the largest economies in Africa with much of its entrepreneurial activity attributed to the informal sector (Stats SA, 2017), thus providing a fertile ground for studying informal sector entrepreneurship and its various dynamics.

Furthermore, this paper serves to expand our understanding of relatively new entrepreneurship concepts such as individual entrepreneurial orientation and entrepreneurial leadership (Parente et al., 2018) and their manifestations in understudied contexts such as the

informal sector entrepreneurship environment, especially in African contexts. The following section presents the theoretical foundations of this paper.

## 2. Theoretical Foundations

This section provides the theoretical foundations of the paper, specifically with a focus on informal sector entrepreneurship, entrepreneurial leadership and individual entrepreneurial orientation. The context of this paper, informal sector entrepreneurship, is presented in the following subsection.

### 2.1. Informal Sector Entrepreneurship

Webb et al. (2009) defined informal sector entrepreneurship as a set of illegal, yet legitimate activities through which individuals recognize and exploit business opportunities. This definition places informal sector entrepreneurship at the intersection between legality and legitimacy. Legality relates to activities that adhere to the laws and regulations of the country while legitimacy relates to the acknowledgment that certain activities are acceptable and appropriate within specific norms and values of a socially constructed system (Cannatelli et al., 2019). Thus, the legitimacy of informal sector entrepreneurship is expressed through the recognition in literature of the contribution it makes to the overall economies of many countries around the world. The definitional ambiguities that characterize the informal sector cloud the true contributions of informal sector entrepreneurship. Thus, it is important to explore the contributions of informal sector entrepreneurship in order to expose its full potential, both economically and socially. The following section presents the contributions of informal sector entrepreneurship.

#### 2.1.1. Contributions of Informal Sector Entrepreneurship

Informal sector entrepreneurship is a key part of South Africa's economy (Rogan & Skinner, 2017; Stats SA, 2015). South Africa's informal sector accounts for significant contributions towards the total employment in the country. Stats SA (2015) in its third quarter, Quarterly Labor Force Survey statistics, revealed that over 2 million South Africans are employed in the informal sector. This accounts for about 16.7% of the total employment in South Africa. Similarly, Rogan and Skinner (2017) observed that about 2.5 million people in South Africa are employed in the informal sector of whom about 1.5 million people are self-employed (Rogan & Skinner, 2017). Rogan and Skinner (2017) further note that, for the period between 2008 and 2014, informal sector entrepreneurship continued to contribute between 16% and 18% of South Africa's total employment figures.

Rogan and Skinner (2017) compared changes in formal and informal sector employment (see Table 1). They concluded that the absolute figures of employees in the informal sector did not change significantly during the period from 2008 to 2014. Although a decline in informal sector employment is evidenced, the change was not statistically significant. This is an indication that informal sector employment is less affected by periods of economic crisis than formal sector employment.

The decline in informal sector employment can be explained by the transition of some business from the informal sector into the formal sector. The role of the informal sector, particularly in times of economic crisis, is held in high regard (National Planning

**Table 1.** Changes in formal and informal sector employment-2008–2014.

	2008 Q1	2014 Q3	Change	% Change
Labor Force	20,196,425 (109,579)	22,963,393 (138,155)	2,766,968	13.7***
Informal Sector	2,657,330 (42,506)	2,554,908 (50,540)	-102,422	-3.9
Owner-operators	1,456,383 (31,569)	1,438,496 (39,155)	-17,888	-1.2
Employees	1,127,801 (28,248)	1,059,092 (31,732)	-68,709	-6.1
Domestic Workers	988,421 (26,653)	972,302 (30,417)	-16,119	-1.6
Formal Sector	10,699,699 (89,503)	11,538,541 (109,778)	838,842	7.8***
Unemployment	5,591,503 (62,483)	7,676,302 (84,639)	2,084,799	37.3***

\*\*\*Significant change at the 99% level of confidence.

Source: Rogan and Skinner (2017, p. 9).

Commission, 2012; OECD, n.d; Rogan & Skinner, 2017). There has been growing recognition of informal sector entrepreneurship as an important player in every economy in crisis and its continued growth and persistence are undoubtedly gaining momentum in literature (Buehn & Schneider, 2012; Schneider et al., 2010). The National Planning Commission (2012, p. 374) notes that informal sector entrepreneurship primarily “... provides a cushion for those who lose formal sector jobs or need to supplement their formal incomes during crises”. Similarly, Rogan and Skinner (2017, p. 6) argued that job losses in the formal sector during periods of economic crises increase the number of individuals who create work in the informal sector through self-employment activities and, as a result, the informal sector acts as a “shock absorber in times of economic crises”. Therefore, the establishment of businesses in the informal sector helps to resolve the plight of unemployment during a period of economic crisis. Rogan and Skinner (2017) also observed that there is a notable increase in evidence of the role of informal sector entrepreneurship in ensuring food security in the country.

Sallah and Williams (2016) supported informal sector entrepreneurship as a rational response to stringent and burdensome regulation in the formal sector. Sallah and Williams (2016, p. 199) pointed out that “... informal entrepreneurs find it impossible to comply with the bureaucratic procedures the government puts in place; by operating in the informal economy small, medium, and micro-enterprises can avoid government regulation and bureaucracy, thereby reducing costs and increasing wealth creation”. Similarly, Ligthelm (2005) argued that the main reasons for engaging in informal business activities are fueled by the burdens of direct or indirect taxations and government regulations.

The contribution of informal sector entrepreneurship towards the gross domestic product (GDP) is also remarkable. Although there are variations in the estimated GDP contribution of the informal sector towards South Africa’s GDP, considerable evidence suggests that the informal sector is a huge contributor to the country’s GDP. Ligthelm (2005) estimated that the informal sector economy contributed within the range of 6.7% to 12.6% of South Africa’s GDP. Furthermore, Saunders and Loots (2005) in their study of the informal sector contributions asserted that informal sector entrepreneurship averaged 9.5% of the country’s GDP during the period from 1967 to 2002. The South African Reserve Bank (1999) also estimated the contribution of the informal sector towards the country’s GDP at approximately 7% in 1999. In relatively recent estimates, Stats SA (2015) has estimated that the informal sector contributes up to 5.2% of the country’s GDP. Ligthelm (2005) observes that the considerable differences in the estimated contributions of the informal

sector towards the country's GDP stems from differences in the methodologies used as well as variations in the components of the informal sector measured. The components of informal sector entrepreneurship vary from survivalist businesses that are predominant in townships and rural areas, to informal businesses that operate in affluent communities to escape government regulations and high taxes. Furthermore, there is also a dismissive approach to the contribution that informal sector entrepreneurship makes due to the perceived and real dark side of informal sector entrepreneurship. It is therefore important to highlight the dark side of informal sector entrepreneurship to guide our evaluation of its potential and relations to the emergence of entrepreneurial leadership. The following section addresses the dark side of informal sector entrepreneurship.

### ***2.1.2. The Dark Side of Informal Sector Entrepreneurship***

Despite its noted contributions to the economy, informal sector entrepreneurship has been associated with unethical and underground activities. Botha (2012) in his study of ethical consideration in informal sector entrepreneurship in South Africa revealed that informal sector entrepreneurship is marred with unethical activities such as corruption and bribery, coercion, deception, theft, and unfair discrimination. In particular, informal sector entrepreneurship is seen as a breeding ground for bribery of corrupt government officials who solicit bribes from informal traders for various legal transgressions such as not having licences to trade, and lack of health and safety compliance systems, among others. There is also a high level of hostility and harassment of informal sector entrepreneurs by government officials in an attempt to regulate the informal sector. These hostilities and harassments fuel corruption and other illegal activities in the informal sector. A heightened level of hostility and harassment is mostly directed at foreign-owned businesses which are prevalent across most of South Africa's informal economy (Rogan & Skinner, 2017).

Rogan and Skinner (2017) noted that, despite being widely recognized as key participants in the informal sector, foreign-owned businesses' contribution to the economy of South Africa is not well captured in national surveys. The DTI (2014) argued that the lack of attention to migrant/foreign-owned businesses is, in part, fueled by the anti-immigrant dispositions that are reflected in South Africa's migration and migration-related policies. In this regard, the DTI (2014) singled out the Business Licencing Bill as one that adopts a punitive approach to informal sector entrepreneurship, primarily towards foreign business owners. Similarly, according to Rogan and Skinner (2017), the Parliament of South Africa's recommendation that municipal governments must tighten the processes and systems for granting and monitoring business permits has been detrimental to both South African and foreign informal business operators. Several other studies (for example, Dube et al., 2013; Rogerson, 2015; Skinner, 2010) also presented mixed reactions on the role of municipal authorities in the operations of the informal sector.

Local government and municipal authorities play a significant role in informal sector entrepreneurship. Studies such as Skinner and Haysom (2016) and Rogerson (2015) reveal that municipal authorities' actions such as "Operation Clean Sweep", which was conducted in Johannesburg's inner city during late 2013, significantly destroyed informal sector operations in the city. In this case, the city authorities actively removed over 6 000 street vendors from Johannesburg's inner streets, threatening the extinction of informal trade in the area (Rogerson, 2015). The actions of municipal authorities are driven by the perception that informal sector entrepreneurship is associated with criminal and other unwanted

conduct. While criminal activities and other unwanted activities are found in the informal sector, there is evidence (Mashaba & Morris, 2012; Williams & Bezeredi, 2018) to suggest that informal sector entrepreneurship has been instrumental in the emergence of entrepreneurial leadership. This emergence of entrepreneurial leadership has not been studied within the South African context. Thus, the following section presents the notion of entrepreneurial leadership and its relations to informal sector entrepreneurship.

## **2.2. Entrepreneurial Leadership**

The term entrepreneurial leadership is rooted in the fields of entrepreneurship and leadership combined (Gupta et al., 2004). This is born out of the conception that entrepreneurs are leaders by nature (Leitch & Volery, 2017; Parente et al., 2018). Renko et al. (2015) assert that that entrepreneurial leadership exists at the intersection of entrepreneurship and leadership. Thus, entrepreneurial leadership is characterized as a form of leadership in which the leader influences the actions of followers towards the realization of entrepreneurial goals. In this regard, entrepreneurs generate business ideas and mobilize resources to create value for their businesses (Parente et al., 2018).

The increasing recognition (Newman, Herman, Schwarz, & Nielsen, 2018; Yoshida et al., 2014) of leadership in the process of developing and executing new business ideas is a clear expression of the importance of entrepreneurial leadership. Parente et al. (2018) indicated that entrepreneurs are visionaries who mobilize resource holders such as partners, suppliers, employees and various other stakeholders in pursuit of their business ideas. In this regard, entrepreneurs exhibit entrepreneurial leadership (Parente et al., 2018). According to Davids (2012), entrepreneurial leadership is shown through the entrepreneur's vision, communication, strategic positioning, and the level of confidence expressed to resource holders. Thus, entrepreneurial leaders link their leadership style to their businesses' strategic positions as well as their service to humanity (Lanctot & Irving, 2010; Parente et al., 2018). Gupta et al. (2004, p. 246) revealed that entrepreneurial leaders exhibit the following five (5) characteristics:

- (1) Extract exceptional commitment and effort from organizational stakeholders;
- (2) Convince them that they can accomplish goals;
- (3) Articulate a compelling organizational vision;
- (4) Promise their effort will lead to extraordinary outcomes; and
- (5) Persevere in the face of environmental change.

Considering the nature and the environment of informal sector entrepreneurship, the emergence of entrepreneurial leadership may be linked to informal sector entrepreneurship (Cannatelli et al., 2019; Williams & Bezeredi, 2018). Our understanding of entrepreneurship leadership, therefore, provides a springboard for establishing its relations to informal sector entrepreneurship.

There is literature (Bills, 2009; Gupta et al., 2004; Mashaba & Morris, 2012) to suggest that informal sector entrepreneurship has resulted in the emergence of entrepreneurial leaders. However, this literature has not been supported by empirical evidence from the South African context; neither is it supported by any theoretical foundation. This literature gap can be addressed by showing linkages between the salient characteristics of informal

sector entrepreneurship and the relevant entrepreneurial theories. One of the theoretical foundations that can be used to explain the emergence entrepreneurial leadership through informal sector entrepreneurship is the collective identity theory (Dick et al., 2018; Newman et al., 2018; Ng, 2015). The following section, therefore, presents how collective identity theory together with its application in informal sector entrepreneurship contribute towards the emergence of entrepreneurial leadership.

### ***2.2.1. Collective Identity Theory and the Emergence of Entrepreneurial Leadership***

Collective identity theory asserts that entrepreneurial leadership is socially influenced by people's social group membership (Dick et al., 2018). Ng (2015) argued that when individuals perceive themselves and others to share a sense of collective identity, this creates a basis for motivation and leadership behavior. This characterization of collective identity resonates with the emergence of entrepreneurial leadership among informal sector entrepreneurs. Entrepreneurs strive to engage in other-oriented activities in which they act and behave in a manner that is in consonance with their social identity and sense of self (Powell & Baker, 2017). Collective identity theory is based on the view that by participating in certain activities, such as entrepreneurship, individuals develop a sense of belonging and identity that goes beyond themselves. Therefore, collective identity theory provides a relevant theoretical lens through which to view why entrepreneurial leaders effect leadership behavior in their initiation and management of entrepreneurial ventures (Newman et al., 2018; Webb et al., 2009). Webb et al. (2009) observed that social identity theory explains how entrepreneurs create cooperative groups that enable them to have access to resources and markets.

Informal sector entrepreneurs, being driven by institution failures, work hard to claim a dignified place in their community and this drives their entrepreneurial leadership style (Madlingozi, 2010). Through communication of the strategic vision with others in their social circles, informal sector entrepreneurs are able to create collective identities with potential investors, customers, suppliers and their employees (Webb et al., 2009). These collective identities enable them to succeed in the face of the harsh realities of the informal sector. Ferreira et al. (2019) observed that the way entrepreneurs relate with their communities together with institutional influences explain their collective identities that describe the kind of entrepreneurial leaders that they will become. Similarly, Kromidha and Robson (2016) observed that shared interests, one of the tenets of collective identity theory, drives social ties and networks that are necessary for resource acquisition and the instrumental support necessary for success in informal sector entrepreneurship. Furthermore, Fauchart and Gruber (2011) in their study of the role of founder's identity in the firm creation process observed that founders' collective identity are reflected in their distinct entrepreneurial behaviors, actions and outcomes. This espouses explanations that reach well beyond the classical views that founders are driven primarily by personal monetary gain and encompasses collective social gains as well (Ng, 2015; Powell & Baker, 2017).

In addition to social identities, the individual characteristics and behavior of entrepreneurs such as individual entrepreneurial orientation can also be used to explain the emergence of entrepreneurial leadership through informal sector entrepreneurship. Thus, the following section explains individual entrepreneurial orientation and its relations to the emergence of entrepreneurial leadership in the informal sector.



### ***2.2.2. Individual Entrepreneurial Orientation and the Emergence of Entrepreneurial Leadership***

Until recently, the concepts on entrepreneurial orientation (EO) have been widely applied at organizational level with very limited regard for individual entrepreneurial orientation (IEO) (Bolton & Lane, 2012; Goktan & Gupta, 2015). Organization level EO has been described in terms of organizational behaviors such as innovativeness, risk-taking propensity, competitive aggressiveness and autonomy (Lumpkin & Dess, 1996). IEO is an extension of organizational EO recognizing, the role of founders and firm owners in generating entrepreneurship within their businesses. Thus, IEO is defined as the propensity held by individuals towards innovative, proactive and risk-taking behaviors (De Jong, Parker, Wennekers, & Wu, 2015)

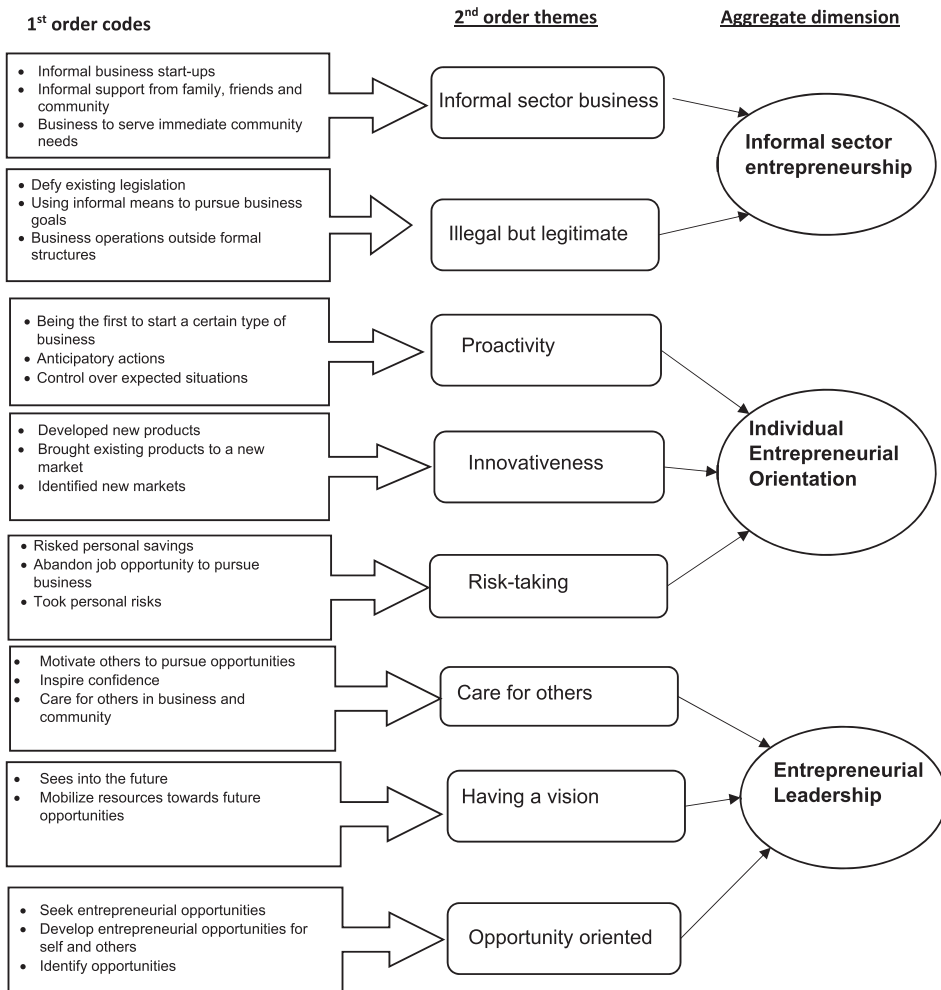
IEO has received limited attention in the literature (Goktan & Gupta, 2015). This is paradoxical considering that the predispositions of the founders shape the overall strategic focus of the organization. This assumption is strongly supported by Hambrick and Mason (1984) who argued that the organizational strategic choices and directions are a reflection of the values and cognitive bases of the founders of the organization. Thus, following this perspective, IEO reflects the leadership prowess of the founders of the organization (Goktan & Gupta, 2015).

Elaborating on the links of IEO to specific contextual factors, such as cultural factors, political environment, legal frameworks, macro-economic and micro-economic environment, Kollmann et al. (2007) developed a conceptual framework of IEO as behavior molded by contextual influences. Similarly Covin et al. (2020) observed the influence of the context on IEO, noting that the informal sector entrepreneurship context and its dynamics may influence IEO. In line with these perspectives, IEO can be used to explain the emergence of entrepreneurial leadership in informal sector entrepreneurship. The proclivity of individuals towards entrepreneurial actions and decisions demonstrates entrepreneurial leadership (Basso et al., 2009). Proactivity, innovativeness and risk-taking behaviors of informal sector entrepreneurs are thus in themselves a display of entrepreneurial leadership behavior. We therefore examined these phenomena together with the influence of informal sector entrepreneurship, using three cases of successful entrepreneurs in South Africa. The following section presents the methodology used in this paper.

## **3. Methods**

This paper used a qualitative content analysis methodology (Hsieh & Shannon, 2005) to identify cases that could potentially exhibit entrepreneurial leadership and informal sector entrepreneurship in South Africa. To do this, we collected and analyzed books, newspapers, speeches, interviews and various other Web content on successful entrepreneurs in South Africa to assess their backgrounds, how they started their entrepreneurial ventures as well as any traces of entrepreneurial leadership behavior and individual entrepreneurial orientation in their entrepreneurial stories. Our initial analysis enabled us to identify a purposive sample (Etikan et al., 2016) of three (3) cases of successful entrepreneurs for further analysis. It should however be noted that there are various other successful entrepreneurial leaders in South Africa who began their entrepreneurial journey through informal sector entrepreneurship.

For illustrative purposes, we present cases of three prominent and successful entrepreneurial leaders in South Africa whose entrepreneurial success stories strongly exhibit the emergence of entrepreneurial leadership from the informal sector of South Africa. The Gioia framework for analysis (Gioia & Chittipeddi, 1991) was used to provide a systematic analysis of data. This analytical method guided our systematic analysis before we present theoretical explanations. To do this, we developed 1st order codes, 2nd order themes and aggregate dimensions. The 1st order code foregrounded the views expressed in our data sources and the 2nd order themes were our concepts guided by the literature. The aggregate dimensions consolidated the 2nd order themes to show their linkages (Gioia et al., 2013). The Gioia framework provides a systematic methodology for inductive analysis of qualitative data while demonstrating rigor and scientific advancement of qualitative research (Gioia et al., 2013). Consequently, our analysis of data followed the coding structure shown in Figure 1.



**Figure 1.** Data structure on informal sector entrepreneurship, individual entrepreneurial orientation and the emergence of entrepreneurial leadership.

Following our systematic coding structure, we analyzed each of the selected cases in terms of their informal sector entrepreneurship background, individual entrepreneurial orientation and how each case manifests entrepreneurial leadership. These cases are presented in the following sections.

## 4. The Emergent Entrepreneurial Leaders: Selected Cases from South Africa

In this section, we present the three selected cases of successful entrepreneurs from South Africa who emerged from informal sector entrepreneurship.

### 4.1. Case 1: Herman Mashaba

One of the successful entrepreneurs who exhibits the emergence of entrepreneurial leadership through informal sector entrepreneurship is Herman Mashaba.

#### 4.1.1. Informal Sector Entrepreneurship Background

Herman Mashaba began his entrepreneurial journey through selling cosmetics on the streets from the back of his car. In their book, entitled *Black Like You*, Mashaba and Morris (2012), provide a detailed account of how Herman Mashaba emerged from abject poverty, created his flagship cosmetics brand, to confrontations with government authorities to surviving informal sector entrepreneurship challenges such as robberies, arrests, and corruption, and ended up with a very successful multimillion rand business empire.

#### 4.1.2. Individual Entrepreneurial Orientation

Herman Mashaba's risk-taking propensity when he took the decision to resign from his job demonstrates IEO. In this regard, he took both financial and career risks. Not only is he a risk taker, together with his partners Johan and Joseph, Mashaba demonstrated proactivity and innovativeness by being the first to develop and offer hair-care products tailored for the black community. To further exhibit IEO, Mashaba was quoted as saying,

Our ability to achieve depends to some degree on the choices we make and our willingness to work hard and take advantage of opportunities, each of which require confidence. My own confidence stems from the relationship I formed ... (Thislife Online, 2016, p. 1).

#### 4.1.3. Display of Entrepreneurial Leadership

Herman Mashaba's leadership in business has earned him awards such as an Honorary Award by UNISA for Outstanding Entrepreneur and Leader in the Business Environment in 2005 and an Award for Entrepreneurial Leadership by Henley Management College in 2003. He has inspired thousands of people to open their own salons (SAentrepreneurs, 2019), thus exhibiting his entrepreneurial leadership. To further exhibit his leadership, Herman Mashaba entered politics and became the mayor Johannesburg in 2017. The summary of his autobiography shows that:

Herman Mashaba rose from humble beginnings to become one of South Africa's wealthiest and best-known entrepreneurs. His remarkable story begins in a small village in Gauteng,

where we meet the cocky youngster who refused to settle for a future that offered nothing. Forced to drop out of university, the determined young man fought to establish the first black-owned haircare company in South Africa. Mashaba struggled every day of his life – against apartheid, with its demeaning laws, and against his competitors to grab market share for his business. In the process, Mashaba learnt lessons that few business schools teach today. This is a story of survival, and of determination in adversity. It is also a love story between Herman and Connie, his wife of 30 years, who embarked on this journey together. Mashaba shows the importance of having a vision, daring to dream it, and then making it happen. (Mashaba & Morris, 2012 Back Cover)

Herman Mashaba's story shows how informal sector entrepreneurship has molded him into a successful entrepreneurial leader that he is today, as a successful businessman and the mayor of Johannesburg, South Africa's economic hub. According to Thislife Online (2016) Mashaba lectured in business leadership and mentored young potential entrepreneurs both in South Africa and abroad.

## **4.2. Case 2: Pam Golding**

Another successful entrepreneur who exhibits the emergence of entrepreneurial leadership through informal sector entrepreneurship is the late Pam Golding.

### **4.2.1. Informal Sector Background**

Pam Golding founded the multibillion rand Pam Golding Property Group in 1976. She started her business from very humble beginnings in the informal sector, with no capital but a strong vision for her business. In the early days of her business, Pam Golding relied on friends who could introduce people who wanted to buy and sell properties (Bills, 2009). This reliance on friends and family for business referrals is a typical characteristic of informal sector entrepreneurship. Furthermore, her entrepreneurial journey of marketing real estate began more as a hobby, working from home while at the same time taking care of her then young children (Lionesses of Africa, 2014) Although it is not explicitly stated that Pam Golding began her journey in the informal sector, her early years of business characterizes informal sector entrepreneurship. In describing how she started her business, Pam Golding said:

I just got this idea one day. We (her husband Cecil) and I were a typical, young married couple with two small children. We had just bought our first house but had nothing much else: no furniture. People told me I was mad to start a business in the market as it was then. But I thought to myself, if I can survive in this market, the business will fly when things improve. (Quote obtained from Bills, 2009, p. 1)

### **4.2.2. Individual Entrepreneurial Orientation**

Pam Golding's individual entrepreneurial orientation is reflected in her willingness to take risks by entering into a business that was, at the time, dominated by male entrepreneurs. Her proactivity is unquestionable. She identified an opportunity to buy and sell properties at a time when no female entrepreneurs were involved in that line of business. Moreover, she began her business in a particularly challenging business environment (Lionesses of Africa, 2014) but this did not deter her from pursuing her entrepreneurial dreams. In this regard, she took risks. Her approach to marketing real estate was very innovative as

she focused on a specific niche market, prestigious properties, and this won her company a global award for marketing innovation.

#### ***4.2.3. Display of Entrepreneurial Leadership***

Pam Golding's courage and vision to enter into a market that was at the time male-dominated, with no access to capital, is a demonstration of an emergent entrepreneurial leader who later received recognition from both the international and national media for her visionary leadership and building her property business from the ground up. Not only did she enter into a male-dominated property industry and become a household name; she also became an inspiration for female entrepreneurs around the world. Today Pam Golding Property group has offices in African countries such as Namibia, Swaziland, Botswana, Zambia, Zimbabwe, Tanzania and Uganda, as well as associate offices in UK, Germany, Holland, Belgium, France, Mauritius and Seychelles (Bills, 2009).

### ***4.3. Case 3: Richard Maponya***

The late Dr Richard Maponya who died at age of 99 on 6 January 2020 was a renowned entrepreneur and property developer. He left behind remarkable stories of exceptional individual entrepreneurial orientation, entrepreneurial leadership, tenacity, perseverance and as a selfless businessperson.

#### ***4.3.1. Informal Sector Entrepreneurship Background***

Richard Maponya started his business in a very tough business environment at a time when the apartheid government's restrictive legislation obstructed the operations and successes of black-owned businesses. Thus, his humble beginnings were confined to informal sector entrepreneurship. Maponya's leadership in business has earned him the title of "the founding father of black retail business". Richard Maponya continued to exhibit entrepreneurship through the establishments of the Dr Richard Maponya Institute for Skills and Entrepreneurship Development, which trains young entrepreneurs (Sibanyoni, 2019).

#### ***4.3.2. Individual Entrepreneurial Orientation***

Richard Maponya's IEO is reflected in his risk-taking propensity, innovativeness and proactiveness. In the early days of business, Maponya took a financial risk by investing his savings in a milk delivery business. He also risked challenging the apartheid government by establishing businesses in the township of Soweto at a time when the township was marred with violent protests and extreme violent reactions to apartheid.

The story of Richard Maponya is a story of frugal innovation in action. Marwala (2020, p. 1) in his tribute to Richard Maponya noted "... innovation was definitely in his blood". Having identified the needs of his community he started a "milk start-up" in which he employed local young people to deliver milk to customers using bicycles.

#### ***4.3.3. Display of Entrepreneurial Leadership***

The following case study illustrates Richard Maponya's emergence as an entrepreneurial leader from the informal sector:

Richard Maponya was born in 1926 in Limpopo, South Africa and qualified as a teacher in the 1950s. He was subsequently, at age 22 employed in a clothing manufacturing business as a stocktaker. Due to his excellent performance and contribution to Mr. Bolton, his manager provided him with reject clothing and fabric. Thus, his first venture, at age 24 into business was in the informal sector where he sold clothing and developed this business by becoming an established tailor and provided credit to customers. As the business grew he applied for a licence to operate a retail clothing store but the apartheid government of the time refused to grant him a licence. Eventually, and due to his perseverance, he managed to get a licence to sell food-related products, and with his late wife, Marina started his first business, Maponya's Dairy Products, which distributed milk to customers in Soweto. The business was successful and in due course employed 100 people, including bicycle delivery men. Over an extended period, he opened small township-style butcheries, grocery stores, and restaurants, and then started the largest supermarket in Soweto. He also established one of the first motor dealerships there, as well as filling stations, a bus service, a funeral parlor, and a BMW dealership.

He was one of the founding members and president of the National African Chamber of Commerce in 1965. Dr. Maponya is also Founder and Trustee of the Nelson Mandela Children's Fund. He drove and provided the fleet of cars that drove Mr. Mandela on the day he was released from jail.

Today, his company, the Maponya Group's businesses include property development, retail, liquor outlets, automotive sales and filling stations, horse racing, and breeding. He also secured land on a 100 year lease in 1979 and only after the fall of apartheid in 1994 managed to acquire it outright. On this land he developed, in a joint venture with Investec and ZenProp Property Holdings the Maponya Mall in 2007. This is the first world-class mall with more than 200 stores and a cinema complex in Soweto serving more than five million Soweatans. In 2018 the net worth of the Maponya Group was R400 million.

Richard Maponya found ways to grow his own capital and expand his business, and created value and employment, not only to the benefit of Soweto but also to South Africa. In 2019, at the age of 93, he continues to remain involved in his businesses.

Source: Nieuwenhuizen and Nieman (2019, p. 21).

The story of Richard Maponya depicts an individual with exceptional entrepreneurial leadership. In summing up the key entrepreneurial leadership lessons based on Richard Maponya's entrepreneurial journey, USB-ED (2020, p. 1) identified four key lessons. The first lesson is "... adapt; don't give up". Faced with restrictive apartheid government legislation, Maponya developed a brand-new business model for the township of Soweto (USB-ED, 2020, p. 1). He was the first to challenge the apartheid government to give him a trading licence to deal in daily necessities and clothing products at the time when no black person dared to do so. The second lesson is always to give priority to your immediate community by starting entrepreneurial ventures that address the needs of your community. The third lesson is to develop a pioneering spirit. The fourth and last lesson is "Live your Principles". Maponya's ethical and principled approach in business earned him various awards and accolades throughout his lifetime. These include honorary doctorates from the University of Johannesburg in 2010 and the Durban University of Technology in 2015, among others. Drawing from these lesson, Richard Maponya's display of exemplary IEO and entrepreneurial leadership is untainted.

#### **4.4. Overall Analysis**

A closer analysis of various other stories of successful entrepreneurs in South Africa shows a similar storyline in which the entrepreneurs began their entrepreneurial journey and IEO as well as their entrepreneurial leadership being enormously shaped by the conditions of informal sector entrepreneurship. The three illustrative cases (Herman Mashaba, Pam Golding and Richard Maponya) presented in this paper show the emergence of entrepreneurial leadership in informal sector entrepreneurship. The stories also show how the

contextual conditions in the informal sector influenced their demonstration of IEO. Herman Mashaba, Pam Golding and Richard Maponya's stories demonstrate their exceptional commitment towards goals, convincingly showed others that they can achieve their goals, had a compelling vision, persevered in the face of environmental challenges and demonstrated that their efforts yielded extraordinary outcomes. Thus, they demonstrated entrepreneurial leadership (Gupta et al., 2004; Leitch & Volery, 2017). Building on the entrepreneurial stories of the three cases presented in this paper, we present an integrative framework on the emergence of entrepreneurial leadership.

## 5. An Integrative Framework on the Emergence of Entrepreneurial Leadership in the Informal Sector

Our integrative framework on the emergence of entrepreneurial leadership shows that informal sector entrepreneurship is primarily driven by contextual backgrounds, and that these contextual backgrounds shape the emergence of entrepreneurial leadership. This framework is premised on the following propositions, which are illustrated and labeled as P1-P4 in [Figure 2](#):

Proposition 1(P1): Contextual factors drive the decision to participate in informal sector entrepreneurship.

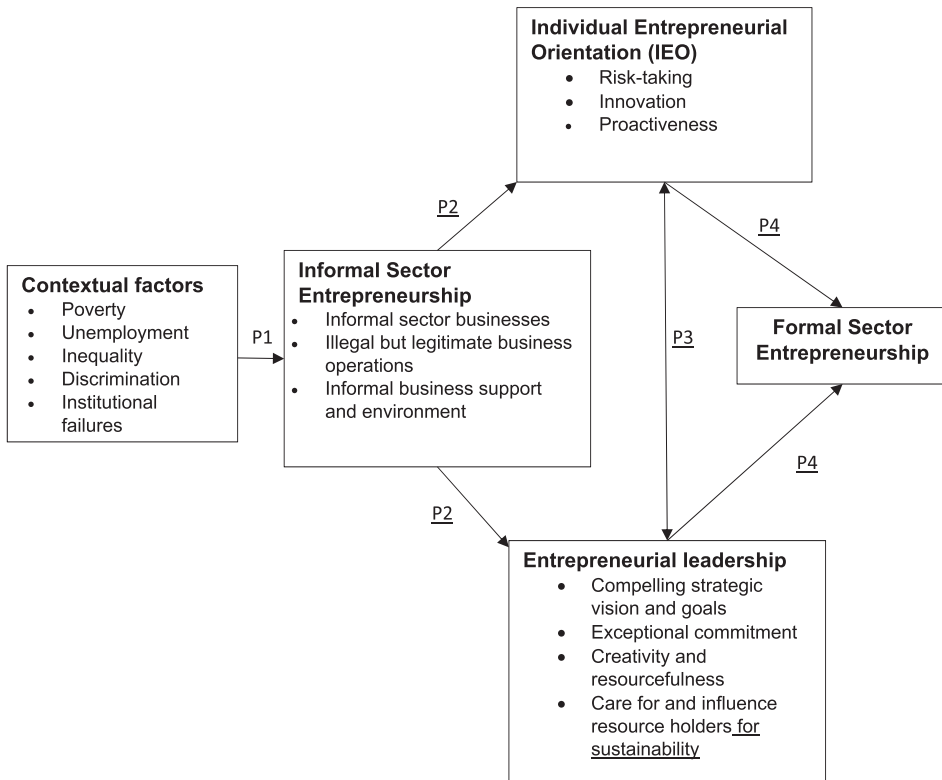
Proposition 2(P2): Informal sector entrepreneurship influence IEO and the emergence of entrepreneurial leadership.

Proposition 3(P3): There is an interrelationship between IEO and entrepreneurial leadership.

Proposition 4(P4): Entrepreneurial leadership and IEO enables entrepreneurs to survive the harsh realities of informal sector entrepreneurship and succeed in the transition to formal sector entrepreneurship.

The propositions above are grounded in our literature review as well as our analysis of the three illustrative cases presented in Section 4. Our analysis reveals that, driven by their contextual backgrounds, entrepreneurs engage in informal sector entrepreneurship. These contextual backgrounds include abject poverty, unemployment, inequality, discrimination, institutional failures, and deprivation, among others. These contextual backgrounds create an impetus for engaging in informal sector entrepreneurship.

It is in the informal sector that entrepreneurs develop their collective identities, mold their individual entrepreneurial orientation and sharpen their leadership skills. In turn, through participating in informal sector entrepreneurship, entrepreneurs show their strategic vision, creativity, resourcefulness and care for others, and this exhibits the emergence of an entrepreneurial leader through informal sector entrepreneurship. Often times, the emergent entrepreneurial leader gains recognition after entry into formal sector entrepreneurship, as can be seen in the case studies presented in this paper. Thus, this framework shows the influence of contextual factors on the decision to engage in informal sector entrepreneurship. In turn, informal sector entrepreneurship shapes individual entrepreneurial orientation and entrepreneurial leadership. Finally, armed with the strengths of individual entrepreneurial orientation and entrepreneurial leadership traits, successful entrepreneurs are able to succeed in formal sector entrepreneurship. It is however important to note that our integrative framework and theorization



**Figure 2.** An integrative framework on the emergence of entrepreneurial leadership. Source: Authors own compilation.

is grounded on the data from three illustrative cases from the South African context; hence, generalizability to other contexts should be approached with caution.

## 6. Discussions and Implications

This paper offers new theoretical and managerial insights on the emergence of entrepreneurial leadership in informal sector entrepreneurship, with specific reference to an African context, South Africa. The paper extends the conceptualization of informal sector entrepreneurship by providing empirical evidence of informal sector entrepreneurship in action within the South African context. The illustrative case studies presented in this paper demonstrate how successful entrepreneurs emerge through informal sector entrepreneurial activity and, how through IEO and entrepreneurial leadership, are able to build successful entrepreneurial businesses. The links between informal sector entrepreneurship and IEO established in this paper advance previous studies such as Webb et al. (2009) which expressed the role of informal sector entrepreneurship in molding successful entrepreneurs.

We demonstrate the manifestation of entrepreneurial leadership through resilience and hard work in the midst of unfavorable contextual factors such as poverty, unemployment, inequality and institutional failures in the African context. In fact, our analysis demonstrates that unfavorable contextual factors in informal sector entrepreneurship shape



IEO and the eventual emergence of entrepreneurial leadership. This finding is consistent with Kollmann et al. (2007) who observed that IEO and entrepreneurial leadership are products of contextual influences. The implication of these findings is that policymakers need to recognize the role of informal sector entrepreneurship as it provides a breeding ground for successful entrepreneurial leaders who have the potential to found much-needed successful entrepreneurial ventures.

The findings of this paper improve our understanding of how penurious contexts such as informal sector entrepreneurial environments provide a base for IEO and eventual entrepreneurial leadership behavior. At the same time, the role of IEO and entrepreneurial leadership in promoting the establishment and growth of entrepreneurial ventures is widely expressed in the literature (for examples see Newman et al., 2018; Yoshida et al., 2014). Thus, this paper is important in guiding endeavors to promote entrepreneurship in African contexts and beyond.

The valuable insights on how informal sector entrepreneurship shapes the manifestation of IEO and entrepreneurial leadership, which may lead to new entries into successful formal sector entrepreneurship, should not be ignored. By highlighting the dynamics in informal sector entrepreneurship, this paper exposes a virgin territory for new insights and further studies on how to advance entrepreneurship development research and praxis. Thus, legitimizing this hidden entrepreneurship territory could be an important step towards promoting new enterprises and economic development in these territories.

In addition, understanding informal sector entrepreneurship provides a response to calls (Hallgren et al., 2018; Namatovu et al., 2018) for examining relatively understudied and extreme contexts such as the informal sector and relatively understudied constructs in these contexts, such as individual entrepreneurial orientation and entrepreneurial leadership. In fact, our study offers a springboard for future longitudinal and/or explanatory studies on how informal sector entrepreneurship in the African context shapes the development of IEO and the emergence of the much-needed entrepreneurial leadership and entrepreneurship development in Africa.

## 7. Conclusion

Despite the abundance of literature on the importance of informal sector entrepreneurship, until now, its role in IEO and the emergence of entrepreneurial leadership has received little attention. This article integrates selected case studies and social identity theory to explain the emergence of entrepreneurial leadership from informal sector entrepreneurship. For the first time in the literature, we have also illustrated the emergence of entrepreneurial leadership from informal sector entrepreneurship by way of carefully selected case studies from South Africa. The illustrative cases provide evidence on how informal sector entrepreneurship has influenced individual entrepreneurial orientation and the emergence of entrepreneurial leadership. The article concludes that institutional and social factors (collective identity) drive informal sector entrepreneurship and that informal sector entrepreneurship shapes IEO and the ultimate emergence of entrepreneurial leadership. We hope that this article will stimulate further works that test our propositions in different contexts and advance discussions on the role that informal sector entrepreneurship plays in shaping IEO and the emergence of entrepreneurial leadership, especially in African contexts.

## Disclosure Statement

No potential conflict of interest was reported by the author(s).

## Notes on Contributor

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