



Understanding Entrepreneurial Leadership in South African SMMEs: A Soft Systems Methodology Approach

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Abstract

Entrepreneurs operating within South African Small, Medium, and Micro Enterprises (SMMEs) face persistent complexity arising from economic uncertainty, institutional fragmentation, resource scarcity, and rapidly changing market conditions. Despite the critical role of SMMEs in socioeconomic development, there remains a limited scholarly understanding of how entrepreneurial leadership is conceptualised and enacted within such complex, context-specific environments. This study explores Entrepreneurial Leadership (EL) as a dynamic, contextually embedded, and systems-oriented leadership approach suited to navigating uncertainty in developing economy contexts.

Drawing on Soft Systems Methodology (SSM), the research adopts an interpretivist, qualitative design to examine how leadership is conceptualised, practiced, and constrained within South African SMMEs. Empirical data collected through semi-structured interviews, focus groups, and participatory workshops with entrepreneurs and key stakeholders were analysed using thematic analysis informed by systems thinking principles. SSM techniques – including rich pictures, CATWOE (Customers, Actors, Transformation process, Weltanschauung [Worldview], Owners, and Environmental) analysis, and conceptual modelling – were employed to elicit multiple stakeholder perspectives and explicate the systemic conditions shaping entrepreneurial leadership practice.

The findings reveal that entrepreneurial leadership in South African SMMEs is deeply embedded within interconnected institutional, social, and economic systems. Leadership challenges are not merely individual capability issues, but are influenced by misaligned education systems, fragmented policy support, and limited access to leadership development infrastructure.

The study further demonstrates that SSM provides a valuable analytical and participatory framework for enabling strategic sensemaking, surfacing systemic misalignments, and identifying contextually feasible interventions. By integrating leadership theory, entrepreneurship scholarship, and systems thinking, the paper contributes a holistic systems-based framework for understanding entrepreneurial leadership as a process shaped by dynamic interactions between individual agency and structural conditions. The proposed model offers practical insights for policymakers, educators, and practitioners seeking to strengthen leadership capacity, strategic foresight, and sustainable value creation within SMMEs across the Global South.

Keywords: Entrepreneurial leadership; Soft Systems Methodology; Systems thinking; Complexity; Stakeholder engagement.

1. Introduction

1.1 Background and context

Small, Medium, and Micro Enterprises (SMMEs) play an indispensable role in driving economic growth and development in most countries (Eggers, 2020; Cant & Rabie, 2018; Visagie, 2024). In African contexts, and particularly in South Africa, SMMEs are widely regarded as the backbone of the economy, contributing significantly to Gross Domestic Product (GDP) growth and employment, while supporting poverty reduction and social cohesion (Bruwer & Mason, 2020; Sibiya et al., 2023). However, this dominant narrative often reflects a normative assumption of SMME contribution, with limited critical interrogation of the structural and systemic conditions that constrain their developmental impact. While SMMEs are frequently positioned as vehicles for inclusive and sustainable development, their ability to fulfil this mandate remains uneven and highly context-dependent, particularly within structurally unequal and institutionally complex environments (Maneesha, 2020; Enaifoghe & Zenzile, 2023).

Despite their recognised importance, South African SMMEs continue to face persistent and interconnected challenges that undermine sustainability and long-term growth. Empirical evidence consistently highlights high failure rates, with approximately 75 per cent of SMMEs failing within the first three years of operation (Bruwer, 2020; Ayandibu & Houghton, 2017; Bhorat et al., 2018). These challenges are commonly attributed to constrained access to finance, skills shortages, weak managerial capacity, fragmented institutional support, and policy incoherence (Lekhanya, 2015; Taljaard & Van der Walt, 2018). However, these factors are typically analysed in isolation, resulting in a fragmented understanding that overlooks their systemic interdependencies and reinforcing dynamics. The COVID-19 pandemic further exposed and intensified these vulnerabilities, exposing SMMEs to unprecedented operational disruption, market volatility, and strategic uncertainty (Jacobs, Sukdeo, & Mukwakungu, 2024; Strydom & Van der Merwe, 2025). This underscores the limitations of reductionist explanations and highlights the need for integrative, systems-based perspectives on SMME sustainability.

Within such complexity, leadership has emerged as a strategic capability central to organisational survival, resilience, and socio-economic impact. Entrepreneurs operating SMMEs are required to make strategic decisions under conditions characterised by uncertainty, ambiguity, and competing stakeholder demands (Hauser et al., 2020). Research indicates that SMME growth and performance are largely shaped by the intentions, behaviours, and strategic choices of entrepreneurial leaders (Harrison & Leitch, 2018; Flores et al., 2024).

However, recent critiques argue that such performance-oriented accounts often overlook the systemic constraints and relational dynamics influencing entrepreneurial outcomes (McMullen & Dimov, 2022). A misalignment of this sort reveals a deeper theoretical limitation within dominant leadership paradigms, which insufficiently account for complexity, emergence, and contextual embeddedness. Consequently, leadership must be reconceptualised as adaptive, relational, and systemically embedded, rather than individualised and static.

In response, Entrepreneurial Leadership (EL) has emerged as a leadership paradigm that bridges leadership and entrepreneurship by emphasising strategic vision, innovation, opportunity recognition, and adaptive decision-making (Kuratko, 2007; Gupta et al., 2004). Empirical studies demonstrate that entrepreneurial leadership positively influences innovation capability, employee engagement, and organisational performance, particularly in dynamic and resource-constrained environments (Bagheri, 2017; Fontana &

Musa, 2017; Sawaeen & Ali, 2020). In SMME contexts, EL enables leaders to mobilise limited resources strategically, foster innovation, and build organisational resilience amid persistent uncertainty (Naushad, 2021; Flores et al., 2024). However, the predominance of outcome-driven metrics within this literature obscures the processes through which leadership is enacted, limiting insight into its contextual and systemic dimensions. As a result, entrepreneurial leadership remains under-theorised as a practice embedded within complex systems.

More recent scholarship conceptualises EL as transformational, responsible, and impact-oriented, extending beyond firm-level outcomes to socio-economic value creation (Surie & Ashley, 2008; Gupta & Batra, 2016). In developing-economy contexts, entrepreneurial leaders operate at the intersection of enterprise, institutions, and society, contributing to employment creation, innovation ecosystems, and public value creation (Harrison et al., 2018). This reflects an emerging but insufficiently developed convergence with systems thinking, which conceptualises leadership as an emergent, socially embedded, and contextually mediated process.

1.2 Problem Statement

Entrepreneurial leadership is an evolving yet theoretically fragmented field, particularly within developing economy contexts (Dinah et al., 2014; Harrison et al., 2018). While entrepreneurial leadership is widely recognised as critical for navigating uncertainty, fostering innovation, and enhancing SMME performance, limited empirical evidence exists regarding how entrepreneurial leaders understand the concept and how it is enacted in practice within complex entrepreneurial systems (Ahmed & Harrison, 2021; Pauceanu, 2021).

Existing research on entrepreneurial leadership predominantly adopts individual-level perspectives, focusing on leadership traits, competencies, or behavioural outcomes (Bagheri & Pihie, 2011; Bagheri et al., 2013). While valuable, these approaches exhibit a reductionist bias that marginalises the influence of contextual, institutional, and systemic dynamics (Dean & Ford, 2017; Harrison et al., 2016a). This limitation is particularly acute in African SMME contexts, where leadership unfolds within fragmented and resource-constrained environments (Lekhanya, 2015; Turton & Herrington, 2012).

Furthermore, there is a paucity of qualitative and systems-oriented research that conceptualises entrepreneurial leadership as a context-embedded and socially constructed process (Harrison & Leitch, 2018; Mhlongo, 2022). Consequently, current scholarship offers limited insight into how leaders navigate interconnected stakeholder systems or align leadership with long-term socio-economic outcomes (Surie & Ashley, 2008; Gupta & Batra, 2016). This represents a significant theoretical, methodological, and empirical gap within the field.

To address these limitations, the present study applies Soft Systems Methodology (SSM) to examine how entrepreneurial leadership is conceptualised and enacted in South African SMMEs. Drawing on systems thinking (Checkland, 1981; Midgley, 2000) and its application to complex organisational contexts, the study explicitly integrates entrepreneurial leadership with systems perspectives and SSM. This integration enables the study to move beyond fragmented and parallel literatures toward a more coherent and theoretically grounded analytical framework. SSM, as developed by Checkland (1999), provides a suitable interpretive approach for exploring socially constructed, context-dependent problem situations, allowing for the identification of contextual drivers, systemic constraints, and relational dynamics shaping leadership practice. In doing so, the study advances a more critically engaged, theoretically integrated, and context-sensitive understanding of entrepreneurial leadership as a systemically embedded and adaptive process,

responding to calls for more holistic and process-oriented approaches in entrepreneurial leadership research (Harrison & Leitch, 2018; Surie & Ashley, 2008).

1.3 Aim and Scope

The aim of this study is to explore how Entrepreneurial Leadership is conceptualised and enacted within South African SMMEs, and to examine the institutional, socio-economic, and systemic factors that enable or constrain its practice. In doing so, the study applies Soft Systems Methodology (SSM) as an analytical and sense-making framework to capture the complexity, contextual embeddedness, and relational dynamics of entrepreneurial leadership.

1.4 Research Questions

This paper seeks to answer the question: How can Soft Systems Methodology be applied to understand Entrepreneurial Leadership as a strategic, context-embedded leadership process within South African SMMEs?

To support this, the study addresses the following secondary research question: Which institutional, socio-economic, and systemic factors enable or constrain the enactment of Entrepreneurial Leadership within South African SMMEs?

2. Literature Review

2.1 Entrepreneurial Leadership

The fields of leadership and entrepreneurship provide important insights into how individuals and organisations function and perform in complex environments. As a result, a considerable body of research within both fields has developed over several decades. However, despite this extensive scholarship, both concepts remain conceptually ambiguous and theoretically fragmented. Leadership is widely recognised as a complex phenomenon that seeks to explain how and why certain individuals emerge as leaders (Naushad, 2021). Traditionally, leadership research has largely focused on individual traits and behaviours, with theories such as behavioural and situational approaches attempting to explain leadership effectiveness. Behavioural theories emphasise observable leader actions and assume replicability, while situational theories highlight the influence of contextual factors on leadership success (Karim & Adaikalam, 2023). Yet, these approaches often overlook broader systemic and relational dynamics shaping leadership practice. Recent leadership scholarship has increasingly challenged these individual-centric perspectives, emphasising distributed, relational, and complexity-based approaches to leadership (Uhl-Bien & Arena, 2018).

Similarly, entrepreneurship as a concept is well documented in literature and known to be complex, ambiguous, and diverse (Konhausner, 2021). Classical economic perspectives position the entrepreneur as an agent of the economic system (Knight, 1921; Schumpeter, 1961; Kirzner, 1982). Knight's (1921) theory of uncertainty distinguishes entrepreneurs through their capacity for calculated risk-taking under uncertain conditions. However, such perspectives tend to foreground individual agencies while underemphasising institutional and systemic influences, revealing a key limitation. More recent entrepreneurship research has shifted towards process-based and contextual perspectives, recognising the embeddedness of entrepreneurial action within dynamic socio-economic systems (McMullen & Shepherd, 2021).

Entrepreneurship is further conceptualised as a process of resource recombination and value creation (Kuratko, 2017; Anderson, Kreiser, Kuratko, Hornsby, & Eshima, 2015). While these perspectives highlight opportunity recognition, innovation, and risk-taking, they often remain functionally oriented and insufficiently integrated with leadership processes or systems-based perspectives, reinforcing fragmentation in the literature.

Hubner (2020) emphasises the importance of entrepreneurs in business growth, while Yukl (2012) argues that leaders must be entrepreneurial in dynamic environments. It is often assumed that entrepreneurs are inherently leaders, based on their ability to articulate vision and mobilise stakeholders (Hadjielias et al., 2022; Harrison, 2017). However, this assumption is rarely critically interrogated, particularly in relation to contextual constraints and organisational complexity.

Despite extensive research, both entrepreneurship and leadership remain conceptually ambiguous, with overlapping domains (Yang et al., 2019). Leitch and Volery (2017) attribute this to the volume of studies, inconsistent approaches, and simplistic explanations. This overlap has led to the emergence of entrepreneurial leadership (EL) as a hybrid construct (Kuratko, 2007; Cogliser & Brigham, 2004). However, EL remains theoretically underdeveloped and lacking definitional precision (Harrison et al., 2018; Bagheri & Harrison, 2020). Recent studies in entrepreneurial leadership further highlight its conceptual fragmentation, and call for integrative, multi-level frameworks that bridge individual, organisational, and system-level perspectives (Leitch et al., 2022; Newman et al., 2020).

Definitions of EL vary considerably. Gupta et al. (2004) define it as visionary leadership that mobilises stakeholders, whereas Renko et al. (2015) emphasise opportunity exploitation and organisational performance. This definitional plurality highlights a lack of theoretical convergence and underscores the need for integrative frameworks. Research shows that EL enhances innovation, employee behaviour, and firm performance (Bagheri, 2017; Fontana & Musa, 2017; Sawaeen & Ali, 2020). In SMMEs, EL facilitates opportunity recognition, adaptability, and competitive advantage (Hejazi et al., 2012; Naushad, 2021). However, existing studies tend to portray these outcomes in linear, performance-centric ways, with limited attention to complexity, uncertainty, and systemic interdependencies. Emerging research has begun to emphasise the role of uncertainty, complexity, and institutional context in shaping entrepreneurial leadership outcomes, moving beyond linear models of performance (Bagheri et al., 2013; Leitch & Harrison, 2019).

Entrepreneurial leadership enables innovation, strategy development, and resource utilisation (Karim & Adaikalam, 2023). Leaders with entrepreneurial mindsets promote exploration and exploitation of opportunities (Renko et al., 2015). In SMMEs, EL entails identifying and seizing business opportunities through entrepreneurial activities and influence (Hejazi et al., 2012; Naushad, 2021). It encourages innovation and adaptability (Purwati et al., 2021; Karim & Adaikalam, 2023). Entrepreneurial leaders create environments where employees thrive, experiment, and take risks (Sari & Ahmad, 2022; Mokhber et al., 2016).

As a result, SMMEs that embrace entrepreneurial leadership are more likely to be successful, create value for their employees, and foster a culture of innovation and creativity, giving them a competitive advantage (Naushad, 2021; Sari & Ahmad, 2022). Yukl (2012) acknowledged that leaders in a disruptive and changing environment must be entrepreneurial. Consequently, there is an emergence of creative, adaptable, and

flexible leadership approaches for a new, ever-challenging economy. Yet, these accounts often remain descriptive and lack integration with broader theoretical debates on systems and complexity.

Although EL is widely recognised as critical for SMME success, the concept remains fragmented and inconsistently conceptualised (Leitch & Volery, 2017). Existing studies variously define EL as traits, behaviours, or performance drivers, resulting in limited theoretical coherence (Bagheri et al., 2013; Dean & Ford, 2017). In contrast to trait-based and behaviouralist perspectives, this study adopts a process-oriented and context-embedded conceptualisation of entrepreneurial leadership. From this perspective, EL is understood as a dynamic and socially constructed phenomenon that emerges through the interaction between entrepreneurial agency, institutional conditions, and socio-economic constraints (Harrison & Leitch, 2018; Mhlongo, 2022). This framing shifts the focus from static individual capability to systemic and relational processes.

Positioning entrepreneurship in this way aligns with contemporary leadership scholarship emphasising adaptability, sensemaking, and responsiveness in complex environments (Karim & Adaikalam, 2023). Furthermore, it also provides a strong theoretical foundation for integrating systems thinking and Soft Systems Methodology (SSM), enabling a more holistic analysis of leadership within SMMEs. This theoretical positioning provides the foundation for adopting a systems-based analytical approach capable of capturing the multi-layered, interconnected nature of entrepreneurial leadership practice in developing-economy contexts.

2.2 Entrepreneurial Leadership, Systems Thinking, and Soft Systems

The conceptual ambiguity and contextual embeddedness of entrepreneurial leadership identified in the literature highlight the need for a more robust analytical approach capable of engaging with complexity, interdependence, and multiple stakeholder perspectives. Entrepreneurial leadership in SMMEs does not occur in isolation; rather, it unfolds within interconnected and dynamic systems comprising entrepreneurs, employees, policymakers, educational institutions, financial systems, and broader socio-economic structures (Lekhanya, 2015; Harrison et al., 2016b; Yang, 2018). Recent systems-based entrepreneurship research reinforces this view, highlighting the importance of ecosystems, institutional arrangements, and systemic interactions in shaping entrepreneurial outcomes (Spigel, 2020).

Systems thinking offers a valuable lens for examining such complexity by emphasising relationships, feedback loops, and emergent outcomes (Senge, 1990). Within entrepreneurial contexts, systems thinking enables leaders and researchers to move beyond simplistic, individual-level explanations and instead explore how leadership practice is shaped by institutional fragmentation, policy incoherence, and environmental uncertainty, conditions that are particularly pronounced in African SMME ecosystems (Proches & Bodhanya, 2015; Mhlongo, 2022). This perspective facilitates a more holistic and integrative understanding of leadership as embedded within broader socio-economic systems. Contemporary systems leadership literature further emphasises adaptive, networked, and complexity-informed leadership practices as critical for navigating such environments (Uhl-Bien & Arena, 2018; Ospina et al., 2020).

Soft Systems Methodology (SSM), developed by Checkland, extends systems thinking by providing a structured yet flexible and interpretive framework for investigating ill-defined and socially constructed problem situations (Checkland & Poulter, 2006). Unlike hard systems approaches, SSM acknowledges the existence of multiple worldviews and competing interests, and subjective interpretations of reality, making it particularly suitable for studying leadership in entrepreneurial environments characterised by ambiguity,

constraint, and complexity (Georgiou, 2015). Through tools such as rich pictures, CATWOE analysis, and conceptual modelling, SSM facilitates participatory inquiry and strategic sense-making, enabling stakeholders to surface hidden assumptions, negotiate meaning, and co-design contextually feasible interventions (Wilson, 2001). Recent applications of SSM and interpretive systems approaches continue to demonstrate their relevance in addressing complex organisational and socio-economic challenges, particularly in developing and resource-constrained contexts (Winter, 2021; Reynolds & Holwell, 2020).

This study addresses a critical gap by integrating entrepreneurial leadership and Soft Systems Methodology to examine EL as a systemically embedded, process-oriented phenomenon within the context of South African SMMEs.

2.3 Theoretical Contribution

The study offers a valuable and contextually grounded contribution through the integration of Entrepreneurial Leadership (EL) and Soft Systems Methodology (SSM) within the setting of South African SMMEs. While both EL and SSM are well established and extensively theorised domains within the literature (Kuratko, 2007; Harrison et al., 2018; Checkland & Poulter, 2006), the study's contribution lies in systematically integrating these perspectives to reconceptualise leadership as a systemically embedded, context-sensitive, and process-oriented phenomenon, rather than as an individual trait or competency. This represents a significant shift away from traditional, individualistic, and reductionist leadership models (Yukl, 2012; Dean & Ford, 2017) toward more relational, systemic, and complexity-informed approaches (Senge, 1990; Harrison & Leitch, 2018). This approach is in line with recent scholarly calls for more integrative, interdisciplinary frameworks capable of addressing complexity and contextual embeddedness in leadership and entrepreneurship research (Leitch et al., 2022; Stam & Van de Ven, 2021).

Furthermore, the study critically synthesises the entrepreneurial leadership and systems literature to identify key theoretical tensions, gaps, and limitations. (Bagheri et al., 2013; Leitch & Volery, 2017). In particular, the study contrasts the dominance of individual-centric and performance-driven explanations in EL research with the holistic, interpretive, and systems-oriented perspective offered by SSM (Checkland, 1981; Gupta et al., 2004; Checkland & Poulter, 2006; Renko et al., 2015). The study also provides important empirical insight from a developing-economy context, which remains underrepresented in entrepreneurial leadership scholarship (Lekhanya, 2015; Yang, 2018), by foregrounding systemic challenges such as policy fragmentation, institutional misalignment, and deficiencies in leadership development ecosystems (Proches & Bodhanya, 2015; Mhlongo, 2022).

Lastly, it links entrepreneurial leadership, systems thinking, and Soft Systems Methodology into a coherent analytical framework, while prior studies have often treated these domains in parallel, making a significant contribution (Cogliser & Brigham, 2004; Bagheri & Harrison, 2020). This study encompasses an interpretive and analytical lens for examining leadership processes within complex, multi-stakeholder environments (Wilson, 2001; Georgiou, 2015). By doing so, the study contributes to emerging debates on complexity-informed leadership and entrepreneurship, offering a more integrated and contextually grounded analytical lens (Uhl-Bien & Arena, 2018; McMullen & Shepherd, 2021).

Linking entrepreneurial leadership to SSM is therefore both theoretically and methodologically justified. Entrepreneurial leadership, when understood as a dynamic, adaptive, and strategic process, aligns closely with SSM's emphasis on iterative learning, reflection, and systemic change (Checkland & Poulter, 2006).

Both approaches emphasise engagement with complexity, responsiveness to contextual dynamics, and the co-creation of meaning among multiple stakeholders (Senge, 1990; Surie & Ashley, 2008).

3. Methodology

Methodology Soft Systems Methodology (SSM)

To address these challenges, the study employs Soft Systems Methodology (SSM), a participatory, systems-based framework developed by Checkland (1999). SSM is particularly suited to investigating ill-structured problems, allowing for an exploration of leadership in fragmented and resource-constrained environments such as South Africa. This makes it especially appropriate for exploring the systemic and contextually embedded nature of entrepreneurial leadership in resource-constrained environments.

SSM's iterative and participatory approach enables the integration of diverse stakeholder perspectives, aligning closely with the study's interpretivist and constructivist paradigm. The methodology follows the seven-stage model (Checkland & Poulter, 2006; Wilson, 2001), including problem situation analysis, rich picture development, CATWOE formulation, and conceptual modelling. In this study, these stages are not applied mechanically but are used as an iterative learning process to generate deeper insight into leadership practices, systemic constraints, and organisational dynamics within SMMEs.

Soft Systems Methodology (SSM) offers a structured yet flexible analytical lens through which Entrepreneurial Leadership (EL) can be examined; for example, the rich picture stage was used to visually map leadership dynamics, innovation challenges, stakeholder relationships, and systemic constraints, revealing patterns of interdependence and resource limitations. CATWOE analysis facilitated the analysis of the transformation processes initiated by entrepreneurs. Conceptual modelling was then employed to develop and test representations of leadership practices and interventions, linking theory to empirical observations.

SSM was integrated with thematic analysis to enhance analytical rigour and transparency. Qualitative data from interviews, focus groups, and workshops were subjected to systematic coding procedures, following Braun and Clarke's (2006) thematic analysis approach. This approach positions the study to generate actionable insights into how Entrepreneurial Leadership can be enhanced within South African SMMEs, ultimately contributing to their resilience and sustainable growth. By capturing the interplay between human agency, institutional constraints, and leadership dynamics, SSM supports the generation of insights that are both culturally feasible and systemically desirable, aligning closely with the interpretivist and constructivist paradigms underpinning this qualitative inquiry.

Table 1: The Seven Stages of Soft Systems Methodology (SSM) Applied to the Study. Source: Adapted from Checkland & Poulter (2006).

SSM Step	Description (Aligned to the Study)
(1) Investigating the Problematic Situation	Explored leadership challenges within South African SMMEs, capturing the fragmented, resource-constrained context through interviews and literature.
(2) Expressing the Problem Situation	Developed rich pictures to visually represent leadership dynamics, innovation barriers, stakeholder interactions, and systemic constraints.
(3) Defining Root Definitions	Used CATWOE and the PQR formula [What should be done (P)? How should it be done (Q)? Why should it be done? (R)] to define Entrepreneurial

	Leadership systems that are responsive to the South African SMME environment.
(4) Building Conceptual Models	Created models that represent purposeful leadership activities, such as team mobilisation and innovation support, within the SMME context.
(5) Comparing Models with Reality	Interview data were used to test conceptual models against the lived experiences of SMME leaders, highlighting areas of alignment and divergence.
(6) Identifying Desirable and Feasible Changes	Through analysis and stakeholder input, we identified practical leadership development interventions appropriate to SMME constraints.
(7) Taking Action to Improve	Not implemented in this study but framed as a necessary future step to refine EL practices based on cultural and contextual alignment.

Soft Systems Methodology (SSM) guided the analytical process and served as the overarching framework through which the research questions were addressed. In this study, SSM was applied as an iterative sense-making and learning process, within which qualitative data collection and thematic analysis were embedded. This ensured alignment between the research problem, the theoretical positioning of Entrepreneurial Leadership (EL), and the analytical strategy, thereby strengthening methodological coherence.

3.1 Research Design

This study adopts a qualitative, exploratory research design grounded in interpretivist and constructivist paradigms to examine Entrepreneurial Leadership (EL) within South African SMMEs. This design is appropriate given the study's objective of understanding entrepreneurial leadership as a context-embedded, socially constructed, and systemically influenced process, rather than as a set of individual traits.

Soft Systems Methodology (SSM) serves as the primary methodological framework guiding the research. SSM provides a structured yet flexible approach for investigating ill-defined, complex problem situations involving multiple stakeholders and divergent perspectives. Qualitative methods are embedded within the SSM framework to enable rich, context-sensitive insight into how entrepreneurial leadership is conceptualised and enacted within entrepreneurial ecosystems.

3.2 Population and Sampling

The study's population consisted of SMMEs from the cities of Johannesburg, Ekurhuleni, and Tshwane in the Gauteng province in South Africa. A purposive sampling technique (Mack et al., 2005) was used to select and collect data in a semi-structured interview format from 46 entrepreneurs who were in business for over 1 year. Participants were selected based on their ability to provide rich, experience-based insights into entrepreneurial leadership practice within resource-constrained environments. Purposive sampling was appropriate for this exploratory study, enabling the selection of information-rich cases and supporting SSM's emphasis on meaningful stakeholder engagement rather than statistical generalisation. Data collection and preliminary analysis occurred iteratively, consistent with qualitative and SSM principles.

3.3 Data Collection

Data collection for this study involved semi-structured interviews, focus groups, and participatory workshops, enabling the capture of individual experiences, collective insights, and interactive system

dynamics. These were complemented by a review of organisational documents, public policy reports, and industry literature to support data triangulation and contextual depth.

Qualitative data were analysed using thematic analysis integrated with SSM constructs, following Braun and Clarke's (2006) approach. The study employed techniques such as data triangulation, reflexive journalling, and member checking to enhance validity and credibility (Creswell & Poth, 2018). An audit trail was maintained to document coding decisions, theme development, and analytical interpretations, thereby strengthening transparency and dependability.

3.4 Ethical Considerations

Ethical considerations were considered throughout the study to ensure the protection, dignity, and rights of all participants. Ethical approval was obtained from the relevant institutional ethics committee, and informed consent was secured prior to data collection. Participation was voluntary, with participants informed of their right to withdraw at any stage without consequence. All data were securely stored in accordance with institutional data protection requirements, and reflexive practices and member checking were employed to enhance ethical integrity and interpretive credibility.

4. Results

The study focused on two research questions, each addressed through specific stages of the SSM process. The first research question RQ1, "How do entrepreneurial leaders in South African SMMEs conceptualise and interpret entrepreneurial leadership within their operating environments?" was addressed primarily through semi-structured interviews and participatory workshops. Data relevant to this question were analysed during SSM Stage 1 (problem situation unstructured) and Stage 2 (problem situation expressed). Inductive thematic analysis of participant narratives informed the development of rich pictures, which captured leaders' subjective understandings of entrepreneurial leadership, leadership roles, contextual challenges, and stakeholder relationships. Importantly, this approach enabled the study to move beyond descriptive accounts by systematically synthesising multiple perspectives into a coherent representation of leadership as a lived and socially constructed process, rather than imposing predefined theoretical constructs.

The second research question RQ2, "Which institutional, socio-economic, and systemic factors enable or constrain the enactment of entrepreneurial leadership within South African SMMEs?" was addressed by situating entrepreneurial leadership within broader entrepreneurial ecosystems. This involved integrating interview data with document analysis of policy frameworks, institutional support programmes, and industry reports. Insights related to this question were incorporated into SSM Stages 1 and 2, allowing systemic constraints and enabling conditions – such as policy fragmentation, skills mismatches, and institutional misalignment to be visually represented and analytically explored through rich pictures and thematic synthesis.

Across both research questions, thematic analysis was applied iteratively alongside the SSM stages to ensure analytical coherence between qualitative data, system representations, and emerging conceptual insights. This integration enabled a clear progression from empirical observations to system-level interpretation, strengthening both the analytical depth and theoretical contribution of the study. This integrated approach allowed entrepreneurial leadership to be examined as a context-embedded and

systemically influenced leadership process, consistent with the study's interpretivist orientation and systems-based theoretical positioning.

Stage 1: Problem Situation Unstructured- Entrepreneurial Leadership as Lived Experience

The first stage of the SSM process focused on examining the unstructured problem situation through participants' narratives. This stage was instrumental in addressing RQ1, revealing how entrepreneurial leaders conceptualise and interpret leadership within their operating environments.

The findings indicate that entrepreneurial leaders do not articulate leadership in abstract or formalised terms. Instead, leadership is understood as a practical and experiential process, emerging from day-to-day engagement with operational challenges, uncertainty, and survival pressures. Leadership is conflated with decision-making, problem-solving, and personal accountability for business outcomes. This supports the view of entrepreneurial leadership as a situational and adaptive practice, rather than a predefined role or competency set. This finding provides a critical insight into the situated and practice-based nature of entrepreneurial leadership, reinforcing its interpretation as an adaptive and context-dependent phenomenon rather than a predefined competency.

At this stage, leadership appeared inseparable from strategy and operations. Entrepreneurial leaders described themselves as constantly responding to unpredictable conditions, requiring continuous judgement and improvisation. This observation deepens the study's argument by demonstrating how leadership is enacted through ongoing sensemaking processes shaped by environmental uncertainty and systemic pressures. This finding aligns with the study's theoretical positioning of EL as a strategic sense-making process shaped by lived experience rather than formal leadership doctrine.

Stage 2: Problem Situation Expressed- Visualising Leadership and Systemic Pressures

One of the key tools used at this stage is the rich picture, which serves to express the situation by depicting the stakeholders and the problems they experience in relation to their interactions. These pictures also capture interconnections and relationships between the actors (Kayaga, 2008). A rich picture (Figure 1) was developed to express the problem situation visually. This stage contributed to both RQ1 and RQ2 by illustrating how leadership is enacted within interconnected systems.

The rich picture captured the complexity of the entrepreneurial environment, including the roles of educational institutions, government agencies, financial systems, and entrepreneurs themselves. The picture highlighted interrelated issues such as leadership deficiencies, policy gaps, and fragmented support structures. Stakeholders such as policymakers, training providers, and entrepreneurs were mapped to illustrate their interactions and influence on leadership development processes. Beyond its descriptive function, the rich picture served as an analytical tool by making visible the interdependencies and structural constraints shaping entrepreneurial leadership, thereby supporting a systems-level interpretation of the phenomenon.

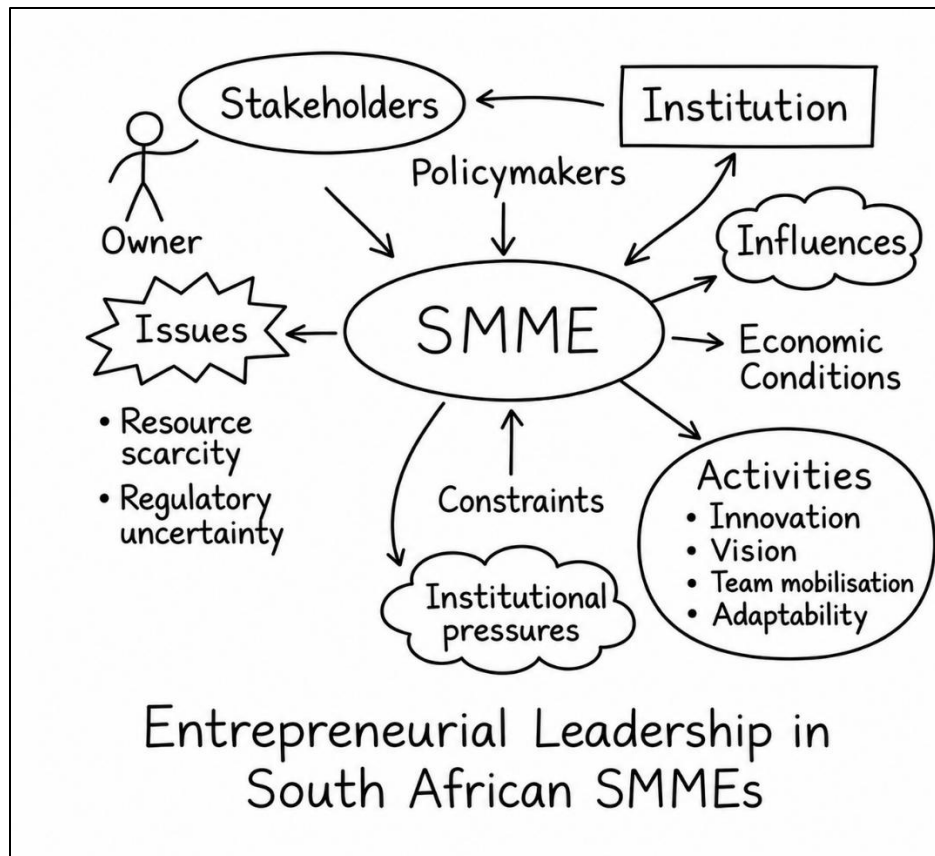


Figure 1: Rich picture. Source: Researcher's own compilation

The rich picture developed in this study visually captures the complex and dynamic environment in which Entrepreneurial Leadership (EL) occurs within South African SMMEs. It illustrates the interplay between key stakeholders, including business owners, employees, policymakers, and community members, who each hold different perspectives and face unique challenges. Central to the diagram is the SMME system, surrounded by various leadership activities such as innovation, vision-setting, team mobilisation, and adaptive decision-making. The picture also highlights systemic issues such as resource scarcity, institutional pressures, regulatory constraints, and socio-economic instability, which influence leadership effectiveness. External forces like market uncertainty and government policies are shown interacting with internal organisational realities, reinforcing the need for context-sensitive leadership approaches. Critically, this visual representation enables the identification of systemic patterns rather than isolated challenges, highlighting how leadership effectiveness is shaped by the broader entrepreneurial ecosystem.

This stage made visible the systemic constraints shaping leadership practice. Policy fragmentation, institutional misalignment, regulatory burden, and limited access to relevant support structures were visually represented as interconnected problem nodes rather than isolated challenges. This reinforces the argument that entrepreneurial leadership effectiveness cannot be divorced from the design and functioning of the broader entrepreneurial ecosystem. It provides strong empirical support for the study's central argument that entrepreneurial leadership cannot be understood independently of its structural and institutional context.

The rich picture serves as a foundational tool in Stage 2 of the Soft Systems Methodology (SSM), supporting a holistic understanding of the problem situation and guiding the development of root definitions in the next phase.

Stage 3: Root Definitions and CATWOE – Entrepreneurial Leadership as a Purposeful System

Stage 3 involved the formulation of root definitions using CATWOE analysis, allowing leadership to be examined as a purposeful human activity system. This stage strengthened understanding of **RQ2** by highlighting how entrepreneurial leadership is enabled or constrained by systemic roles, power relations, and worldviews.

Using CATWOE analysis, root definitions were developed to describe purposeful human activity systems that could address leadership development challenges. CATWOE (Customers, Actors, Transformation process, Weltanschauung (Worldview), Owners, and Environmental) constraints allowed the study to systematically consider different stakeholder perspectives.

For example, one root definition described a system owned by policymakers (O), involving training institutions and entrepreneurs as actors (A), aiming to transform underdeveloped leadership capacity (T) into empowered, adaptive leadership competencies, with the worldview (W) that entrepreneurial leadership is crucial for economic resilience. The interpretive value of CATWOE lies in its ability to surface underlying assumptions, power dynamics, and competing stakeholder perspectives, thereby deepening the analysis beyond surface-level descriptions of leadership challenges. This is depicted in Table 2 and Figure 2.

Table 2: CATWOE Analysis. Source: Researcher’s own compilation

Element	Description
Customers (C)	South African SMMEs their leaders, employees, and the wider communities they serve. These actors are positioned not only as beneficiaries but also as embedded participants within the leadership system, highlighting the relational nature of entrepreneurial leadership.
Actors (A)	SMME leaders, managers, teams, industry stakeholders, policymakers, and researchers involved in leadership development and systemic change initiatives. This reflects the multi-actor nature of leadership processes within complex systems.
Transformation (T)	The process of moving from fragmented, reactive leadership practices to more entrepreneurial, adaptive, and systemic leadership approaches that strengthen SMME resilience and sustainability. This transformation explicitly captures the shift from individualistic to systemically embedded leadership practices.
Worldview (W)	Entrepreneurial leadership is critical for driving innovation, adaptability, and systemic change, especially in socio-economically constrained and uncertain environments like South Africa. Leadership must be context-sensitive, participatory, and culturally feasible.
Owners (O)	SMME owners, board members, and sometimes external funders or regulators who have the authority to implement or support changes in leadership structures and practices. Importantly, ownership is shown to extend beyond entrepreneurs themselves, revealing governance complexity.

Environmental Constraints (E)	Socio-economic challenges (e.g. inequality, unemployment, resource scarcity), institutional instability, regulatory pressures, market competition, and cultural factors that impact leadership effectiveness in South Africa.
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Table 2 is visualised in Figure 2 below.

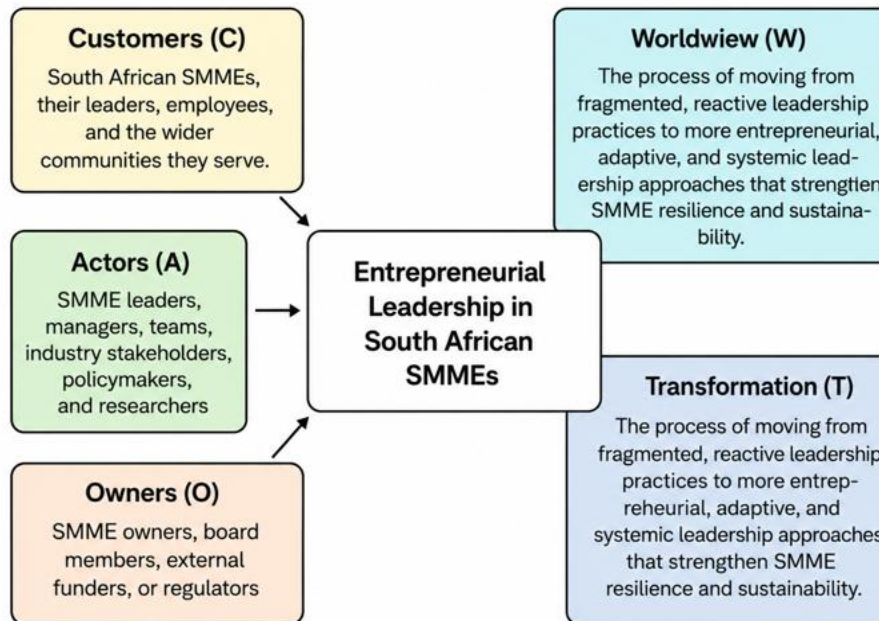


Figure 2: Visualisation of rich picture. Source: Researcher's own compilation

Once the rich picture was created, the next stage involved defining the root definitions of relevant systems derived from the analysis of the rich picture. This formulation is guided by the PQR formula, which answers the following questions: What should be done (P)? How should it be done (Q)? Why should it be done? (R)

The Root Definition encapsulates a system operated by entrepreneurial leaders and support stakeholders to develop leadership capabilities (P), through real-world learning, collaboration, and peer networking (Q), to empower SMMEs to adapt, innovate, and grow in challenging environments (R). Importantly, this root definition does not merely describe an ideal system but also synthesises empirical findings into a structured representation of entrepreneurial leadership as a purposeful and systemically embedded activity.

This aligns directly with the XYZ components as follows:

- X: Create Entrepreneurial Leadership Development Programmes – Directly aligns with the "P" (What should be done?), focusing on developing leadership capabilities through structured and practice-based interventions.
- Y: Establish Institutional and Social Networks – Reflects the "Q" (How it should be done?), emphasising collaboration, peer learning, and stakeholder engagement.
- Z: Build a Holistic Support System – Supports the "R" (Why it should be done?), highlighting the need for sustainable, adaptive, and contextually relevant leadership ecosystems.

CATWOE analysis revealed that while entrepreneurial leaders are expected to drive innovation and growth, ownership and control over leadership development systems often reside with external factors such as policymakers, funders, and training institutions. This finding provides a critical insight into the structural misalignment within the entrepreneurial ecosystem, where responsibility for outcomes is decentralised, but control is centralised.

Competing worldviews, particularly between entrepreneurial pragmatism and institutional bureaucracy, further exacerbate leadership challenges. This tension highlights the importance of understanding leadership not only as practice but also as a negotiated process shaped by competing institutional logics. This stage reframed leadership difficulties away from individual deficits toward structural and governance limitations, reinforcing the study's systems-based interpretation of entrepreneurial leadership.

Analytical Significance of Root Definition

The formulation of the root definition, as presented in Table 3 below, represents a critical analytical turning point in the SSM process. Drawing on CATWOE analysis and the PQR logic, entrepreneurial leadership is defined as a purposeful human activity system aimed at developing leadership capability through real-world learning, collaboration, and networked support. This definition reflects the participants' lived understanding of leadership as an adaptive, experience-driven process rather than a fixed individual competency, thereby directly addressing Research Question 1.

Table 3: Root Definition (aligned with PQR and XYZ). Source: Researcher's own compilation.

X: Create Entrepreneurial Leadership Development Programmes	Directly aligns with the "P" (What should be done?) in the Root Definition – developing leadership capabilities through structured, experience-based programmes. These programmes are conceptually positioned as mechanisms for addressing fragmented and ad hoc leadership development pathways within SMMEs, thereby embedding learning within real business contexts.
Y: Establish Institutional and Social Networks	Reflects the "Q" (How it should be done?) through collaboration and networking. This enhances the social learning process, mentorship, and collective problem-solving, highlighting the relational and network-dependent nature of entrepreneurial leadership development rather than purely individual capability-building.
Z: Build a Holistic Support System	Supports the "R" (Why it should be done?) to empower SMMEs toward innovation, sustainability, and resilience. The Root Definition emphasises this purpose by situating EL within the broader socio-economic and institutional context of South Africa. This component explicitly reflects the need for integrated, system-level interventions that respond to structural constraints such as regulatory pressure and limited access to training.

Importantly, the XYZ components of the root definition make explicit the systemic dependencies shaping entrepreneurial leadership practice. Leadership development is shown to rely on institutional and social networks, while its purpose is framed in terms of enabling adaptation, innovation, and sustainability within

SMMEs. This aligns closely with Research Question 2 by locating leadership challenges and enablers at the system level rather than within individual entrepreneurs.

The conceptual models developed in Stage 4 were derived directly from the root definition articulated in Table 3, ensuring consistency between empirical data, system definition, and modelled leadership activities.

Stage 4: Conceptual Models

The conceptual model was created based on the PQR formula and CATWOE analysis. These models are used to structure debate about the situation, forming the third phase of the SSM process (Checkland & Poulter, 2006). Through dialogue, stakeholders compare the real-world situation with the conceptual models to identify gaps and potential improvements.

At Stage 4, conceptual models of entrepreneurial leadership systems were developed to represent how leadership ought to function under supportive systemic conditions. These models integrated leadership activities such as sense-making, stakeholder mobilisation, innovation facilitation, and strategic adaptation.

At its core, the model outlines what needs to be done: enhancing strategic vision, fostering innovation, mobilising teams effectively, and building resilience in response to the volatility of the South African business environment (Kuratko, 2017; Northouse, 2021). How these goals are achieved is embedded in activities such as inclusive decision-making, collaborative stakeholder engagement, capacity building, and the leveraging of both formal and informal networks. Rather than presenting an idealised state, the model provides a structured representation of how entrepreneurial leadership can be systemically enabled through coordinated organisational and institutional processes.

The reason why such interventions are necessary relates to the critical need for SMMEs to survive and thrive amid institutional fragmentation, regulatory constraints, and socio-economic disparities, which have historically limited their scalability and long-term sustainability (Urban, 2010; Proches & Bodhanya, 2015). Conceptually, entrepreneurial leadership emerged as an integrative mechanism linking internal organisational practices with external system demands, reinforcing its role as a boundary-spanning and adaptive process.



Figure 3: Conceptual model. Source: Researcher's own compilation

This stage deepens insights related to Research Question 1 by illustrating how entrepreneurial leadership is theoretically configured when systemic constraints are reduced, while simultaneously providing a baseline for evaluating misalignments identified under Research Question 2.

Stage 5: Comparison with Reality

Stage 5 compared conceptual models with lived entrepreneurial reality, generating some of the study's most important insights. This comparative process moves the analysis from theoretical representation to empirical validation, highlighting gaps between expected and actual system functioning.

The comparison revealed significant discrepancies between the envisioned leadership development systems and the actual conditions faced by entrepreneurs. Notably, there was an absence of structured mentorship programmes – despite being identified in the conceptual model as a crucial mechanism for transferring tacit

leadership knowledge and supporting emerging entrepreneurs. Existing mentorship opportunities were often informal, fragmented, and lacked sustainability, echoing findings from Turton and Herrington (2012), who argue that the South African entrepreneurship ecosystem suffers from poorly coordinated support mechanisms.

Furthermore, the study identified a disconnect between the outputs of the education system and the practical needs of entrepreneurial ventures. Educational institutions were found to offer limited content that directly addressed entrepreneurial leadership, with curricula often leaning towards theoretical management concepts rather than experiential and adaptive leadership development. This gap aligns with Brière, Tremblay, and Daoud (2014), who emphasise the necessity of aligning educational approaches with real-world entrepreneurial demands.

Policy incoherence was another critical misalignment. While multiple government initiatives aimed at supporting entrepreneurship exist, they often operate in silos without interdepartmental coordination. Entrepreneurs reported confusion in navigating these initiatives, which reflects Lekhanya's (2015) observation that fragmented policies and bureaucratic inefficiencies hinder the implementation of effective entrepreneurial support systems. Collectively, these misalignments illustrate that limitations in entrepreneurial leadership are not primarily individual deficits, but manifestations of systemic dysfunction and institutional fragmentation.

These findings underscore the complexity of translating systemic models into practical interventions. However, the comparison process provided clear leverage points for change, validating the use of SSM as a diagnostic and design tool. It also confirmed that while systemic understanding is essential, context-specific interventions and stakeholder engagement are key to achieving actionable transformation (Checkland & Poulter, 2006). By exposing these systemic and operational gaps, Stage 5 laid the groundwork for Stage 6, where feasible and desirable changes were co-developed with stakeholders to bridge the divide between conceptual aspirations and practical realities. By identifying these system-level gaps, Stage 5 strengthens the analytical link between empirical findings and the study's systems-based theoretical framework, while directly informing the development of actionable interventions.

Stage 6: Feasible and Desirable Changes

Stage 6 focused on identifying culturally feasible and systemically desirable changes. The discussion at this stage highlights that strengthening entrepreneurial leadership requires interventions beyond individual training, including improved policy coordination, experiential leadership development, and integrated support structures. To enhance clarity and practical relevance, these interventions were structured into key domains, including policy alignment, institutional collaboration, and leadership development practice.

This stage underscores the central finding of the study: entrepreneurial leadership capacity is co-produced by systems, not merely developed through individual effort. Addressing leadership challenges, therefore, demands ecosystem-level reform rather than isolated leadership programmes. This stage translates analytical insights into actionable recommendations, ensuring a clear progression from diagnosis (Stages 1–5) to intervention design.

5. Discussion

As seen in the rich picture (Figure 1), entrepreneurs operate in an environment fraught with complexity, unpredictability, ambiguity, and competing interests of developing and growing their businesses. Coupled

with this, entrepreneurs must contend with poor entrepreneurial leadership skills. SSM was used as a method to visualise this process by which EL is being understood and implemented, and the contextual factors in which EL occurs within the entrepreneurial system. The lack of entrepreneurial skills may be because of inadequate training (Brière, Tremblay & Daoud, 2014) and a poor educational system (Turton & Herrington, 2012).

Stages 1 and 2 highlighted the issues at hand that, due to the complexity they are faced with, the increased uncertainty and competitive pressures in the dynamic market require a new form of leader who possesses entrepreneurial leadership skills. However, entrepreneurs lack the know-how for coping with the current challenges, improving and developing their businesses further, and the tools for addressing management and business development-related complications. Literature suggests that in South Africa, funding, skills, leadership, management skills, education and training, as well as the skills of personnel, are the main hindrances for the survival and progress of SMMEs (Lekhanya, 2015). Some SMMEs have a lack of leadership techniques by business owners/managers (Teng, Bhatia & Anwar, 2011).

Furthermore, the author constructed a conceptual model for the solution using SSM, whose goal is a system wherein there is support for entrepreneurs' leadership development and empowerment programmes, and initiatives focusing on entrepreneurial knowledge and skills transfer through real-world experiences in an entrepreneurial setting. Without the SSM method, it would have been difficult to achieve such a clear direction. Yang (2018) asserts that SMMEs are currently faced with intense competitive pressure. Hence, SMMEs should crucially improve their capacity and competitive ability to survive and ensure long-term development. Different strategies, resources, and tools are available to help SMMEs deal with changes and counteract their vulnerabilities to develop their performance and competitive advantage (Yang, 2018).

In this situation, it was suggested that SSM is useful as a guide for visualising problems in entrepreneurial systems, integrating the current situation and building an integrated entrepreneurial leadership development. As with our case, the SSM could be applied to various aspects of the entrepreneurial system.

6. Recommendations

From a policy perspective, the study highlights the need for greater coherence and alignment across SMME support frameworks. Current policy initiatives aimed at entrepreneurship development often operate in silos, resulting in fragmented leadership development efforts that place additional administrative and cognitive burdens on entrepreneurial leaders. It is therefore recommended that policymakers prioritise integrated policy design, ensuring alignment between leadership development initiatives, access to finance, education systems, and institutional support mechanisms. Such alignment would reduce systemic inefficiencies, improve accessibility, and enhance the overall effectiveness of support programmes.

Furthermore, the establishment of coordinated governance mechanisms, such as interdepartmental task teams or centralised entrepreneurship support platforms, could facilitate collaboration and reduce duplication of efforts. This would enable entrepreneurial leaders to focus on strategic leadership and organisational development, rather than navigating complex and fragmented bureaucratic systems.

Finally, a more integrated and systems-oriented policy approach is essential for fostering an enabling environment in which entrepreneurial leadership can develop and thrive within South African SMMEs.

7. Limitations of the study

The research adopted a qualitative and exploratory design, which prioritised depth of understanding over statistical generalisability. As a result, the findings reflect the lived experiences and perceptions of a purposive sample of entrepreneurial leaders and may not be generalisable to all SMMEs or entrepreneurial contexts beyond South Africa. However, consistent with qualitative research principles, the study aims for analytical generalisation by providing contextually rich and theoretically informed insights that may be transferable to similar settings.

Second, the study focused on SMMEs operating within selected metropolitan areas in Gauteng Province. While this region represents a significant concentration of entrepreneurial activity, the institutional and socio-economic conditions may differ from those in rural areas or other provinces, potentially limiting the transferability of the findings to alternative contexts. Future research could extend this analysis by incorporating diverse geographical contexts, including rural and underrepresented regions, to enhance the breadth and comparative applicability of the findings.

8. Conclusion

This study set out to explore how Entrepreneurial Leadership is conceptualised and enacted within South African SMMEs, and to examine the institutional, socio-economic, and systemic factors that shape its practice. Drawing on Soft Systems Methodology (SSM), the research provides a nuanced, context-embedded understanding of entrepreneurial leadership as a dynamic, adaptive, and systemically influenced leadership process, rather than a fixed set of individual traits or competencies.

The findings demonstrate that entrepreneurial leaders primarily understand leadership through lived experience, daily problem-solving, and strategic sense-making in response to uncertainty and constraint. Leadership is enacted as an ongoing process of adaptation and interaction with multiple stakeholders, tightly integrated with operational and strategic decision-making. This reinforces the argument that entrepreneurial leadership in SMMEs cannot be meaningfully understood using linear or decontextualised leadership models.

Furthermore, the study advances theoretical understanding by integrating entrepreneurial leadership and Soft Systems Methodology into a coherent analytical framework, offering a systems-based perspective capable of capturing complexity, interdependence, and contextual embeddedness. In doing so, the study provides both theoretical and practical contributions, offering a foundation for future research and informing the design of more integrated, context-sensitive interventions to support entrepreneurial leadership development.

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