



The Role of Entrepreneurial Ecosystem in Driving Poverty Reduction in Lesotho

Joseph Echem Obiahu^{1*}, Mubanga Mpundu²

¹*Graduate School of Business, University of Zambia, Lusaka*

²*Department of Economics, University of Western Cape, Robert Sobukwe Road, Belville, 7535, Cape Town, South Africa*

*Corresponding author email: jeobiahu@gmail.com

Abstract

The pervasive nature of poverty across all nations, all ages, all genders, and all races puts continuous search for potential roles of various phenomena in reducing poverty globally at the forefront of academic research effort. This article turns the spotlight on the role of the entrepreneurial ecosystem in driving poverty reduction in Lesotho. It aims to highlight the possible pathways to explore towards the eradication of poverty in the country. We adopted a qualitative research approach to probe the roles of the entrepreneurial ecosystem in releasing individuals wallowing in abject poverty and those vulnerable to poverty. The study identified that by providing access to financing, markets, mentorship, training programmes, and a culture that celebrates risk-taking and problem-solving, the entrepreneurial ecosystem cultivates an atmosphere conducive to the flourishing of small and medium-sized enterprises, thus creating employment opportunities that lift communities out of the cycle of poverty. We discovered that newly created businesses become engines of job creation, providing stable incomes and a pathway to financial security for those previously trapped in poverty. Unfortunately, the study found that most of the components of the entrepreneurial ecosystem fail to discharge the valuable roles effectively in Lesotho due to a number of weaknesses. This study adds to the bundle of academic knowledge and contributes to the effective exploitation of the identified roles in reducing poverty in Lesotho.

Keywords: Entrepreneurial ecosystem, Poverty, Entrepreneurship, Small- medium-enterprises

1. Introduction

Poverty has a global reach; it knows no bounds and wreaks havoc on the world. Countries and development partners have been tirelessly striving to understand ways to reduce, if not eradicate, poverty. Various governments, organisations, and business structures have been introducing diverse measures to fight the chronic challenge. At times, these efforts yield positive results; at other times, they falter and degenerate to an apprehensive level. Hence, there is serious concern on the hardship orchestrated by poverty which is why concerted effort is being exerted to identify the roles that various phenomena, government establishments, and business structures can play in stimulating the poverty reduction drive.

This article looks into the potential roles of the entrepreneurial eco-system in driving poverty reduction in Lesotho. An entrepreneurial eco-system, which encompasses the interconnected network of individuals, organisations, and resources that foster and support the growth of new businesses and innovative ideas, is one concept that has the potential to offer valuable roles that can contribute immensely towards poverty reduction worldwide. This article aims to explore these roles, specifically focusing on the Lesotho context. Despite the existence of numerous global publications on poverty and entrepreneurial ecosystems, none of them contextualize the discussion to the Lesotho environment.

Therefore, this article aims to explore the potential contributions of the entrepreneurial ecosystem to poverty reduction, within the constraints of the current Lesotho environment. Various academic circles have documented that an effective entrepreneurial ecosystem fosters growth and innovation through interactive networks that influence and impact its components, leading to goal accomplishment and survival. A well-functioning entrepreneurial ecosystem strives to enhance entrepreneurs' competence by providing sound networks, formal support organizations, value-

adding human capital, expansive markets and demands, superb infrastructure, fund availability, and a business-supportive culture. This article primarily focuses on a detailed discussion of these roles, with the aim of profoundly guiding policymakers to explore and strengthen the most effective ways to harness these roles to liberate those living in poverty and those vulnerable to poverty.

2. Materials and Methods

This study aimed to analyse the roles of the different components of the entrepreneurial ecosystem that promote entrepreneurship and help reduce poverty in Lesotho. We adopted a qualitative research approach to achieve this objective. The qualitative method was preferred to a quantitative or hybrid approach because it focuses on specific situations, individuals, and words, rather than randomly assigning numbers, thereby facilitating a thorough understanding of the phenomenon under investigation (Obiahu & Qutieshat, 2024). The choice of qualitative approach hinges on its effectiveness in exploratory research (Tobi, 2016), which helps to articulate participants' perspectives.

2.1. Materials

The study took place in Lesotho, a mountainous kingdom home to 2.3 million people (World Bank Report, 2022). Due to the mountainous nature of the landscape, the lowland and foothill areas of Lesotho are the hub of economic activity, as about 70% of the registered companies operate in this region. In light of this scenario, the study concentrated on companies operating in Lesotho's lowland and foothill areas.

2.2. Methods

The methods applied in this study include the figures, tables and formulas that are used in data analysis, arranged sequentially, step by step. Purposive sampling was used to recruit the research participants. This approach was adopted because the participants have first-hand experience with the phenomenon under investigation. According to Ames et al. (2019), purposive sampling ensures richness in the data collected. The guiding principle in determining sample size is that it should be large enough to adequately describe the phenomenon of interest while also answering the research question (Obiahu & Qutieshat, 2024). Braun and Clarke (2015) identified 12 as the minimum sample size required to reach a saturation point in qualitative research. This guideline was taken into account when selecting 25 existing and five aspiring entrepreneurs to participate in this study. Initially a total of 30 participants were selected for the interview. However, only 20 of the existing entrepreneurs and all five potential entrepreneurs presented themselves for the interview. In all 25 participants were interviewed, resulting in an 83% response rate.

The twenty existing entrepreneurs who are active in the ecosystem, have successfully navigated the rigors of floatation, and possess valuable insights into the roles of entrepreneurial ecosystem components in energizing entrepreneurship and driving poverty reduction, which can be shared to enhance this study (Obiahu & Qutieshat, 2024). The five aspiring entrepreneurs were interviewed to understand their perspectives on the entrepreneurial ecosystem's role in promoting entrepreneurship and reducing poverty, specifically focusing on the factors that impact their desire to own a business and the challenges that hinder them. We used semi-structured interviews, grounded in a qualitative approach, to extract data from the 25 participants. In qualitative research, a semi-structured interview is the preferred method due to its use of open-ended questions that allow participants to respond in their own words, unlike quantitative methods that force them to choose from fixed responses (Fuba and Moos, 2022). It also gives the researcher the flexibility to probe participants' initial responses for further insight while offering the participants the free spirit to air their views, including requests for clarifications (Fuba and Moos, 2022).

We prepared and piloted a discussion guide for the interview to ensure glitch-free data collection, assessing the participants' ease of understanding and responding to the questions (Obiahu & Qutieshat, 2024). However, time constraints limited the coaching to just two budding entrepreneurs. We conducted the substantive interviews at the entrepreneurs' shops for their convenience and to ensure a high response rate. We conducted interviews with the potential entrepreneurs at the closest school site. The interviews were recorded, transcribed verbatim, and compared with the electronic recording to ensure consistency. We used interpretive phenomenological analysis to understand how the entrepreneurs perceive the entrepreneurial ecosystem in the Lesotho context (Obiahu & Qutieshat, 2024). We chose interpretive phenomenological analysis because it could help to identify patterns within small and large data sets based on the interviewees' opinions, perceptions, and lived experiences (Clarke and Braun, 2017).

We applied narrative and pattern coding at different stages of the analysis to analyse and summarise the collected data. Narrative coding developed codes representing participants' narratives from a literary perspective, while pattern coding presented meta-codes that identified similarly coded data at the narrative coding stage by grouping them and generating major themes at the second coding cycle (Onwuegbuzie, 2016). We used these two coding systems to

confirm the soundness, precision, and reliability of the methodology and subsequent results, thereby aiding in the accurate interpretation of the collected raw data (Obiahu & Qutieshat, 2024). Final codes emerged from the analysis exercise, identifying themes and findings for the study and linking them to the research question (Fubah and Moos, 2022).

3. Results and Discussion

We presented similar interview schedule guidelines to all respondents, with minor variations in the questions posed to aspiring entrepreneurs. The emergent themes from coded data sets show similar perspectives from the two categories of interviewees: existing entrepreneurs and aspiring entrepreneurs. The research findings discussed below drew on previous research findings and available literature, where applicable, to highlight entrepreneurs' expected role in the entrepreneurial ecosystem.

3.1. The study aims to assess the role of legislative and regulatory frameworks.

Government policies and regulatory frameworks serve as the primary orchestrators of the operations within the diverse elements of entrepreneurial ecosystems. Their role is very impactful in inducing, stimulating, facilitating, assisting, and shaping entrepreneurship in any country (Obiahu & Qutieshat, 2024). Recognising this general role, this study sought to explore the extent to which government policies and regulatory frameworks impact entrepreneurship in Lesotho. We asked the interviewees to share their perspectives on the impact of legislative and regulatory frameworks on entrepreneurship, and to assess if they believe the Lesotho government's legislative and regulatory frameworks effectively stimulate the ecosystem, generate job opportunities, and alleviate poverty. Both categories of entrepreneurs concur that a congenial and effective legislative and regulatory framework is of utmost importance for the vibrancy of an entrepreneurial ecosystem, which in turn stimulates the economy, creates jobs, and reduces poverty in a country.

However, in responding to whether Lesotho's legislative and regulatory framework meets this friendly posture of promoting entrepreneurship, most aspiring entrepreneurs stated that the framework leaves much to be desired. Conversely, the existing entrepreneurs characterised the legislative framework as a combination of positive and negative aspects, highlighting several enhancements that have bolstered the ease of conducting business in Lesotho. The majority of existing and aspiring entrepreneurs believed that inadequacies in the legislative framework, such as high tax rates, the government's failure to enact policies that facilitate financing access, the lack of measures to expand the available market and demand, and the stringent labour code requirements that overly protect workers at the expense of entrepreneurs, hinder entrepreneurship in Lesotho.

Additionally, a significant majority of current entrepreneurs stated that the government policy framework in Lesotho presents a mixed picture, indicating that while some aspects of the laws and regulations are friendly and conducive to conducting business, others can be frustrating and hinder dynamic entrepreneurial activities. The respondents referred to the significant strides made in the Companies Act of 2011, which reduced the time to register a business from forty days to five days, a reform that improved Lesotho's ranking in the World Bank's doing business report from 153 in 2012 to 136 in 2014.

3.2. Assessing the role of funds and the financial component

It is a truism that no business functions without finance. Access to finance is very crucial and determines the success or failure of organisations. Commercial banks, non-governmental organisations, angel investors, microfinance institutions, and private equity funds can provide formal funds (Mujahid et al., 2019). We asked the participants to describe the ease with which they obtain formal finance for their businesses, in order to understand their perspectives on the role and significance of finance for entrepreneurs, as well as their evaluation of the ecosystem in Lesotho. All the participants shared the same view of severe challenges and hopelessness in accessing funds from banks, microfinance houses, angel investors, and other formal sources. Only four respondents indicated that they received a loan from the bank after much struggle to package acceptable collateral. Two of the respondents who succeeded in securing loans added that they had to mortgage their parents' property to secure the loans.

A significant majority of the respondents narrated that they have not been able to access any formal funds and that all their finances came from informal sources such as personal savings, family members, and friends. Some of the respondents described their experience with a lengthy checklist of requirements for sourcing funds from formal institutions with heavy administrative burdens, which discouraged them from making the application. Empirical evidence from these narratives demonstrates that the fund and financing component of Lesotho's entrepreneurial ecosystem faces significant challenges, hindering the efficient operation of entrepreneurial activities and hindering the

country's efforts to reduce poverty. The participants acknowledged the indispensability of finance in the dynamic operations of entrepreneurs, and stated however, that finance is difficult to come by in Lesotho. As a result, there is a high incidence of business failures and a resurgence of poverty in the country.

3.3. Evaluating the role of universities and education components in the ecosystem

Education and university systems are significant pillars of the entrepreneurial ecosystem, regularly producing qualified and skilled individuals to provide a competent and relevant workforce for the business community. These components play a significant role in mainstreaming an entrepreneurial mind set, promoting entrepreneurship to prospective entrepreneurs, and ensuring entrepreneurship's sustainability. According to Spiegel (2017), universities' distinctive role in creating and adopting innovation contributes to the viability of entrepreneurial ecosystems by facilitating the establishment of innovative ventures. We asked the interviewees to share their perspectives on the role of these components and the significance of universities in producing a skilled workforce that supports entrepreneurship. All the respondents agreed that university education is crucial for producing developed and skilled minds that contribute to entrepreneurship's vitality. University education not only moulds individuals in learning but also in character, which is essential for thorough understanding, discipline, and effective contribution in any entrepreneurial effort.

University education capacitates individuals, equips them with knowledge and skills that help, and positions them to be entrepreneurship-oriented in their thoughts and actions, thus packaging potential entrepreneurs who create jobs for themselves and others instead of looking for jobs that are not there. In the process, they help reduce poverty. Some of the respondents acknowledged the tendency to hunt for paid employment instead of exploring entrepreneurship among Basotho and stressed the need for a paradigm shift. They argued for the early introduction of entrepreneurship as a course in the educational curriculum, ideally in high school, to foster an entrepreneurial mind set from an early age. This finding and the suggestion made by some of the respondents on early sensitization of students are very significant and align with earlier research findings by Cohen (2006). Cohen's (2006) investigation of the role of universities in Silicon Valley suggested that universities should dedicate their resources and effort to imparting entrepreneurial knowledge at an early age. Cohen argued that this early education will inculcate early entrepreneurial thinking, which will play a crucial and impactful role in contributing to and ensuring the sustainability of a sound entrepreneurial ecosystem and poverty reduction.

While all the respondents agree that university education is critical in providing a skilled workforce, many were of the view that presently, the Lesotho universities are not meeting the challenge of sufficiently producing quality skilled graduates equipped with practical knowledge as their course contents are theory-based and facilitated by educators rather than practical experts. One participant expressed that the lack of comprehensive practical mentorship at local universities hinders students' creativity in their chosen career path, thereby impeding their entrepreneurial competency.

The aforementioned observation holds significant importance, as institutions exist to instruct and educate individuals on entrepreneurship skills, but they lack comprehensive training within an ecosystem. Therefore, their capacity and skills in business are limited, as they lack knowledge of entrepreneurial ecosystems and the specific conditions of each industry or business model. For instance, acquiring academic or technical skills in the manufacturing sector without the requisite technical knowledge and skills to run a business in that specific sector can result in mediocre performance in entrepreneurial drive. Many respondents expressed similar concerns about this issue, emphasizing the need for a comprehensive design of entrepreneurial education in Lesotho that integrates both theoretical and practical elements to produce graduates who are both technically and entrepreneurially sound.

In conclusion, this finding on the challenges of the local universities in producing practically sound entrepreneurs aligns with earlier findings by Sothy et al. (2019) that achieving a cohesive ecosystem for entrepreneurship is still a challenge because of bottlenecks and administrative lapses hindering the universities from producing human resources that meet the needs of the industry.

3.4. Examining the role of physical infrastructure

The infrastructure component of the entrepreneurial ecosystem consists of collective and tangible facilities and resources such as functional bridges, roads, and railway lines; public housing; access to clean water; stable electricity; and telecommunication (Mostafa et al., 2022). We requested the respondents to share their insights on how physical infrastructure generally supports or hinders entrepreneurial activities, as well as their thoughts on how the presence of infrastructure in Lesotho contributes to or hinders robust entrepreneurial activities. Many respondents agreed that infrastructure is critical to their business operations and acknowledged that they do not have any significant infrastructure challenges in Lesotho. One respondent based in the urban area succinctly stated that if other ecosystem components were as effective and functional as infrastructural facilities, Basotho entrepreneurs would have been

operating in paradise because there is a steady power supply, efficient telecommunication facilities, a good road network, and connecting bridges. Many respondents in urban areas echoed this narrative.

However, While the urban entrepreneurs applauded the availability of electricity and telecommunication facilities, many respondents from the rural areas of the districts held different views as they lamented the poor state of the roads, mainly gravel roads, inadequate bridge connections, lack of railway network to transport bulk items, and water supply issues. Cattle farmers in particular complained about the cost of establishing and irrigating their farms, as well as the cost of bringing the products to market because of the poor state of the unpaved roads. The rural respondents, therefore, identified the high cost of operating outside the urban area as a significant infrastructural challenge, as they compete unfavourably with imported and local products produced in more affordable infrastructure zones. There is also a sectorial dimension to the responses. A young Information technology fresh graduate shared what he described as the relate ease of starting his IT business compared to other sectors. He reported that establishing a small computer company was relatively easy due to the readily available essential infrastructure such as electricity and telecom facilities, the minimal capital outlay needed to purchase a small table and hire a small room for computer repairs business.

In conclusion, the Lesotho infrastructural set-up is considered adequate and effective by urban-based entrepreneurs, who confirm that it plays a major role in stimulating entrepreneurship and reducing poverty. In contrast, rural-based, mainly agriculture-affiliated entrepreneurs experience challenges with the water supply and transport systems. The above analysis demonstrates that on the whole, Lesotho's infrastructure effectively promotes entrepreneurship, as most businesses operate in urban areas, thereby creating jobs and reducing poverty in the country.

3.5. Evaluation of how markets and demand contribute to the growth of entrepreneurship and poverty alleviation.

The market and demand components of the entrepreneurial ecosystem include the activities of players such as suppliers, customers, and intermediaries, as well as the forces of demand and supply that promote the exchange of goods and services and help businesses thrive. Entrepreneurs rely on this crucial ecosystem element to showcase and dispose of their products, which generate funds for recycling in the business process. So, market and demand play a vital role in energizing entrepreneurship and, in the process, reducing poverty. We asked the interviewees about their perceptions of the size of the Lesotho market and its impact on their entrepreneurial activities to understand how local entrepreneurs perceive their role in reducing poverty. Most of the entrepreneurs interviewed stated that the local market size is minimal, foreign market dependent, and has little capacity to create vibrant entrepreneurial activities to galvanize the economy and reduce poverty. One respondent stated that the market is relatively small, import-dependent, and has high local production costs, resulting in entrepreneurs being outcompeted by foreign suppliers. Many of the respondents lamented that market activities are generating insignificant sales to sustain their operations, hence the high incidence of closing businesses a few years after starting. If a business is not thriving, job creation cannot emerge, and as a result, poverty will either stagnate or increase.

On another question posed to extract entrepreneurs' perspectives on the competitiveness and quality of market offerings, all the respondents shared the view that due to limited players, supply and demand-wise, the competition is not steep and so innovation is stifled with the attendant absence of viable growth-oriented entrepreneurship in the country. This reality, according to the respondents, is the reason there is no significant reduction in poverty despite the government's various interventions in this regard. On the quality of offerings in the market, many interviewees opined that consumers prefer cheap products to quality ones simply because they do not have enough money, and that explains why many countries ship third-quality products to Lesotho for patronage.

A respondent described the challenges faced by entrepreneurs, who must manufacture their products at exorbitant prices to compete with foreign imports that come at prices lower than the local production costs of resident companies in Lesotho. On the export front, the entrepreneurs identified the absence of a 'standard-setting organisation' in Lesotho as a limiting factor in their export drive. Many countries are hesitant to buy Lesotho products because they fear the risk of inferior products. One entrepreneur described her experience while attempting to export her cosmetic products outside of Lesotho. According to her, all efforts to secure an export facility for her cosmetics line were futile due to the lack of standard-setting organisation in Lesotho, which makes the outside market to look at Lesotho products as potentially dangerous. The entrepreneur considered engaging a prominent licensed manufacturer from South Africa to export the products under his brand name as a potential solution. That means producing and selling with the Southern African brand name and label. This comes with high costs, as the South African brands demand an unreasonable profit-sharing ratio of 6:4 in favour of the local set-up and the South African brand, respectively.

The above analysis acknowledges the market component of the entrepreneurial ecosystem's indispensability in promoting entrepreneurship and reducing poverty. It also suggests that there are severe challenges in the market and demand components of the entrepreneurial ecosystem that inhibit the dynamic operations of entrepreneurs, thus stifling job creation and reinforcing poverty in Lesotho.

3.6. Assessing the role of networks, business support systems, and mentorship

According to Spigel (2017), networks play a crucial role in enabling and facilitating entrepreneurs to obtain scarce resources, important information and knowledge, and financial and technical support to improve a firm's development. In response to requests for their perspectives on the role and importance of these elements of the entrepreneurial ecosystem, all the respondents interviewed agreed with Spiegel that for them to survive, they need a robust network, a sound business support system, and effective mentorship. One participant stated that networking gives entrepreneurs the leverage to interact and collaborate with other local and foreign entrepreneurs, have access to investors and human resources, funds, and the opportunity to exchange ideas, share, and learn from each other's experiences. However, many of the respondents acknowledged that there is a significant challenge in Lesotho due to the ineffective network system and the entrepreneurs' reluctance to cooperate, as they fear sharing information that could potentially harm their competitive position.

Some other entrepreneurs echoed this sentiment, stating that because the Lesotho market is small and almost all entrepreneurs know each other, one would expect that there will be an affinity for associations, collaboration, and sharing. Unfortunately, this is not the case because entrepreneurs are cautious about sharing their small business models. In Lesotho, the network is experiencing a decline due to entrepreneurs' reluctance to divulge their business concepts, fearing potential copying and exploitation that could undermine their competitive edge. As a result, there is a critical challenge in the Lesotho entrepreneurship network orchestrated by a lack of trust, which limits collaboration. Therefore, the role of this entrepreneurial ecosystem component, which enables entrepreneurs to pool knowledge, information, funds, and business opportunities to promote entrepreneurship, is currently not effectively fulfilled.

Questions have also surfaced regarding the usefulness of supportive services for entrepreneurship and the feasibility of avoiding associated costs to steer entrepreneurship towards greater profitability. In addressing this issue, the respondents were unanimous in their agreement that support services are crucial to capacity development and the continued functioning and dynamism of entrepreneurs as they resolve operating obstacles and engender growth that creates jobs and reduces poverty. They agree that business incubators and accelerators play a vital role in exposing people to entrepreneurship, stimulating the formation of new companies, and aiding small businesses in their growth process (Leendertse et al., 2021). Lux et al. (2020), who propose that the availability of competent and accessible services can impact entrepreneurs' decisions about creating and developing businesses in an ecosystem, also share this view.

Many of the participants were happy with what they called "capacity-building workshops" put on by the government and development partners such as UNDP, FAO, American Corner, and some other non-governmental organisations. This was in relation to how well the local support service elements of the entrepreneurial ecosystem met their expectations. Often, budding entrepreneurs find the essential support services provided by the private sector, such as information technology services, financing and accounting services, and legal and tax compliance services, to be unaffordable. This inability to access essential services ultimately leads to their exit from the market. This situation results in joblessness among the workers and contributes to the country's poverty rate. Despite acknowledging the significant benefits of a practical business support system, the respondents concur that the current level of support services in the country makes this dream elusive.

The aforementioned findings suggest that Lesotho's business environment has not embraced the business support system, thereby failing to contribute to entrepreneurship and poverty reduction. Though the government and development partners are working to build capacity and skills, the results are not yet discernible, and the exorbitant costs of accessing private sector support services discourage entrepreneurs from patronizing them. This deficiency creates a significant gap in the development of entrepreneurship in Lesotho. As Stam & Van de Ven (2021) acknowledged, support services such as incubators and accelerators are essential to improving entrepreneurs' knowledge and skills about the entrepreneurial process. In conclusion, the findings highlight unaffordable access to private sector-linked support services, prompting a few entrepreneurs to cough out vast sums of money to procure the services. Many who cannot afford the services struggle and battle with meagre profits until they bow out of the market. This brings more misery to the retrenched employees, who then join the poverty enclave.

Furthermore, entrepreneurs have celebrated the essential role of mentors and role models in empowering, guiding, and supporting entrepreneurs in their entrepreneurial adventures. According to Lux et al. (2020), mentors significantly influence new entrepreneurs by transferring knowledge or experience, which enhances their resource utilization and boosts their business performance. We asked the respondents to explore the role of mentorship in the Lesotho ecosystem and share their thoughts on the effectiveness of business mentorship in the country. Most believed that mentors and mentorship in Lesotho were scarce or poor. Many expressed the view that there are very few significant entrepreneurs in Lesotho who have achieved enough to be considered mentors. According to the respondents, the unimpressive nature of the local economy means that every entrepreneur is constantly learning and lacks valuable knowledge to share with others. In other words, great business models have not been created to usher in differentiation in business approach.

Some respondents admitted that there are few successful businesspeople in Lesotho. However, not all are willing, capable, and qualified to be mentors, imparting or transferring knowledge and skills to the next generation of entrepreneurs.

The bottom line is that in Lesotho, mentors are not readily available to guide budding entrepreneurs. So are role models. Role models, which Bosma et al. (2011) described as people who set examples for others to follow and who may motivate or inspire others to make particular decisions or attain specific goals, are not readily seen in Lesotho. One of the respondents, when asked what the benefits of having a role model are, explained that "role models impart knowledge, inspire learning and motivation to achieve, and help craft business models that lead to entrepreneurial success, create job opportunities, and curb growing poverty." Another entrepreneur articulated role models as an entrepreneur who has made an impact in society in a way that inspires potential entrepreneurs to initiate action on their enterprise to succeed like the role models, not minding the level of viability and profitability of their ventures. Such role models open the door and pave the way for upcoming entrepreneurs. Most of the study participants, however, believe that Lesotho cannot boast of existing sizeable role models presently, and the few available cannot be showcased and linked to budding entrepreneurs. These responses suggest that there are not many start-ups in Lesotho that can be described as successful and looked up to emulate their business model and footprints. Invariably, this situation will not contribute enough to the blooming of entrepreneurship and will clog the effort to reduce poverty in the country.

3.7. Assessing the role of human capital in promoting entrepreneurship and reducing poverty

To extract the participants' perspectives on the role of human capital in promoting entrepreneurship and reducing poverty, they were asked to narrate what they consider to be the critical impact of the human capital element of the entrepreneurial ecosystem in fostering entrepreneurship and reducing poverty. All the respondents unanimously stated that no business thrives without human capital, and that is where its importance lies. They believe that human capital is significant and plays a vital role in initiating, nurturing, and growing businesses, which create job opportunities and hence contribute to poverty alleviation. One respondent summarised human capital as a key element that drives the establishment and growth of enterprises as a competent workforce with experience, skills, and commitment can help an enterprise survive and grow, and in the process, open up the economy and create job opportunities that tend to reduce poverty. In other words, a qualified and competent workforce is an indispensable component in the establishment and growth of new ventures as they search for and exploit new opportunities, investigate and address challenges, design solutions to problems, and take business opportunities that enhance employment and reduce poverty.

The entrepreneurs agreed that it is an uphill task to locate qualified and competent individuals relevant to the needs of the industry in the Lesotho context. Apparently, budding entrepreneurs are frustrated that there is a dearth of qualified and competent workers in the country to propel businesses and entrepreneurial activities to the forefront. Some of the entrepreneurs interviewed heaped the blame for human capital challenges on the educational and vocational curricula, which, according to them, have failed to produce competent graduates relevant to the needs of the industry. The respondents were adamant that, due to limited education content, a lack of practical work exposure, and the absence of proper guidance, most graduates are not equipped to be productive in the industry. Hence, they argue that an extensive search is conducted to find someone who adds value and helps the business to achieve its objectives. The participants bemoaned the knowledge, skills, and tools that emerge from tertiary institutions as preliminary and devoid of real content, which compels the entrepreneurs to train and retrain the graduates to mould them to fit into the needs of the organisation, and this takes time and drains resources.

This training and retraining costs explain why reasonable profitability is a challenge for most companies, hence the frequent liquidation within five years of existence. From the preceding sections, it can be concluded that entrepreneurs do believe that human capital is significant and indispensable to robust entrepreneurial activities and appreciate that getting competent individuals relevant to the needs of businesses is difficult because of the lapses in the educational curriculum, which does not equip graduates well for the tasks ahead in the workplace. So, human capital availability and the quality thereof are retrogressive, impeding growth-oriented entrepreneurship, stifling job opportunities, and reinforcing poverty in Lesotho.

3.8. Assessing the role of supportive culture in energising entrepreneurship and reducing poverty

No society exists without tradition or culture that influences how lives are individually and collectively conducted. The culture of society impacts the way of life of people in all facets of life, including entrepreneurship and business. This study sought to assess how culture has impacted entrepreneurship in Lesotho. To ascertain the respondents' views on whether Lesotho culture supports businesses and motivates entrepreneurs, the participants were asked to give their perspectives on how supportive Lesotho culture is in encouraging entrepreneurship rather than paid

employment. One respondent stated that “cultural support for entrepreneurship comes in the form of social support, moral direction, risk averseness level, respect, and recognition accorded to successful entrepreneurs.” Most of the respondents shared the view that generally, where culture is supportive, entrepreneurs and enterprises thrive, the economy grows and poverty is reduced.

Some of the respondents expressed their dissatisfaction with an encroaching foreign culture, which is not stemmed by policymakers and impacts local entrepreneurial culture negatively. They blame the policymakers for neglecting the role and importance of the local culture in the local entrepreneurial ecosystem’s robustness, thinking that such an approach will energise the ecosystem more. According to Mujahid et al. (2019), moral and social support for entrepreneurs are part of the culture that directly impacts entrepreneurship promotion in society. Moral support refers to appreciating entrepreneurial actions from relatives, family members, and friends. Social support includes society’s perception of entrepreneurship and the social respect and motivation entrepreneurs can receive throughout the entrepreneurial process. Risk acceptance refers to how entrepreneurs accept potential losses associated with entrepreneurship rather than avoid them.

Although policymakers, civil society, and other key players are trying to create a favourable environment for entrepreneurship, entrepreneurs expressed the view that they are still under social and economic pressure to start a business. As one respondent indicated, “out of fear of failure, many people refrain from starting their own business, and many family members and friends do not perceive starting one’s own business as a good career move, especially when it involves resigning from paid employment to go into full-time entrepreneurship.” Some of the respondents argued that culture does not impact their business decisions because they have the freedom to be entrepreneurs and make decisions according to the dictates of their minds, not informal cultural influence. However, the majority of the interviewees shared the insight that culture has a significant influence on entrepreneurial decisions. They acknowledge that Lesotho is a traditional society with characteristics that hinder the effective promotion of entrepreneurship in the country. For instance, a respondent expressed that in rural Lesotho, individuals engage in entrepreneurship-oriented activities such as peasant farming, cattle rearing, ground tilling, and income generation.

However, in the urban area, individuals tend to search for paid employment, and the prevailing social orientation discourages all forms of business ventures, favouring multi-national firms and India-Chino businesses, while ignoring the few Basotho businesses in the formal sector. In the informal sector, the cluster market system and the dominance of Basotho hawkers blur this distinction. Despite some respondents expressing their freedom to become entrepreneurs, the majority mentioned that their families are not convinced or supportive of entrepreneurs quitting their full-time stable jobs to start their own business, as they view entrepreneurship as a risky, non-viable career option. “One respondent explained that an average Basotho family is sceptical of investing family resources in business for fear of losing the funds. The fear is heightened by meagre financial resources with no reserve, a lack of financial support, and inadequate education to run a successful business. These discouraging and limiting factors tend to discourage Basotho from taking up entrepreneurship as an alternative career option.”

Many respondents also explained that some entrepreneurs who quit their office jobs and took entrepreneurship as their career still could not obtain motivation or support from their social circles, such as family or friends. It was cited that most of the time, the support is in words to encourage and congratulate during good times, but when faced with trouble in lousy times, entrepreneurs could not get the support they need. This suggests that communities and society lack support or motivation for entrepreneurs from friends’ and family’s perspectives.

In summary, based on the aforementioned analysis, it can be deduced that there exists a limited degree of societal backing for entrepreneurs in Lesotho. This circumstance has a tendency to dissuade prospective entrepreneurs from pursuing entrepreneurship as a feasible professional trajectory. The prominent mind set among citizens is to search for paid employment even when it is unavailable. Society does not view entrepreneurship with favourable eyes as it embeds discouragement, risk aversion, and unsupportive tendencies. So, entrepreneurs who engage in business operations are compelled to utilise their available resources, assume full exposure to risk and uncertainty, and shoulder the entirety of accountability and culpability in the event of business failure.

4. Conclusion

This study set out to analyse the role of the various components of entrepreneurial ecosystem in stimulating entrepreneurship and reducing poverty, and to evaluate the extent to which these roles are being discharged in Lesotho context. It aimed to better understand how different parts of an entrepreneurial ecosystem work together to encourage new business formation and cut down on poverty in Lesotho. The study participants who are primarily the entrepreneurs with sufficient insight on the subject were interviewed to extract their perspectives. The overriding view of the respondents is that the effective functioning of the different elements of the entrepreneurial ecosystem are very crucial for the success of enterprises and entrepreneurs.

All the elements, according to the respondents contribute immensely to thriving businesses, where the right parameters of the ecosystem are in motion. And where lacklustre ecosystem elements are prevalent, the result is a disastrous mediocratic business environment characterised by struggling enterprises and massive business failures.

Driving it home to the Lesotho environment, the participants singled out infrastructural facilities as one component of entrepreneurial ecosystem that is adequate and promotes entrepreneurship in the country. They cited the steady power supply, effective and efficient communication facilities as the key elements that enhance business operations in Lesotho. Legislative and regulatory framework is another component that was moderately scored as helpful in promoting entrepreneurship. This applaud stemmed from the reviewed Companies Act of 2011 and other government policies that eased the process of doing business in Lesotho. All other components of the entrepreneurial ecosystem were rated very low in promoting entrepreneurship, creating job opportunities and reducing poverty. This is because of what the participants considered as inept performance and profound failure to energise the elements towards creation of thriving entrepreneurship that will usher in poverty reduction.

The contributions and supportive roles of the market, education, finance, culture, human capital, networks, business support and mentorship are found to be inadequate to propel entrepreneurship and businesses to the forefront in order to drive poverty reduction. Based on the foregoing analysis this paper concludes that the invaluable roles of sound entrepreneurial ecosystem are not fully tapped in Lesotho context.

To ensure effective discharge of the roles of entrepreneurial ecosystem towards stimulating and promoting entrepreneurship, creating jobs and reducing poverty in Lesotho, there is a need to adopt a multi-faceted approach involving various stakeholders' collaboration to strengthen performance capacity of the various entrepreneurial ecosystem elements. By working together to create a more supportive environment for entrepreneurship, the potential of Lesotho's start-up market can be unlocked to contribute to the nation's economic growth and development that will drive poverty reduction in the country.

References

- Ames, H., Glenton, C., & Lewin, S. (2019). Purposive sampling in a qualitative evidence synthesis: A worked example from a synthesis on parental perceptions of vaccination communication. *BMC Medical Research Methodology*, 19 (26).
- Bosman, N., Hessels, J., Schutjens, V., Praag, V. M., & Verheul, I. (2011). Entrepreneurship and role models. *Journal of Economic Psychology*, 33(2), 410-424.
- Braun V, Clarke V. (2015). (Mis) conceptualising themes, thematic analysis, and other problems with Fugard and Potts: Sample-size tool for thematic analysis. *International Journal of Social Research Methods*, 19(6), 739–743.
- Clarke, V., & Braun, V. (2017). Thematic Analysis. *The Journal of Positive Psychology*, (12), 297–298. <https://doi.org/10.1080/17439760.2016.1262613>
- Cohen, B. (2006). Sustainable valley entrepreneurial ecosystems. *Business Strategy and the Environment*, 15(1), 1- 14.
- Fubah, C. N., & Moos, M. (2022). Exploring COVID-19 Challenges and Coping Mechanisms for SMEs in the South African Entrepreneurial Ecosystem. DOI:10.3390/su14041944.
- Leendertse, J., Schrijvers, M., & Stam, E. (2021). Measure Twice, Cut Once: Entrepreneurial Ecosystem Metrics. *Research Policy* 51(80), 104336. DOI: 10.1016/j.respol.2021.104336.
- Lux, A. A., Macau, F. R. & Brown, K. A. (2020). Putting the entrepreneur back into entrepreneurial ecosystems, *International Journal of Entrepreneurial Behavior & Research*, 26 (5), 1011- 1041. <https://doi.org/10.1108/IJEBR-01-2020-0031>
- Mujahid, S., Mubarik, S., & Naghavi, N. (2019). Prioritizing dimensions of entrepreneurial ecosystem: a Proposed framework. *Journal of Global Entrepreneurship Research*, 9(1), 1-21.
- Obiahu, J. E. & Qutieshat, A. (2024). Inadequacies in Local Entrepreneurial Ecosystems that Impede Growth Oriented Entrepreneurship in Lesotho. *International Journal of Business, Economics and Social Development*, 5(1), 28- 37.
- Onwuegbuzie, A. J. (2016). A step-by-step guide to publishing journal articles and strategies for securing impactful publications. *Research in the Schools*, 23(1), 31-39.
- Sothy, C. (2019). The impact of training and development on employee performance: A case study of selected private secondary schools in Phnom Penh Cambodia. *Researchgate* 7(3.), 40-49
- Spigel, B. (2017). The relational organization of entrepreneurial ecosystems. *Entrepreneurship Theory and Practice*,

41(1), 49–72.

Stam, E. & Van de Ven, A. (2021). Entrepreneurial ecosystem elements. *Small Business Economics*. 56(2), 809-832.
<https://doi.org/10.1007/s11187-019-00270-6>

Tobi, S. U. M. (2016). *Qualitative Research, Interview Analysis and Nvivo 11 Exploration*. Malaysia: ARAS.

World Bank (2022). *Understanding Poverty*. Retrieved from: <https://www.worldbank.org/en/understanding-poverty>.