



ENTREPRENEURSHIP AND THE AFRICAN DIASPORA

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Abstract: This is a policy chapter that provides solutions rather than restates challenges confronting entrepreneurship among Africans in the Diaspora.

Keywords: entrepreneurship; Africa Diaspora; e-entrepreneurship; entrepreneurship and the Africa Diaspora; enterprise promotion.

INTRODUCTION

Sustainable development on the African continent can only be achieved through further economic growth in African countries and their integration into the multilateral trade system. Enhancing entrepreneurial activities in Africans is thus a decisive element of poverty eradication strategies. In the light of this we highlight seven main areas where governmental reforms and initiatives of the private sector may be critical:

- 1 Creation and development of enterprises
- 2 Access to finance
- 3 Education
- 4 Regulatory framework and Governance
- 5 E-entrepreneurship, e-business and e-learning
- 6 Innovation, technology transfer and knowledge networks
- 7 Community Economic Development and Women enterprise development.

The following list should serve as a basis for discussion, comprising a broad range of recommendations. There is a need to highlight two important courses of action to be recommended – first, to respective government authorities and second, to the private sector.

A REVIEW OF DEVELOPMENTAL ISSUES

Creation and development of enterprises

Vital SMEs in growing sectors form the backbone of every economy and are indispensable partners for investing Multinational Corporations (MNCs). Identifying promising business ideas is the prerequisite for further development. However, to sustainably foster economic growth, SMEs do not only need support during their creation, but also throughout the processes of expansion, internationalisation and transfer of businesses. These processes bring organisational and bureaucratic burdens and require advanced

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Table 1 Policy actions for creation and development of enterprises

	<i>Points of action for authorities</i>	<i>Points of action for the private sector</i>
Creation and development of enterprises	<p>Lower Entry and Exit Barriers: Government to lower entry and exit barriers by reducing costs and procedures required for setting up and closing down a business</p> <p>Set incentives for the creation of clusters (Porter, 2000): Clusters bring together businesses of the same sector and in consequence specific know-how about these sectors. Together, these companies can easily build up a common regional brand value, save costs through common R&D and through accumulated expertise have a better window to the market, especially to foreign markets. Governments should actively promote the creation of clusters (subsidies, infrastructure investments, tax incentives)</p> <p>Facilitate international trade through harmonisation of trade rules: The reduction of customs tariffs such as the removal of inverted tariffs and of non-tariff trade barriers have to be enhanced to facilitate trade with neighbouring and other foreign countries</p> <p>Involve African Diaspora Business: The European side should encourage the African Diaspora to invest in export sectors and productive capacity in Africa, exploiting both their knowledge and interconnectivity</p>	<p>Found business incubator facilities: Founding service companies dedicated to nurture young businesses and sharing expertise on a professional basis is a business idea from which both sides would profit</p> <p>Create clusters to profit from a common window/ face to the market</p> <p>Develop the supply chain/ vertical integration: Successful entrepreneurs should start investing into businesses that are upstream suppliers or downstream buyers of their core products to settle as many steps of a production process as profitable inside one country and to profit from the benefits of cluster building</p> <p>Promote the franchising system to decrease mortality of young businesses: Through the franchising system, innovative business ideas can be spread easily throughout a country and regions. Becoming a franchisee reduces the risks and administrative burden of starting a business and is therefore an option for more risk-averse people</p> <p>For Multinational Corporations (MNCs): look for alternative production solutions involving local producers: Adapting production procedures to local preliminary products and raw materials can help to reduce costs and offer a long term business perspective to small local producers</p>
Creation and development of enterprises	<p>Support the development and involvement of efficient business organisations and networks: To facilitate the representation of small businesses' interests in the policy making process, effective consultancy to and opportunities for networking among African SMEs, business organisations such as Chambers of Commerce have to be supported through specific capacity building programmes, advocacy and representation</p>	<p>Contact universities to evaluate possibilities for cooperation and the creation of spin offs: Both African and European investors should try to make use of the know-how generated at universities and found spin-offs in promising research areas</p>

Table 1 Policy actions for creation and development of enterprises (continued)

	<i>Points of action for authorities</i>	<i>Points of action for the private sector</i>
Education	<p><i>Make entrepreneurship and business become an integral part of the curricula of schools</i> and institutes of higher education to assure that the idea of entrepreneurship is nurtured from the very beginning of the education process and that all citizens, males or females, are regularly exposed to this idea throughout the whole education cycle. Starting a business has to be considered as a valid option and not as a last resort</p> <p><i>Support programmes of vocational training initiated by the private sector:</i> Improving the efficiency of vocational training means building training models that are flexible and adaptable, close to businesses so as to be able to keep track of the consistent and rapid development of that latter's needs. State-operated training systems should thus be built on private sector input</p>	<p><i>Develop educational programmes</i> and assure their adequacy for the needs of local labour markets in cooperation with universities, schools, training institutes, etc. Discuss business cases and recent economic developments in schools</p> <p><i>Develop one-to-one mentoring programmes</i> between successful entrepreneurs and new ones or between managers and management trainees to provide a more intense transfer of crucial know-how. Special attention has to be paid to under-represented groups in business, e.g., women, young people and people with disability</p>
Finance	<p><i>Provision of Small Loan Guarantee Schemes and Other Schemes:</i> Government to set up small loan guarantee scheme particularly in sectors experiencing market failure</p> <p><i>Enhance competition on financial markets:</i> If the pre-emption of governmental loan funding is abolished and competition in financial markets is enhanced some banks will find their competitive advantage in giving venture capital to entrepreneurs. It is likely that these banks also will be local ones that know the characteristics of local markets better than foreign subsidiaries and therefore can provide better solutions for the problems of entrepreneurs</p>	<p><i>Develop financing instruments suited for SMEs:</i> For entrepreneurs that lack collateral, leasing equipment is a convenient solution. The creation of specialised non-bank leasing companies would assure efficient problem solution</p> <p><i>Establish mutual guarantee groups:</i> Especially for the creation of clusters, where entrepreneurs have a common aim, the collective assumption of obligation facilitates the access to credit where no personal or real collateral can be provided</p>

Table 1 Policy actions for creation and development of enterprises (continued)

	<i>Points of action for authorities</i>	<i>Points of action for the private sector</i>
Finance	<p>Adjust property, collateral and bankruptcy laws so that they facilitate lending: On the one hand the issuance of property titles should be accelerated and the scope of properties that can be collateralised should be widened (e.g., include land). On the other hand collateral and bankruptcy laws have to assure the protection of the rights of borrowers and lenders and include claim recovery procedures</p> <p>Encourage micro finance institutions: Specialised institutions that provide micro credits and micro savings for poor people who are not bankable should be supported by both the public and the private sector</p>	
Governance	<p>Reduce the number of procedures and the time required for setting up a business: In Sub-Saharan Africa on average it takes 61 days to open up a business (Doing Business, 2007a). This process has to be accelerated significantly to provide entrepreneurs an immediate perspective</p> <p>Reduce and simplify corporate taxes for small businesses: African entrepreneurs have to pay 71% of their profits as tax (Doing Business, 2007b) which is the highest average in the world. The time required for preparing and processing the tax payments binds valuable resources both in the enterprises and government. The cost for reducing taxes for SMEs with low levels of revenues for the inland revenue/exchequer is low, while the value to the entrepreneur is immense</p> <p>Reform property rights and enhance their lawful application. The protection of a company's physical and intellectual property has to be safeguarded through laws and possibilities of criminal prosecution</p>	<p>Make decision making procedures and transactions more transparent: To reduce the possibility of misuse of corporate assets and to gain the trust of investors, managers should voluntarily disclose as much information about their decisions and transactions to the public and their shareholders as possible</p> <p>Adopt codes of conducts to further private sector governance: Every corporation should adopt codes of conduct and start spreading best practices in Corporate Governance. In zones where governance is particularly weak, corporations can assist governments to enhance public and economic governance</p> <p>Conduct sustainability impact assessments on major investments: As a part of their CSR strategy, enterprises should assess the social, economic and environmental sustainability of their projects planned. Special attention should be paid to the use of renewable energies, recycling and reuse technologies</p>

Table 1 Policy actions for creation and development of enterprises (continued)

	<i>Points of action for authorities</i>	<i>Points of action for the private sector</i>
Governance	<p>Increase support to organised continental, regional and national Africa private sector: given the low level of engagement of African private sector and the current wave of demand for more central role of African private sector, more 'pump-priming' resources would be needed to strengthen the advocacy and representation roles of the organised African private sector at continental, regional and national levels</p>	
E-entrepreneurship, e-business and eLearning	<p>E – business development and implementation: develop policy framework for encouraging e-business development and support specific initiatives.</p> <p>E – Learning and knowledge transfer: develop national framework for e-learning with modular approach and certificated units of competence that relate to the national vocational qualifications framework.</p>	<p>Technology based entrepreneurship: private sector to work to encourage spreading best practices in promoting technology based entrepreneurship and as part of supply chain development.</p> <p>Marketing and customer management in e business: encouraging effective marketing and customer relations management in e-business environment.</p> <p>Impact of e-commerce in a global economy: continuous evaluation of the impact of e-commerce in the global economic scene.</p>
Community and Women Enterprise Development	<p>Government policy initiatives promoting women entrepreneurship.</p> <p>Family life responsibilities and work balance – home based business and self employment.</p>	<p>Training and supporting women into their own businesses and targeting women owned businesses in procurement diversity and supply chain development initiatives.</p> <p>Family businesses – management, succession and human resources.</p>

managerial skills. To encourage business creation and to enable entrepreneurs to successfully respond to these challenges we recommend a range of strategies such as institution of low entry and exit barriers, provision of incentives for cluster development and harmonisation of trade rules amongst others (see Table 1).

Access to finance

In Africa entrepreneurs still face more difficulties in getting credits to realise their business ideas than in Europe or USA. To promote a credit culture in Africa and to foster Foreign Direct Investment it is essential that reforms are made in the banking

system, the collateral and bankruptcy laws and the financing instruments for SMEs.

Education

African countries are working to reduce the share of people employed in the public sector. Self-employment therefore is an alternative that will become increasingly important and can contribute to the reduction of unemployment and poverty. However, entrepreneurial thinking is not only necessary for those who want to become entrepreneurs but for everybody in a performing market society. All members of African society thus should be familiarised with the concept and spirit of entrepreneurship from primary school on and must later have the opportunity to attend specific education and training programmes that correspond to the real requirements of African markets.

Legal framework and governance

To take the risk to open a business in Africa, possible investors from both foreign as well as African countries have to feel that the rewards to be expected outweigh the efforts to be made. This implies a certain legal security for the investment made. Moreover, formal barriers and informal costs (like bribery) to start a business must be reduced or abolished to adjust the perceived risk-reward-balance. The promotion of private sector governance and environmental sustainability can also contribute to a more favourable business environment.

E-entrepreneurship, e-business and e-learning

The global information society and the knowledge age have created a growing need for new types of entrepreneur, business and learning techniques: e-entrepreneur, e-business and e-learning, respectively. Building

a truly global and competitive economy means due attention to policies, initiatives and practices that nurture e-entrepreneurship, promote e-businesses and set up infrastructure for e-learning.

Innovation, technology transfer and knowledge networks

- *Development and management of networks and clusters:* Innovation – corporate and university spin-outs and spin-ins. Nigeria has over 97 Public and Private Universities nearly half that of sub-Saharan Africa.
- *Technology transfer in knowledge intensive industries and institutions:* Support for initiatives that increase adoption of information and communications technologies in business processes; provide more support to process and content innovation; lead to improvement in productivity and manufacturing technologies and; advances in environmental technologies and renewable energies.
- *Supply chain implications, networking and franchising:* innovative approaches to increased local content development; supplier diversity and local procurement; social and economic network and ; more resilient and sustainable business models such as franchising that reduce business mortality rates.

Community economic development and women enterprise development

Up to 80% of some African countries live in the rural areas and so any programme of economic empowerment aimed at alleviating poverty must address community economic development and women economic empowerment. Also social and environment sustainability initiatives always engage with, and are targeted at, the third sector of the economy.

- *Social enterprise, community enterprise and rural enterprise development*: Develop strategic policy framework for social enterprise development and actively support the establishment of community and rural enterprises especially those relating to farmer cooperative and rural agro-producer co-operatives.
- *Ethnic and minority entrepreneurship and MSME development*: Corporate supply chain development to target micro, small and medium scale businesses and disadvantaged minority businesses. Encouraging enterprise in disadvantaged communities and socially excluded groups.

CONCLUSIONS

It is clear that enterprise development should not be seen as a sole government effort. From the observations and thus recommendations made here there is a role for the private sector in enterprise development. However, in order to woo private-sector participation it is still essential for the government to ease restrictions on doing business as these still accounts for a substantial part of the barriers for enterprise development. Unlike most other papers that highlight problems in enterprise development, this chapter takes a supply side approach by clearly highlighting how to address established problems rather than to restate the already well known problems.

Points of action for authorities include the following:

- 1 Lower Entry and Exit Barriers
- 2 Set incentives for the creation of clusters
- 3 Facilitate international trade through harmonisation of trade rules
- 4 Involve African Diaspora Business

- 5 Make entrepreneurship and business become an integral part of the curricula of schools and institutes of higher education
- 6 Support the development and involvement of efficient business organisations and networks
- 7 Provision of Small Loan Guarantee Schemes and Other Schemes:
- 8 Enhance competition on financial markets
- 9 Encourage micro finance institutions
- 10 Reduce the number of procedures and the time required for setting up a business
- 11 Reduce and simplify corporate taxes for small businesses
- 12 Reform property rights and enhance their lawful application.
- 13 Increase support to organised continental, regional and national Africa private sector.

The above in exhaustive list should serve as incentives for private sector participation in the following areas:

- 1 Found business incubator facilities:
- 2 Business Cluster Creation and Development
- 3 Develop the supply chain/vertical integration
- 4 Promote the franchising system to decrease mortality of young businesses
- 5 Creation of academic spin offs from universities and
- 6 Development of educational programmes.

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