World Journal of Enterprenuership, Management and Sustainable Development, Vol. 6, No. 4, 2010

STIMULATING ENTREPRENEURSHIP IN AFRICA

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Abstract: Entrepreneurship is lauded as an engine of economic development and job creation, with SMEs often creating most of the new jobs in many countries. This paper identifies some important factors that contribute to the start-up and success of new business ventures in Africa, emphasizing that while personality factors such individual drive and competency and availability of resources are important for the successful launch of a new business venture, effective government policy is also critical in promoting successful entrepreneurial initiatives.
Survey data collected showed that most African entrepreneurs believe that they have the requisite passion, energy, and determination needed to start and manage new businesses. However, they are constrained by scarcity of adequate start-up capital, stiff competition, lack of employees with the right skills, and difficulty in finding adequate facilities to start their business. Building on this research and earlier work, the paper discusses the crucial role that African governments can play to stimulate and nurture entrepreneurial endeavours. While the findings and recommendations in this paper are based on the study of Ethiopian and Ghanaian entrepreneurs, they have applicability in several African countries. The actual implementation of the proposed recommendations will of course need to be adapted to suit the special circumstances prevailing in each country.

Keywords: *African entrepreneurs, entrepreneurial competency, enterpreneurship in Ethiopia and Ghana, Government support for new ventures*

INTRODUCTION

In response to the economic malaise many African countries faced in the 1980s, externally imposed structural adjustment programs were devised which were intended to bring the private sector back into playing a key role in the national economy. This involved several initiatives such as supporting the private sector, creating business-friendly environments and promoting economic integration (Nwankwo, 2011). These actions were clear signals that many African countries which had adopted a state dominated, centrally-planned economic structure post-independence could no longer sustain that model and looked to involve the private sector in job creation, poverty alleviation

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and other critical tasks necessary to grow their economies.

Recent research from Africa provides support for the increasing importance of the private sector in the continent (Lyakurwa, 2009). While this sector clearly includes companies of varying sizes from large multinationals to the small and medium sized enterprises (SME), the SME sector in particular is an important player. In Africa, SMEs accounted for 3.2 million jobs and 18% of Kenya's GDP in 2003 and were responsible for 95% of Nigeria's manufacturing in 2005. Further, 70% of Ghanaian firms employed fewer than five people and 70% of Ghanaians are employed in microenterprises (Benzing and Chu, 2009). In South Africa, over 90% of formally registered businesses in the country are small, medium and micro enterprises and they account for almost half the country's GDP and nearly a fifth of employment (Robinson, 2004). An earlier study reported that only 2% of African businesses had more than 10 employees (Spring and McDade, 1998).

For many African countries to escape from poverty and raise living standards, structural transformation of their economies is necessary in order for productive entrepreneurship to emerge and help create jobs (Brixiova, 2010). If productive entrepreneurship is to emerge, governments need to play an important enabling role by providing worker training and education so that new start-ups have a good chance of surviving and growing (Brixiova, 2010).

A review of entrepreneurship literature reveals that, perhaps with the exception of South Africa, entrepreneurship research in sub-Saharan Africa (SSA) is clearly inadequate. It is also clear that findings from other parts of the world may not necessarily be applicable in SSA due to cultural and socio-economic differences. In fact, such differences are prevalent among African countries, and indeed there are significant religious, linguistic, tribal, ethnic and racial differences even within the same country suggesting that lessons learned in one country or region of the continent may not be transferable to other countries or regions.

This paper begins with a review of the current state of entrepreneurship in Africa by identifying some important factors that contribute to the start-up and success of these new ventures. Given the crucial role of the government, as discussed earlier, in creating the right business climate, enacting appropriate legislation to facilitate entrepreneurial initiative, identifying and nurturing start-ups with potential, and providing the necessary training and education for entrepreneurs, we lay out some specific policy recommendations for governments, based on a review of the literature and a survey of entrepreneurs conducted in Ethiopia and Ghana. These recommendations are based on the literature drawn from a wide review of several African countries, work by international organizations such as the World Bank and the UN Economic Commission for Africa, as well as some primary research from two African countries. This paper updates and adds to policy recommendations made earlier (Sriram and Mersha, 2006) but we are cognizant of the dangers of considering "Africa as a whole, a single entity" (Nwankwo, 2011) and offering prescriptions for an entire continent based on the evidence from a few countries. Therefore, we recognize that the proposals made in this paper may need to be adapted to the special circumstances prevailing in each country on the continent.

NATURE OF AFRICAN ENTREPRENEURSHIP

Types of African Entrepreneurs

There is compelling evidence that many African entrepreneurs are frequently running small, medium and micro enterprises, such as the data presented earlier from Ghana, Nigeria and South Africa. Kiggundu (2002) classifies African entrepreneurs into two broad categories: (a) micro enterprises or solo entrepreneurs, and (b) small and medium size enterprises.

Based on a comprehensive study of entrepreneurship in several countries, the Global Entrepreneurship Monitor (GEM) classified entrepreneurs into the following two categories: *opportunity* entrepreneurs and *necessity* entrepreneurs (Reynolds et al., 2001). Such differences between the two types of entrepreneurs are reported for immigrant entrepreneurs in economically developed countries (Basu and Altinay, 2002; Chrysostome, 2010) as well as in emerging nations (Mersha, Sriram and Hailu, 2010). Summarizing this research, the key characteristics are: opportunity entrepreneurs tend to be "pulled" into starting their businesses, are better educated and skilled, have better access to financial resources and start-up capital and often start businesses that have growth potential, when compared to opportunity entrepreneurs.

Of the two types of entrepreneurial firms, there is evidence that medium-sized enterprises established by opportunity entrepreneurs are the greatest catalyst for innovation and job creation. In Africa, however, most firms are micro enterprises started by necessity entrepreneurs, and growing these enterprises to medium-size firms poses a great challenge mainly due to the lack of effective strategies that foster the growth of these small start-ups (http://www.cefe.net/scripts/user1.asp?Sprache=1&DokID=2864).

ENTREPRENEURSHIP DRIVERS

It has been shown above that entrepreneurs choose to start their own business ventures either due to *push* or *pull* factors. Individuals may be attracted to entrepreneurship due to pull factors such as the desire to have greater personal freedom, the opportunity to innovate and create new products, anticipated potential growth of income and expected higher social status. The distinction has also been made between extrinsic pulls which are largely economic and intrinsic ones which relate to self-fulfillment. On the other hand, push factors may include dissatisfaction with current job or unemployment, and the continuation of existing family business (Hayton et al., 2002; Masurel et al., 2002). Low paying jobs and the desire to escape supervision have also been cited as pushes (Curran and Blackburn, 2001). Some push factors may drive individuals to take up entrepreneurial activity as a last ditch effort to make a living.

While different reasons may drive entrepreneurs to engage in their own business, their ultimate goal is the same — they want to succeed in attaining their desired goals and objectives although they have different measures of success. Some may aspire to boost their family income; others may be lured by the freedom to do the job that they are truly passionate about; yet others may want to do well financially so that they could channel the proceeds to support the causes that they believe in. Wang, Walker and Redmond (2006) concluded, based on evidence from Australian small business owners, that pull factors were more important than push factors.

Mitchell (2004), based on a sample of South African entrepreneurs, identified the following motivation factors as most important: security for self and family, to keep learning, contribution to success of company, the need for more money to survive, and freedom to adapt own approach to work. Kiggundu (2002) provided a thorough review of the literature on African entrepreneurship and reports on studies that have been conducted in Ghana, Nigeria, and Seychelles.

Benzing and Chu (2009) argue that, based on the evidence from several economically-developed countries, motivations differ across countries. They also report important differences among African entrepreneurs, with the desire to increase income being the big motivators for Kenyan and Ghanaian entrepreneurs while in Uganda, they were driven both by the need to make money and the need for freedom and autonomy. In their study of Ghanaian, Kenyan and Nigerian entrepreneurs (Benzing and Chu, 2009) found that the desire to increase income was the biggest motivator, particularly so for Kenyans and Ghanaians. Given the weak economies in many African countries, and the limited job prospects, perhaps it is not entirely surprising that entrepreneurs in this sample were pushed into starting a business rather than being pulled, somewhat in contrast to the findings from Australia reported earlier.

Personality-related traits such as the need for achievement, generalized self-efficacy, innovativeness, stress tolerance, need for autonomy and proactive personality are important determinants of entrepreneurial success (Rauch and Frese, 2007). Kropp, Lindsay and Shoham (2008) also found that entrepreneurs that started businesses in South Africa that those that started business had higher levels of traits such as proactiveness and risk taking. Given that most African businesses are small, the impact of the owner's personality may be felt even more strongly (Caliendo and Kritikos, 2008). Certain personality characteristics may be more important drivers particularly in the early stages of the venture and in uncertain economic and political environments as is the case in many African countries.

In additional to personality and motivational factors, skills (such as technical competence, marketing, operations, workforce management, financial management) as well as financial and other resources are also critical. It has also been reported that non-financial resources such as social capital and social networks are also important in sustaining and promoting the business (Manev et al., 2005). Benzing and Chu's (2009) found that African entrepreneurs were pushed into starting businesses for economic and employment reasons. Given that they were probably necessity entrepreneurs, it is likely that they may not have had the necessary skills to be successful in their ventures. Therefore African governments need to provide the necessary entrepreneurial education and training (e.g., Mersha, Sriram, Hailu, 2010, Brixiova, 2010) although the impact of such training is not evident, at least in South Africa (Hirschsohn, 2008).

Several factors that constitute the business climate such as the global and domestic macro environment, the physical and social infrastructure, the rule of law may actively encourage business start-ups or act as a hurdle. In Africa, initiatives such as the New Economic Partnership for Africa's Development (NEPAD) have been announced that intend to address many of these issues. The availability of a physical infrastructure – transport, power, water, communications –

as well as a social one that provides adequate levels of health and education is another part of the necessary foundation. Finally, while the rule of law is essential to providing a fair and level playing field, burdensome legislation and a bureaucracy that is onerous and adds hugely to the cost of compliance and reporting, can kill business initiative. It creates an environment that allows corruption to breed, another problematic aspect of the business climate in many parts of the developing world – sadly, poorer countries are often the most corrupt.

THE CHALLENGE FOR AFRICA

There seems to be increasing recognition that the business climate in Africa must improve to enable faster economic growth and development. For example, African countries launched NEPAD to promote initiatives by individual countries to create political and economic stability, ease regulatory burdens, improve infrastructure and streamline the bureaucracy. Where governments intervened actively to facilitate entrepreneurial initiatives, the results have been markedly positive. For example, in the floriculture industry in Ethiopia, (Belwal and Chala, 2008) found that government support and the formation of the Horticulture Producers and Exporters Association were among the major catalysts for its relative success. Even here, however, it was found that the horticulture industry in Ethiopia was adversely impacted by infrastructural bottlenecks and shortage of agricultural inputs.

Despite some successes in specific sectors, the prevailing business climate in most African countries is anything but conducive to entrepreneurial pursuits. Some of the more significant problems faced by entrepreneurs in Africa include government policies that are hostile to business and bureaucracies that are inefficient, intrusive and corrupt (Coyne and Leeson, 2004). World Bank data shows that while the bureaucratic hurdles in sub-Saharan Africa have eased somewhat, it still takes 8.9 different procedures and 45.2 days on average to start a new business with only Latin America/Caribbean being worse (*http://www.doingbusiness.org/data/explore-topics/starting-a-business*). In economic terms, it costs SSA entrepreneurs 95.4% of the average per capita income to incorporate and register and 145.7% of per capita income as paid-in capital in order to start a new business. Perhaps unsurprisingly, while as a group SSA countries fare poorly, there are huge variations among these countries. For example, incorporating and registering a new business in Guinea Bissau takes 216 days and 183% of income per capita; in Chad 75 days and 227% of income per capita; and in the Democratic Republic of Congo it takes 84 days and 735% of income per capita. On the other hand, there are some nations in SSA that are relatively more efficient. The best performers in this regard appear to be Mauritius, Rwanda and Ethiopia where the number of days and cost (measured in terms of income per capita) required to incorporate and register a new business are as follows: 6 days and 3.8% for Mauritius, 3 days and 8.8% for Rwanda, and 9 days and 14% for Ethiopia. For Ghana, the equivalent numbers are 12 days and 20.3% of per capita income[3]. Clearly, as the continent transitions away from state-dominated economy, complex and costly procedures can slow entrepreneurial initiative and stunt the potential of the private sector.

As discussed earlier, the importance of SMEs for economic growth and job creation is well recognised. Of the three types of entrepreneurial firms, there is evidence that medium-sized enterprises are the greatest catalyst for innovation and job creation. In Africa, however, most firms are micro enterprises started by necessity entrepreneurs, and growing these enterprises to medium-sized firms poses a great challenge mainly due to the lack of effective strategies that foster the growth of these small start-ups. Therefore, African governments have a critical role to play not only in facilitating the creation of new enterprises but also in helping small and micro enterprises transition to medium-sized firms so they may have a greater economic impact.

We stress that the role of the government in new enterprise creation and growth is particularly crucial in Africa. There are several reasons for this. Firstly, it is quite clear that in order for the proper foundations to be in place for the private sector to appropriately contribute to economic growth and for entrepreneurial initiative to thrive in developing countries, the governments have to play an active and important role. Secondly, many of the necessary changes in the business climate can only occur as a result of specific actions by the state, such as easing the lengthy and costly procedures to start a business, minimizing corrupt practices, etc.

SOME EMPIRICAL EVIDENCE

In order to better understand the African entrepreneurial environment, particularly in terms of skill sets of entrepreneurs, the challenges they faced the success factors and the mistakes they made, survey data was collected from two African countries: Ethiopia and Ghana. In Ethiopia, the survey was completed by entrepreneurs who participated in a conference at Addis Ababa Chamber of Commerce, and in Ghana the questionnaire was administered in person to entrepreneurs. Of the surveys distributed, 101 usable surveys were completed in Ethiopia and 177 in Ghana. Table 1 provides a profile of the respondents. This data, along with what has been reported by other researchers and international agencies, forms the basis of the recommendations that follow later.

Table1: Respondent Profile Ethiopia Ghana

	Ethiopia	**Ghana**
Gender	Male: 77%	Male: 82%
	Female: 23 %	Female: 18%
Number of years of formal education	Mean: 14.4 years	Mean: 16.1 years
Number of years of work experience	Mean: 11.9 years	Mean: 8.6 years
Average number of full-time employees	Mean: 20	Mean: 8.5

In order to formulate meaningful recommendations, respondents were asked about the top four challenges they faced in starting their businesses. As can be seen from Table 2, the most frequently mentioned challenges/problems encountered by Ethiopian and Ghanaian entrepreneurs include lack of adequate capital, difficulty to identify affordable facility for starting the new business, market conditions and competition, and difficulty in finding workers with the right skills.

The Ghanaian and Ethiopian entrepreneurs who participated in the study were asked to identify factors that they believe contributed most to their success. Table 3 lists the most frequently cited factors that the respondents believed contributed to their success. Personality factors including passion, energy, persistence and determination were at the top of the list. Other frequently mentioned success factors include having a business plan, focusing on customer service, experience and knowledge about the business, and networking.

Table 2: Challenges/Problems Encountered while starting the business

Challenge/Problem	# of times mentioned by Ethiopian entrepreneurs	# of times mentioned by Ghanaian entrepreneurs
Lack of adequate capital to start business	225	148
Difficulty to find affordable facility in preferred location/	92	67
Competition/market conditions	78	73
Finding workers suitable for the job	58	44
Government regulations	38	30
Lack of required raw materials	21	17
Self-doubt	19	9
Inexperience/Inadequate knowledge about the business	23	4
Marketing problems	16	14

Note: Respondents have listed multiple factors

Table 3: Important Factors Contributing to Success

Factor that contributed to success	**# of times mentioned by Ethiopian entrepreneurs**	**# of times mentioned by Ghanaian entrepreneurs**
Personality factors (Passion/energy, Persistence, determination, other personality factors) Total # of times personality factors mentioned	229	146
Having a business plan	78	61
Focusing on customer service/customer relations	76	42
Knowledge about the business & experience	35	19
Networking	34	17
Finance	19	10
Family support	11	6
Good location for the business	11	4

Note: Respondents have listed multiple factors

Table 4: Important mistakes made

Important mistakes	**Ethiopia**	**Ghana**
Not hiring the right people,	85	34
Poor financing decisions	73	23
Poor organization	62	20
Trusting others too much	39	22
Not investing in market promotions	29	27
Poor location choice	22	20
Setting unrealistic goals	19	12

Note: Respondents have listed multiple factors

Recognizing that most start-ups make mistakes from which valuable lessons are learnt, the Ethiopian and Ghanaian entrepreneurs in the sample were asked to list important mistakes that they made when they started their businesses. Table 4 shows that not hiring the right people, poor financing decisions and poor organization were identified as the most important mistakes made.

THE GOVERNMENT'S ROLE IN STIMULATING ENTREPRENEURSHIP

It has been shown earlier in this paper that psychological factors, skills and aptitudes, resources and business climate are important determinants of entrepreneurial success. Frye and Shleifer (1997) describe three types of governmental roles: an invisible hand, a helping hand, or a grabbing hand. In the *invisible hand* approach, the government provides basic public goods and services and leaves everything else to the market. *Helping hand* governments play a more active role in economic and industrial policy whereas *grabbing hand* governments are corrupt and leaders enrich themselves from the wealth created by others' initiative and enterprise. Corruption, onerous bureaucracies, and 'predatory political elites' (Mbeki 2005) combine to create an environment that not only hampers entrepreneurial success but in fact discourages new venture creation. Clearly grabbing hand governments inhibit viable entrepreneurship from flourishing. To promote entrepreneurship and to increase the probability of success of entrepreneurial ventures there should be a system of incentives and administrative mechanisms to facilitate the start-up and operation of the new venture, a light regulatory burden, adequate infrastructure to provide the necessary support, and a legal system and institutions that ensure property rights and enforce contractual agreements (http://www.unu.edu/hq/academic/Pg_area 4/Brautigam.html). These conditions are generally not prevalent in most African countries. In most African countries, the government is at best a helping hand and at worst, the grabbing hand. In this section, we will identify and discuss possible policy interventions that African governments can undertake to stimulate the successful start-up and management of private enterprise in their respective countries. In view of the preponderant evidence that it is the SMEs that are particularly effective in contributing to economic growth and job creation, government policies should target strengthening this group of enterprises. To maximize the economic benefits derived from entrepreneurial initiatives, therefore, government interventions should seek not only to stimulate new venture start-ups but also to create enabling mechanisms that can support and nurture those that have already been established. Sustained effort should be made to help all start-ups grow and thrive. Informed by our empirical study and the extant literature on entrepreneurship in Africa, the following proposals to stimulate successful start-up and growth of new business ventures in Africa:

1. Provide financial support: It was shown earlier that by far the most frequently mentioned challenge faced by Ghanaian and Ethiopian entrepreneurs who participated in this study was shortage of start-up and working capital. Other studies have also shown that financial constraints are a major hurdle for African entrepreneurs (Mersha, Sriram and Hailu, 2010). Microfinance facilities have helped subsistence entrepreneurs by providing micro loans, but this credit facility is not generally available to SMEs and opportunity entrepreneurs whose financial requirements are generally too large to benefit from microfinance loans. Thus, to energize and strengthen the creation and growth of SMEs in Africa governments need to design creative approaches to increase availability of loan facilities to credit worthy entrepreneurs. It is recognized that most African governments may not have the required financial resources to meet the needs of the entrepreneurs. However, African governments should consider multilateral and bilateral sources of funding to assist entrepreneurial initiatives in their respective countries, including government guarantees of private loans (Mersha, Sriram and Hailu, 2010). In view of the critical role entrepreneurship plays for economic growth, providing support to these enterprises should be seen as one of the most important priorities in the nation's development agenda.

2. Create an enabling business climate: Studies indicate that in most African nations the efficiency and transparency of public administration, uncertain property rights, level of taxation and prevalence of corruption not only adversely affect the number of business start-ups but also determine business success. The investment and political climate in a country also impacts foreign direct investment (Bonaglia and Goldstein, 2006). It has been shown that, compared with other regions, Sub-Saharan Africa is less supportive of new business start-ups as measured in terms of the bureaucratic red tape involved and the costs incurred while starting a new business venture. As discussed earlier, incorporating and registering a business in SSA takes over 45 days on average and requires incurring upfront cost of about 95% of income per capita compared to only about 14 days and 5.3% of income per capita in OECD countries, 7.1 days and about 25% of income per capita in South Asia, and 20 days and 38% in Middle East and North Africa (*www.doingbusiness.org/data/explore-topics/starting-a-business)*. This clearly demonstrates that the bureaucratic hurdle is more difficult to navigate in SSA and that the required costs are unduly burdensome on current and aspiring entrepreneurs, this in the poorest region of the world. It is clear that such bureaucratic inefficiencies not only complicate new enterprise creation process but also drive up the cost of managing the business once it has been established. Based on a large empirical study, Ardagna and Lusardi (2008) found that high regulation discourages potential opportunity entrepreneurs from pursuing a business opportunity. These findings have important ramifications for economic development in Africa since it suggests that high regulation discourages the very people that are most likely to make the most contributions to economic growth. To boost entrepreneurial activity in SSA therefore respective governments need to take appropriate steps to minimise start-up costs and administrative red tape and to foster a more conducive business climate in order to motivate potential opportunity entrepreneurs to start new ventures and help them to thrive.

3. Strengthen organizational and managerial capacity of current and prospective entrepreneurs: Entrepreneurs who successfully start and grow their business ventures have the requisite skills not only to identify and select the right business opportunity but also the competency to manage their businesses effectively. Even making the much needed financial resources available to current and aspiring entrepreneurs may not be useful unless the entrepreneurs have the managerial and organizational capacity to utilize these scarce resources effectively (Baughn and Neupert, 2003). It is therefore important that current and would-be entrepreneurs have basic managerial and organizational skills training in order to be able to successfully launch and manage their business ventures. Institutional capacity that can provide needed technical and managerial support to current and budding entrepreneurs is generally weak in Africa and studies have indicated that capacity enhancing interventions are needed (Mersha, Sriram and Hailu, 2010). However, in view of the costs involved in providing an integrated set of need-based skills training, such interventions should target opportunity entrepreneurs and SMEs where the potential returns in terms of job creation and economic growth are generally higher. Moreover, such capacity building initiatives should be designed to address the specific needs of each African country. To facilitate this effort, African governments should seek to secure targeted bilateral and multilateral assistance programs aimed at building the required capacity, and to mobilize the active participation and support of the Diaspora. Not only are most members of the African Diaspora well educated and have expertise in diverse areas that are much needed in their respective native countries, but they also have keen interest in the development of the continent. African governments need to provide necessary incentives to encourage African professionals in the Diaspora to return to their respective native countries and contribute to the development effort and thereby link the home and host countries (Mersha, Sriram, Hailu, 2010; Nwankwo, 2011). Both parties will hugely benefit from greater utilization of this generally untapped resource: members of the African Diaspora will have the satisfaction of making valuable contribution to the development goals of their respective native countries, and African nations will benefit from the experience and expertise that the Diaspora will bring back to the continent.

4. Narrow the gender gap among African entrepreneurs: According to Global Entrepreneurship Monitor (GEM) 2007 Report on Women and Entrepreneurship (http://www3.babson.edu/CWL/upload/GEM-Women07.pdf), female entrepreneurship is an important contributor to economic growth, particularly in low and middle income countries even though no African countries were part of the study). The GEM study also concludes that a "significant and systematic" gender gap exits both in early stage and established businesses, with greater rates of entrepreneurial activity among men than women. The findings of this study report similar statistics where only 23% of the respondents in the Ethiopian sample and 18% in the Ghana sample were women (see Table 1). In general, the contribution of women in socio-economic activity in societies is underestimated (Woldie and Adersua, 2004), and in many African countries, cultural norms may discourage female entrepreneurship (McDade and Spring 2005). However, more women are engaged in informal micro enterprises as necessity entrepreneurs (GEM study, 2007). The GEM study also reports that the ratio of opportunity to necessity-driven motives is higher in the higher income countries. African governments may consider taking concerted action to help women entrepreneurs grow and transition to small or medium size enterprises so that they will be able to create job opportunities not just for themselves but for others as well and thus contribute even more fully to the nation's economic growth.

5. Establish business incubators to support selected high potential entrepreneurs: In many countries governments have created business incubators to provide critically needed resources and other services to aspiring entrepreneurs such as temporary facilities, access to the internet, training on business licensing and registration requirements, patenting procedures, training in developing a business plan, and other services as needed. The incubator management selects potential candidates for admission to the incubation program based on a set of clearly specified criteria and becoming a member of the incubator program also provides highly valuable networking opportunity with other aspiring entrepreneurs as well as successful entrepreneurs who have graduated from the incubator. In the United States, it is reported that 87% of start-ups that have passed through incubator programs stay in business which is a relatively high survival rate for new businesses (Business Incubation Works, 1997). Entrepreneurs from Ethiopia and Ghana who participated in this study indicated that one major constraint they encountered in starting new business ventures was the lack of facilities to house their new business. Creating incubator facilities in Africa can provide much needed assistance to aspiring entrepreneurs by making available operating space and equipment where they can test out their new business ideas or products. In view of the obvious benefits that such incubators provide, it is probable that demand for admission to the incubator facility will outpace the available capacity. Therefore, there should be a carefully designed application process and well defined criteria for selecting candidates for admission to the incubator facilities. Requiring clearly defined eligibility criteria is necessary to send a clear message to potential members regarding the expectations and obligations of being admitted to the program and to minimize irregularities such as corruption and favouritism in the admission process. Governments that invest in incubators reap handsome dividends by way of increased job creation and economic growth. This is a best practice that African governments and entrepreneurs can benchmark. It is a relatively low cost mechanism that can have immense benefits by facilitating the start-up of most promising entrepreneurial ideas from lab to market.

CONCLUSION

Entrepreneurship is lauded as an engine of economic development and job creation, and SMEs often create most of new jobs in the economy. This paper identified some important factors that contribute to the start-up and success of new business ventures. It highlighted that while individual initiative, competency and resources are critical for the successful launch of a new business venture, government policy does also have significant impact in promoting or inhibiting the effectiveness of such entrepreneurial efforts. Citing prior research, the paper showed that it costs more and takes longer to start a business in the Sub-Saharan region.

This study also showed that while most African entrepreneurs believe that they have the requisite personality factors including passion, energy, and determination needed to start and manage new businesses, aspiring and current entrepreneurs in Africa are constrained by lack of adequate start-up capital, stiff competition, lack of workers with the right skills, and difficulty in finding adequate facilities in a good location.

Building on earlier work (Sriram and Mersha, 2006) this paper outlined the crucial role that African governments can play to stimulate and nurture entrepreneurial endeavours in Africa. One of the important steps that African governments can take to boost the creation of new business ventures is to create a supportive business climate by reducing the costs and streamlining the complex procedures required to license and register new businesses. Not only will this help boost domestic entrepreneurship, but it will also help attract more foreign direct investment. African governments also need to develop and strengthen internal capacity that would provide necessary skills training and education for current and aspiring entrepreneurs to enhance the chances of success of these start-ups. In addition to seeking bilateral and multilateral assistance to bolster this initiative, they may also need to provide incentives to attract Africans in the Diaspora to return to their respective home countries to play a role in the economic development journey of their homeland. In view of their familiarity with the political, socio-economic and cultural landscape in their native countries, members of the Diaspora can provide significant value-added contribution to the capacity development initiative in their respective native country.

Despite the fact that women entrepreneurs play a significant role in the in national economic growth, studies have demonstrated that they are grossly underrepresented, particularly in the more desirable opportunity entrepreneurship arena. This study also showed that, among the opportunity entrepreneurs who participated in this study, the proportion of Ethiopian and Ghanaian women was 23% and 18%, respectively. African governments should therefore strive to narrow the gender gap among opportunity entrepreneurs by designing targeted policies that encourage and strengthen women entrepreneurship.

Inadequate financial resource was the most frequently cited constraint by Ethiopian and Ghanaian entrepreneurs who participated in this study. In view of the limited financial capacity of most African countries, however, this appears to be a more complex problem to overcome. Nevertheless, creative strategies such as creating bilateral and multilateral assistance programs and using resource allocation strategies that favor high growth entrepreneurial activities may help channel the available funds to more value-added sectors.

An invaluable low-cost strategy often utilized in developed nations that can make a huge difference in promoting entrepreneurship in Africa is the use of incubator services. African governments may establish incubators in different locations to enable aspiring entrepreneurs to get temporary space, equipment and other services so that they can try out their products or business ideas and learn about the required procedures for creating and launching new ventures. Incubators may provide critically important value-added service to aspiring entrepreneurs without requiring huge financial resources.

While many of the findings and recommendations in this paper can be true in several African countries, we are cognizant that Africa is not a single entity (Nwankwo, 2011) and that there are significant socio-economic, political and cultural differences among the various African countries. In fact, there may even be important differences in entrepreneurial effectiveness within the same country, for example, among Nigerian ethnic groups (LeVine, 1966), and between African blacks, Europeans and Indians in SSA (Ramachandran and Shah, 1999). Therefore, to be effective, the recommendations proposed in this paper may need to be adapted to suit the special circumstances prevailing in each country.

BIOGRAPHY

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NOTES

[1] Based on data collected by the World Bank in June 2010, the nation with the fewest hurdles and lowest cost involved in starting a new business is New Zealand—it takes just one day and 0.4% of income per capita to incorporate and register a new business.