



# Entrepreneurship development in Africa: an overview

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## Abstract

**Purpose** – This paper aims to provide an over view of the different key factors that are influencing and influenced by the entrepreneurship environment in Africa.

**Design/methodology/approach** – The paper represents the outcome of many comprehensive research programmes undertaken in different countries in Africa and other parts of the world adopting various research methods and approaches.

**Findings** – The most profound and encouraging change in African economies over the past decade has been the rapid advancement towards integration into the global economy. Many of the countries have undertaken significant economic reforms; improving macroeconomic management, instigating conducive private investment climate, liberalizing markets and widening the space for entrepreneurship to drive strong and inclusive growth. However understanding the nature of problems, challenges and opportunities in Africa is a very difficult task for many people outside its territories.

**Originality/value** – Despite the regional coverage of the various issues relating to entrepreneurship development on Africa, it is not possible to have contributions from few countries in the region such as Chad, Somalia, etc., due to the current situation in these countries.

**Keywords** Entrepreneurship, Africa, Sustainable development, Sub Saharan Africa, Entrepreneurialism

**Paper type** Research paper

## Introduction

The tumultuous macroeconomic, social and political reforms which nearly all African countries embarked upon during the past three decades have not delivered the desired outcomes when measured against the principal indices for sustainable development (see e.g. economic report United Nations Economic Commission for Africa (UNECA), 2008, 2009). Progress towards the attainment of the Millennium Development Goals (MDG) has been patchy and less than robust. Most of the countries have continued to backslide in the grandiose ideals espoused in their respective national development plans and forward-planning vision statements aimed at propelling their economies from the margin to the mainstream global economy.

Essentially, Africa represents one of the world's most intractable development challenges, with its peculiar and seemingly insurmountable environmental inhibitors, ranging from very high transportation costs, small markets, low agricultural productivity, very high disease incidences, environmental despoliation, adverse geopolitics and very slow diffusion of strategic technology from abroad. Not too long ago, the United Nations Industrial Development Organization (UNIDO, 2003) observed that people in Africa living in absolute poverty (earning less than \$1 a day) rose from 42 to 47 per cent between 1981



and 2001, while absolute poverty dropped from 40 to 21 per cent in the world as a whole. According to Collier (2006), “Africa is currently a fragile mess”. This view has nothing to do with pilloried Afro-pessimisms in the literature but very much in line with the vast body of literature that attempted to make sense of socio-economic situations in contemporary African nations. Over the past 30 years, Collier summarises, per capita income has stagnated at a very low level during an unprecedented period of growth in other developing regions. Given the pervasive forces of economic globalisation sweeping across the world, there is little chance for Africa to offer hope for its teeming population if it continues to diverge from the rest of the world. The sheer scale of the problem recently attracted the attention of the Institute of Economic Affairs, culminating in the publication of a special, Africa-themed, edition of their journal which focused Africa’s development quagmires. The title of the publication, *Africa Left Behind*, snugly encapsulates Africa’s unfurling reality (Economic Affairs, 2006).

There is no suggestion that Africa has cocooned itself away from the rest of the world. In fact, many countries have opened up their economies, implemented political and market reforms, and undertaken variants of structural reforms to foster and sustain market responsiveness with the concomitant goal of improving the over-all well-being of their people. Paradoxically, the outcomes have been less salubrious to growth and development; expected foreign direct investment inflows intended to provide a dynamic source of growth dissipated even before the current onslaught of global economic recession – with debilitating impacts on MDGs attainment and sustainable development (SD). In today’s dynamically discontinuous economic scenarios and unpredictable global environment, Africa is confronted with new challenges and opportunities.

In the particular case of Sub-Saharan Africa (SSA) that has experienced the most persistent of poverty indices, a uniquely sub-regionally tailored, home grown, initiatives that are not only practical but sustainable would be required to achieve the desired turnaround. This entails bringing forward appropriate policies and initiatives to provide jobs or, at least, self-employment; jobs that would hopefully remain in the areas where they were created as they grow; and will enable export of goods and services outside the community, thereby generating much-needed income and revenue for enhanced social cohesion and community sustainability. Based on a synthesis of policy prescriptions for a renascent Africa, it has become clear that solutions to extreme poverty in Africa will have to come from Africans themselves – a key point underscored in former British Prime Minister Tony Blair’s Commission for Africa Report (2005). Acceptably, Africa is not in want of policy prescriptions; problems often arise from implementation failures. But, the point needs to be made that Africa is not poor because the people are poor. Over the years, contemporary works by thinkers such as P.T. Bauer and William Easterly (e.g. *From Subsistence to Exchange* and *The White Man’s Burden*) have demonstrated that indigenous entrepreneurship is a sure foundation for development. The logic is simple; Africans, through progressive indigenous social change efforts, could bring about enterprise-led institutional change which, in turn, could foster the evolution of rules of social cooperation and thus realize the immense gains from trade through entrepreneurial activities (Boettke, 2007). Studies have also shown that the rapid growth in output in the BRIC economies (Brazil, Russia India, China) and other emergent Asian Tigers have been driven more by entrepreneurial zeal and government-supported SME initiatives. Additionally, the literature is replete with evidence indicating that the diminished ability of African nations and, indeed, many third world countries, to register real increases in employment, especially following their privatisation and deregulation initiatives of the

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1980s and the attendant massive corruption of the process implementation, means that the only way out for the generality of the employable masses in these countries is through private entrepreneurial initiatives.

It is obvious that what stunts entrepreneurial activities in Africa are legion, but rank differently in their criticality and priority levels; some more so audacious than others. They rank, in no particular order, from stultifying environment for micro entrepreneurship (which engages the bulk of the rural masses), poor access to credit in rural communities, sorry state of education and support infrastructure. To the extent that support infrastructure can never be adequate and may be insufficiently available and manageable in their relativity, the critical requirements revolve around two basic components: credit availability and educational programmes, geared towards stimulating entrepreneurship. The real surprise, if not disappointment, is that a continent with such dire human development indices (HDI), unemployment and larger-than-proportionate absolute poverty population compositions have been slow at evolving fundamental changes to their micro- and macro-economic policies in order to accommodate the genuine needs of their indigenous entrepreneurs.

Perhaps, more relevant in the conceptual articulation of enterprise solution to sustainable development presupposes a thinking not particularly grounded in the orthodox understanding of the role of government or the market in enterprise promotion and development. Rather, a new approach might contemplate a dynamic process that seeks the resolution of myriads of market and socio-economic problems, including poverty and unemployment, from “community”, social entrepreneurial ethos, embedded in individual initiative, originality of ideas and creativity perspective, but also benefiting from enabling institutional support infrastructure. It follows that sustainable development in the rather belated realisation of the MDGs in Africa must rearticulate individual, group and community enablements, perhaps within the context of social entrepreneurialism.

The overarching goal is to apply enterprise-led initiatives in the creation of a new crop of entrepreneurs, who are unburdened by institutionalised/structured governmental impediments but empowered by new and improved support systems that not only recognise their peculiar handicaps, but also provide functional remedial alternatives. Harnessing enterprise solutions in the alleviation of poverty and maintenance of sustainable development in Africa will be greatly enhanced with a particular focus on women entrepreneurs, especially given the spectacular success of their entrepreneurial activities and the fact that they constitute the majority of the population in these countries. Although Islam (2009) contends that women face huge challenges in four key areas: access to finance/capital, technical and commercial support, capacity building and marketing in terms of paradigmatic changes brought about, for example, by e-commerce and various technological innovations, the meaningful engagement of this entrepreneurial mass would greatly accelerate rural development. Unfortunately, even countries such as Kenya and Uganda, where there has been significant women entrepreneurial participation, are still gravely handicapped by education and managerial support. For example, in Uganda, according to the United Nations Economic Commission for Africa (UNECA, 2008) report, rural women lack training and advisory services on managerial and technical skills to solve production problems. As a result, more than 70 per cent of enterprises are micro- and small-enterprises, but their growth, competitiveness and sustainability are greatly challenged by lack of managerial aptitudes, marketing and technical skills, in addition to overall inadequate or non-existent infrastructure and complicated legal frameworks for business processes (see also UNIDO, 2003).

To think of entrepreneurship in terms of a solutions applicator to the varied and multi-faceted market and development challenges of African nations must entail a conceptual understanding and re-evaluation of the underlying shortcomings in national planning policies. These significantly include educational, fiscal and monetary policies. Rural development initiatives involving the provision of reliable power supply, water, accessible roads and functional telecommunications, must be a component of this process. Indeed, this exercise is collaterally geared towards a more realistic realisation of both the ECOWAS and NEPAD initiatives (which are languishing because of lack of institutional support and coordination among member countries for a robust development of the rural sub-regions). It will induce domino effects of market and factor movements, inter- and intra-regional collaborative ventures to scale-up achievements in regard of the MDGs. Enterprise solutions to sustainable development must embody within it both the provisions of basic support infrastructure and mechanisms for expanding the markets, both within and across the continent of Africa.

## Conclusion

The most profound and encouraging change in African economies over the past decade has been the rapid advancement towards integration into the global economy. Many of the countries have undertaken significant economic reforms; improving macroeconomic management, instigating conducive private investment climate, liberalising markets and widening the space for entrepreneurship to drive strong and inclusive growth. Concurrent with institutional reforms are policies to improve the conditions for enterprise to thrive and provide a dynamic source of growth. By and large, African economies are opening up and beginning to respond to genuine market signals.

The significance of the changes taking place in Africa to promote entrepreneurship as a force for development cannot be underestimated. There is much at stake in continuing this process of scaling up entrepreneurship as a dynamic process towards sustainable economic development. For countries in this region, higher growth rates translate into greater economic opportunities. For the industrialised world, it means expanded markets, stronger trading partners, and a more stable international system.

There is still a lot to learn about how African countries are applying “enterprise solutions” to the problems of economic deprivations. There is little doubt that success in entrepreneurship is crucially important in heralding the much expected economic renaissance of Africa – ensuring economic transition from the margin to the mainstream global economy. The reality, however, is that the essential characters of entrepreneurial landscapes in many Africa nations are profoundly changing in ways that require new modes of thought, analysis, and explanation. Accordingly, this book offers cutting-edge contributions aimed at unpacking the paradoxes of entrepreneurship in African contexts; patterns and growth trajectories, development impacts, networks, institutions and identities, challenges, and changing contexts and prospects.

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