African Entrepreneurship

Theory and Reality

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1. Entrepreneurship in Africa: Traditional and Contemporary Paradigms

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Although the literature on entrepreneurship is vast, this book reviews those issues particularly relevant to entrepreneurship in Africa. Much of the early literature on entrepreneurship has roots in Europe and other Western cultures. Therefore, there is considerable interest in whether or not it has similar expressions in Africa. One of the major questions this book addresses is what form this subject has taken in Africa both at the present time and during its development. Are there some problems that are common to all entrepreneurs, and others that are unique to various parts of Africa? This volume provides some answers to questions about individual entrepreneurs and the process of entrepreneurship within the context of Africa's many social and economic environments.

The authors here examine the expressions of entrepreneurship in the formal and informal sectors, as public and private enterprises, and along class and gender lines. They evaluate entrepreneurial activities with respect to practice, policy, and access to resources. A range of entrepreneurial activities is presented—from microenterprises in Cameroon, Ghana, and Zambia to large industrial manufacturers in Nigeria, South Africa, and Zimbabwe.

Entrepreneurship is an essential component of the economic development process. In his book The Theory of Economic Development, originally published in 1911, Joseph Schumpeter was one of the first twentieth-century scholars to describe entrepreneurship as the process of creating new combinations of factors to produce economic growth (Schumpeter 1934). The entrepreneur introduces change, said to be pivotal to economic growth, into an economic system, and that results in increased production. Entrepreneurship conveys the notion of something special happening, some-
thing that adds more to the production function than is obtained by simply managing it. The Schumpeterian entrepreneurs are individuals who "possess, in more than an ordinary degree, the ability to visualize profit possibilities in unproved commodities, organizations, methods, and markets, and to overcome the obstacles that may stand in the way of getting new things done" (Clemente and Doodt 1950:9). Entrepreneurial talent is not thought to be a rare commodity, and Schumpeter believed that, to some degree, it is common in most populations.

**Defining Entrepreneurship**

In order to determine if entrepreneurship as a process is similar or different in Africa, various standard and derived definitions are examined. Firstly, the dilemma of knowing when and where to apply the label entrepreneur results from the inability of theorists and practitioners alike to reach a consensus on what entrepreneurship actually is, how to measure it, and how to derive universal specifications for identifying the entrepreneur. Kilby's (1971) reference to the illusory animal the "Humpelusprat" nullified this enigma. Entrepreneurship looks different to different people. No one has been able to capture the "beast," but everyone imagines what it looks like.

In order to define entrepreneurship, the view taken here is that a broad and inclusive approach must be used. Various authors in this book take on the conundrum and give their own specificity to the definition of entrepreneurship. Most do so by developing a checklist of attributes and conditions that identify the entrepreneur as a distinctive actor in an economic system. Based on their own empirical studies, observations, and fieldwork, the authors contribute to an understanding of how the entrepreneurial process is expressed in various African countries within a spectrum of circumstances. The merit of this approach lies in the fact that the resultant themes and theoretical explanations derive from concrete examples and never stray too far from the realities of the circumstances upon which they are based.

Schumpeter made the entrepreneur "the focal point and key to the dynamic of economic development and growth" (Greenfield and Strickson 1986:5). It is entrepreneurs who put together new combinations, and whose actions have consequences on the basis of their organizational skills, their creativity as decision makers, and the distinctive "opportunity structures (the settings, circumstances or situations within which the decisions and choices are made)" (ibid.: 11). Says Schumpeter, "The entrepreneur is the decision maker in a particular cultural context [who commands a] range of behaviors [that exploits] the opportunities" (ibid.: 15). Schumpeter's idea
that the entrepreneur functions primarily as a creator of innovations in the production process has influenced much of the literature on entrepreneurship in developed economies. Alternative explanations of the entrepreneurial role have focused more on the entrepreneur’s ability to organize rather than to create.

Many authors consider innovation to be the main characteristic of entrepreneurship, which they define as introducing new products, implementing new production techniques, finding new sources of raw materials, and discovering new markets (Marsh and Mannari 1996; Chileshe 1992; Gray et al. 1996). As innovators, entrepreneurs provide “new supplies in response to observed demand,” Chileshe points out, and they create demand with new products and processes, with materials and markets, and with distribution channels (1992:103).

Entrepreneurs may not always be innovators, but they have to be coordinators. Even Schumpeter remarks that innovations of entrepreneurs need not be the products of brand-new ideas; they may be reconfigurations. Geertz observes that “the major innovative problems that the entrepreneur faces are organizational rather than technical” (quoted in Acheson 1986:47). The creation of a market (for example, creating a market for ethnic fashions that are custom designed by wealthy Zambian women, as discussed by Kasengele in this volume) may not represent a new idea; it may simply be a different approach for the particular industry.

In addition, the many decisions and actions in which business owners engage daily to maintain or expand their operations may include normal actions that can be considered “unharnessed” innovations. In one Kenyan example, these range from developing a market strategy to improving product quality (Gray et al. 1996). And in some cases, the old may be more valuable to budding entrepreneurs than the new. Knowledge of methods used by experienced business owners can be helpful to those just starting out. Entrepreneurs may learn by observation or inspiration from others. They need not reinvent the wheel, and, since “novelty of innovation provides the most important competitive edge . . . innovation can be ‘something as simple as courtesy, friendliness, and helpfulness’ to potential customers” (ibid.: 107).

The element of risk taking is also an aspect of entrepreneurship. Chileshe, writing on Zambia, argues that an entrepreneur “is a person with certain unique characteristics, capable of organizing and managing commercial undertakings that involve considerable risks” (1992:96). In this way, “they become the main pillars on which the internalizing of a country’s economy using its natural resource endowment can be based” (ibid.). Entrepreneurs
can control the means of production, and they have the ability to act as intermediaries between supply and demand. In the public arena, entrepreneurs can act as brokers between the masses and elites. These "political entrepreneurs" may bridge the gap between the public and the governing elite, and they can "transform social relationships, patronage, and dependency into political power, and in some cases...economic wealth" (Barnes 1986:225).

Entrepreneurs "exhibit at the most opportune moments, the necessary capability by initiating, conceptualizing, and managing the required changes where others have not [yet] been able to do so" (Chileshe 1992:97). They provide an essential element to socioeconomic progress, and they are often described as "adventurous, innovative, risk-taking and...very tight fisted" (ibid.: 100). Individual entrepreneurs create considerable collective impact for the society as a whole. According to Landl, "entrepreneurs make choices, and larger patterns of change are reflected as the aggregates of those choices" (1991:141).

The interest in entrepreneurship and the attention now being accorded the entrepreneur derive from the fact that entrepreneurial activities help to achieve the principal objectives of economic development: creating jobs, increasing household incomes, and improving the quality of life. This has led to a closer examination of the entrepreneurial function in developing countries. The discourse in this book addresses the manifestation of this phenomenon in Africa.

**Entrepreneurship and Economic Growth**

Although entrepreneurship as an element of economic growth was postulated in the 1700s, it was largely absent from the mainstream of economic development thinking throughout the nineteenth century, which focused on two factors: capital accumulation and labor (Tyagarajan 1959; Volken 1979). In the twentieth century, Schumpeter reintroduced the concept that entrepreneurship is a primary factor in economic development and growth. Nevertheless, the prevailing neoclassical premise is still that economic growth occurs during the process of achieving and maintaining a state of economic equilibrium with the proper combination of capital and labor. Schumpeter countered this by postulating that economic growth occurs only when the existing equilibrium of production inputs is destroyed. He describes this process as "creative destruction" and proposes entrepreneurship as the causative factor in this process.

Subsequent studies help affirm the concept of entrepreneurship as one of the primary factors in economic growth (for example, Glade 1967; Katzin...
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1964; Kilby 1971; Stevenson and Sahlman 1986). While entrepreneurship

alone is not a sufficient condition in the process, economic development

will not occur without entrepreneurial activity (Brinca and Yale 1990). Fe-

ster Drucker, in a discourse on business development, describes the entre-

preneur as someone who seeks and welcomes change that can be exploited

as an opportunity. Drucker derides the romantic notion that an entre-

preneur is a rare and exceptional person and dismisses the fascination with

the “entrepreneurial mystique” (Richman 1985:38). Entrepreneurship, he

says, is not an activity confined to geniuses or a special class of people.

Drucker’s definition of an entrepreneur is “somebody who endows re-

sources with new wealth producing capacity” (ibid. 35).

According to Ackerman (1986), entrepreneurs’ organizational skills re-

duce the transaction costs in firms. The type of firm that entrepreneurs can

establish depends on organizational skills in combination with the effi-

ciency of final and intermediate product markets.

Any useful explanation of entrepreneurial activity must be referenced

within its overall socioeconomic environment, because “business activity

does not take place in a vacuum but is set within a socioeconomic system”

(Kennedy 1980:2). The circumstances that favor entrepreneurship may vary

considerably from one society to the next. Its form of expression differs

according to historical stages of the society’s development and whether

the economic system is precapitalist, early or late capitalist, socialist, or

other.

Psycho-Sociological Theories and Characteristics of Entrepreneurs

Entrepreneurship and economic development are linked with innate per-

sonality traits of individuals based on indoctrination in specific cultural

values, according to McClelland (1961). He isolates a critical ingredient in

the psychological makeup of the entrepreneur and calls it the “need for

achievement’’ or “NAch.” This drives a person to strive for success, and

entrepreneurship is the vehicle through which the success is attained. How-

ever, emphasis on the psychologically constructed “need for achievement”

is criticized because it attempts to explain a complex process on the basis

of a single variable. The emphasis on the psychological factors relegates

economic factors to rather insignificant roles in the development process,

and, hence, conclusions about the prevalence of entrepreneurial character-

istics in certain societies (usually those with a Western European back-

ground) do not stand up to evidence from other culturally diverse coun-
tries (Kallen 1990).1

1 Others suggest that entrepreneurial activity emerges within certain
groups of people who have been affected by a series of identifiable historical events (Hagen 1962; Chileshe 1992). Hagen, observing the differences in the incidence of entrepreneurial behavior in various ethnic groups within the same society, concludes that entrepreneurship comes about when one or more specific groups are discriminated against by the majority. These ethnic groups who are denied the normal opportunities for advancement have lower status and command less respect. Consequently, they compensate by their lower personal, social, and economic position by seeking avenues for success outside the normal means. Hagen’s thesis is that the need to achieve status and success is the motivating factor behind a particular group’s entrepreneurial expression, but this entrepreneurial behavior is “deviant”—at odds with the norms of the society in which it occurs.

Contrasting with the emphasis on individual or ethnic attributes as the motivating force in entrepreneurial activity is a more holistic analysis, a broader but ambiguous view. In this context, “cultural resources of a particular group or society [are] less relevant in producing economically rational behavior than is the gradual accumulation of experiences” based on day-to-day decision making and problem solving (Kennedy 1986; 1988). Some authors suggest that entrepreneurial behaviors are responses to circumstances in which individuals make decisions based on several choices and parlay them into economic, social, and political advantages (Glade 1967; Greenfield and Strickon 1986). Those who successfully exploit the advantages created within the opportunity structure, Glade concludes, are called entrepreneurs. As economist Hirschman points out, “enterprise is seldom found wanting in a society where it can be favorably exercised” (1958:3).

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Are these experiences attributable (along with others) to entrepreneurship and its expression? What are the constraints? And where does the potential lie? How will entrepreneurship promote sustained growth? Does African entrepreneurship follow the same or different paths from those of entrepreneurial activities in other parts of the world?

For scholars, with regards to the fact that much of the earlier literature on entrepreneurship has its roots in Europe, are these concepts and theories universally applicable? Cunningham (1995) asks a number of questions along these lines. How have past economic patterns and entrepreneurial practices, changed? How have they been replaced or modified, and what new ones have been added? How far is it necessary to go beyond the stan-
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It may not be appropriate or desirable for developing countries to imitate entrepreneurial techniques wholesale from developed countries. For example, a recent study of African businesses concludes that entrepreneurs in the United States and in other developed countries can learn from the experiences of entrepreneurs in West Africa (Diomande 1990). Those in West Africa often plunge into business with a bare minimum of capital or resources, and some are quite successful despite these austere starts. Diomande believes that the "sheer availability of abundant resources" encourages the entrepreneur in rich countries to "oversource and wastefully use resources that are not really needed." (1990:193). For example, African entrepreneurs usually cannot select their workers from a large skilled labor force, so they secure and train personnel through apprenticeships, tutelage arrangements, family members, and acquaintances. They raise start-up and operating capital from community resources such as rotating credit systems involving social groups. Operating several businesses simultaneously is criticized by Western observers as evidence of a lack of commitment to develop a single enterprise fully. But African entrepreneurs choose to diversify their investments, believing that owning several types of businesses guards against risks that are common in the economic climates of many African countries. Diversification of economic activities, particularly in the rural areas, is regarded as a rational investment strategy.

The visible evidence of entrepreneurship is not the same in Silicon Valley, California, as it is in Sekondi-Takoradi, Ghana, but the functions of the entrepreneur, which are to coordinate resources and increase economic output, are the same. Much of the attention in industrialized countries is accorded to entrepreneurial activity in high-technology industries and to the introduction of high-tech products. However, entrepreneurs all over the world are involved in other economic sectors, such as trade, real estate, and agriculture. The establishment of cash cropping in certain areas and the ubiquitous trading and transport operations of local people are, indeed, entrepreneurial activities (Meier and Senn 1984:3). The entrepreneur is that person who is in control of his or her destiny, who is responsible for his or her economic and personal success.
and Odufuwa (1971), who studied indigenous enterprise in Nigerian manufacturing. Subsequent studies of both modern and traditional businessmen in Zambia (Beveridge and Ohenschall 1979), Ghana (Kennedy 1980, 1988), Sierra Leone (Kallen 1990), and other countries in Africa (see, among others, Berman and Leys 1994) supply ample evidence of the dynamics of entrepreneurship in Africa.

This book provides some new models for studying entrepreneurs and their environments. Many of these models have been derived from entrepreneurial methods that evolved in response to colonialism, to post-independence systems, and to the increasingly global environment. One question that may be specific to Africa is why so few of the indigenous African entrepreneurial enterprises grow into large-scale organizations. Several of the studies in this volume (Blewitt and Farley, Daniels, Fauchamps, and MacGaffey) provide some answers to this question. Years ago it was noted that "it seems paradoxical that in Ghana and Nigeria, where trading is almost a universal occupation, there are comparatively few large African trading firms...[there] are numerous craftsmen...[but] few large African manufacturing firms" (Henrikvits 1964:134). Scarcity of capital for investment has been propounded as a major constraint to the expansion of small firms into large corporations. The process of capital accumulation is discussed in the following section.

Capital Accumulation in Africa
Capitalist penetration in Africa is incomplete and "coexists with other non-capitalist modes of production" (MacGaffey 1987:15). Africa has little industrial capitalism, a legacy of the colonial institutions that used Africa as a source of raw materials and new markets but not as a place to invest. Africa has "plugged" into capitalism rather late in the history of world capitalism, rather than developing it locally. Under colonialism, commerce in the formal sector was restricted and was often structured to bypass Africans (see also Himbara, this volume, who presents a rebuttal of this premise). Since independence, many African governments have established and encouraged the rise of public enterprises such as parastatals that also impede indigenous private-sector development (Grosh and Mukandala 1994).

Both the legacy of colonial exploitation by foreign governments and the experience of foreign capital that benefits a small percentage of the local population influence leaders of many independent countries to eschew capitalism in favor of what they hope will be more equitable economic systems. For example, in the early 1960s, the governments of Ghana and Tanzania implemented "African capitalism" governments decided to be managed by the state.

However, in three of Kenya, and Tanzania, it is impossible for indigenous constraints imposed by the 1987-93. Because of the production, the ways are uneven, often "partitions and states from indigenous institutions that include subsistence, informal labor owed to agriculture and manual labor." The development of may require alliances in the cities to provide a base for the farmers and profit to foreign firms that typify economic development. As has been the case of indigenous enterprises, economic growth and State intervention...
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Economists with other non-Europeans. Africa has little incentive that used Africa as a place to invest. In the history of world colonialism, commerce was structured to bypass Africa. The retention of this measure has established a parasitical that also foreign governments and small percentage of the dependent countries to be more equitable economies of Ghana and Tanzania implemented economic policies to discourage the emergence of "African capitalism" (Elkan 1988:21). After independence, most African governments decided that industrial and commercial development should be managed by the state. One reason for this strategy is the belief that economic development for the masses should not be left in the hands of a few individuals in the private business sector.

However, in three of Africa's best economic success cases (Ivory Coast, Kenya, and Nigeria), there is a critical debate "on the degree of autonomy possible for indigenous accumulators under the external structural constraints imposed by the capitalist world economy and state system" (Lubeck 1987:3). Because of the colonial legacy, and because of African modes of production, the ways in which capital is accumulated in these countries are uneven, often "joined and articulated with the post-capitalist social relations and stratas from which they emerged" (ibid.:7). In these cases, indigenous institutions have been mobilized for accumulation, with examples that include subsidizing wage labor with household production, using traditional labor owed to chiefs and lineage heads, and forming alliances with aristocrats and merchants.

The development of an African, capital-endowed, entrepreneurial class may require alliances between the state and private interests. For example, in the Côte d'Ivoire a tripartite political alliance is developing that consists of the Ivorian bourgeoisie ruling class with the political support of the Ivorian peasantry and the external support of foreign capital. The state here assists indigenous entrepreneurs, especially in the formal sector, by providing a favorable environment for capital accumulation (Rapley 1993).

The African bourgeoisie can serve as an indigenous source of dynamism in economic development if this class can influence the state to implement economic policies that are favorable to indigenous capital accumulation and entrepreneurship (Rapley 1993). Compared with foreign capitalists, local entrepreneurs may have less capital, but they have better connections to their country's institutions and people. They may be more likely to produce for local areas, to buy local inputs, and to hire local people to run their firms (Chileshe 1992; Rapley 1993). They may spend or reinvest salaries and profits locally, thereby causing a greater multiplier effect than do foreign firms that typically take salaries and profits out of the local area. Domestic entrepreneurs may perhaps adopt technology to local conditions, as has been the case in the Côte d'Ivoire. Such reasoning explains why indigenous entrepreneurial development may contribute to sustainable economic growth and development.

State intervention in the national economy may be necessary to pro-
note the accumulation of capital to finance African indigenous industry and entrepreneurship, but many interventionist states are detrimental to such development. Neoclassical economic theory argues that when the state intervenes in the economy, it stifles the initiatives of the private sector. However, the models of the successful newly industrializing countries in Asia show that the development of indigenous industry financed by local entrepreneurs can be promoted by state policy protectionism that shields the nascent enterprises against foreign competition resulting from liberalized trade regimes.

The Informal Sector: Survival Strategies in Micro and Small Enterprises

African economies, often considered to be composed of two sectors—the formal and the informal—pose dilemmas for both policy and growth. The formal sector, given official recognition, with recorded and measured indicators of gross domestic product (GDP), contrasts with the informal sector, with its lack of official recognition and unregulated and unmeasured components. The informal sector is sometimes considered undesirable, a "repressed" sector with low productivity, a drag on economic growth (Juma, Torori, and Kirima 1993). However, others see it as a productive sector, providing employment, services, and goods (Hart 1973; Corina, van der Hoeven, and Mkandawire 1992). As a result, the International Labour Organization (ILO) and some African governments are developing policies and projects to promote employment and income generation in this sector. Hence comes the notion that there is no need to subsume the people and their activities into the regulated formal sector. Nevertheless, some still regard informal sector activities as poor substitutes for formal sector dynamism. In this view, informal activities are a consequence of the inability of the formal sector to provide employment opportunities for the increasing labor force.

Much of the productive entrepreneurial activity in developing countries in Africa and elsewhere is in the informal sector (de Soto 1989), but Grosh and Somoleke note that "there are as many definitions of the informal sector as there are people studying it" (1996:1789). It is identified by such characteristics as ease of entry, unregulated and competitive markets, reliance on indigenous resources, family ownership, small-scale operation, labor-intensive adaptive technology, and skills acquired outside of the formal education system (ILO 1985; Thomas 1992). Size of business (based on numbers of employees, assets, and revenues) is another criterion (Juma, Torori, and Kirima 1993). The informal sector and micro and small enterprises (MSEs) are sometimes distinguished between small enterprises (Grosh and Somoleke 1992). The informal sector development and management in Africa (Chileshe 1993) with the entrepreneurial participation of this arrangement is important for economic success and operation.

The informal sector's legal goods (illegally distributed) are often illegal, and others are illegal goods (illegally distributed) with the "second economy." In this view, it denotes a class of goods and services that is brought to the market and is subject to tax collection, but does not comply with the law's requirements of economic exigency, but this is a generalization to the needs of the mensen.

An important problem is that they place all of the activity in a basic rubric with little or no example from Latin America or the Dominican Republic. The informal sector is an example of an activity. Entry into the informal sector-specific knowledge is needed to facilitate access to markets, superior to those in the formal sector. A dual-track approach, not an informal sector MSE, can be an effective strategy for the government and in the long term (1992). Therefore, the unimpeded flow of cheap goods and services found in the informal sector is a means of overcoming the problems of the formal sector. In this context, government intervention is necessary to prevent any informal MSEs from the "second economy."
indigenous industry is detrimental to the state when the state of the private sector is funded by local and international anxieties that shield from liberalization of two sectors—the informal and formal. The informal sector, defined as the unmeasured economic growth (Juma, 1995), a productive sector, is a major contributor to the economy of African countries (Chileshe, 1992:107). Entrepreneurs tend to come from families with entrepreneurial parents (Gross and Somoleke, 1996); one advantage of this arrangement is that family involvement in business allows for ownership succession and continuation of businesses for more than one generation.

The informal sector also encompasses the irregular sector (for example, legal goods illegally distributed), as well as the criminal sector (Thomas, 1992). The informal sector’s activities, referring to “economic activities that are unmeasured and unrecorded. Some are illegal, others are not illegal...but are carried out in a manner that avoids taxation or in some way deprives the state of revenue” (1987:23). The “second economy” is as much a political as an economic designation, in that it denotes a class struggle—the second economy deals not only with economic exigency, but also with the indifference of some African governments to the needs of business.

An important problem with most informal-formal distinctions is that they do not adequately reflect the complexity of informal sector activity. Entry into the occupation is not easy; it is limited by occupation-specific knowledge and the ability to establish contacts that can facilitate access to capital, loans, and storage facilities. Earnings are superior to those in the formal sector, and most participants choose (rather than gravitate to) this occupation. Nevertheless, even while decrying the dual-sector approach, most analysts continue to use this analytical frame.

Informal sector MSEs present problems to policy makers both within the government and in the private sector, as in the case of Tanzania (Sokoni, 1991). There, the unemployed and the underemployed find work and provide cheap goods and services. However, entrepreneurs also defy and confound regulatory intrusions upon their nonstandard business practices and unauthorized locations. They often do not have the means or the inclination to pay for any infrastructure and social and business services, thereby presenting policy makers with a challenge to keep systems ongoing. Sokoni notes that policy makers see MSEs’ positive contribution, “but have done...
little to facilitate it," and that tolerating and assisting them "is [merely] a way of sympathizing with and assisting those in poverty" (Sokolo 1991:1).

The informal sector may be characterized as having limited access to modern facilities and support services—such as electricity, credit, and government services—as well as having differential access to technology, as in the case of Kenya (Gray et al. 1996). Most of the entrepreneurs lack formal education and business training (see Naudé, this volume), which disadvantages them in terms of successfully expanding their business productivity and profitability. However, levels of skills vary within the informal sector, as, for example, among furniture industry entrepreneurs in Kisumu, Kenya, who are better educated now than they were twenty years ago. This can be attributed to a fall in real wages (which has forced more highly educated persons to enter self-employed small-scale manufacturing) and to increased competition (which has compelled artisans to improve the quality of their products).

Factors limiting growth of small enterprises include lack of access to capital for expansion, lack of business training of the owners, and poor facilities (Grob and Scommeleke 1996). Financial programs that specifically target MSEs may help a few firms, but what is usually needed is reform of microeconomics policies that both limit capital access by maintaining high interest rates and place restrictions on obtaining loans. Policy revisions could help to create a business climate that would increase returns on savings and investments, which in turn would help enterprises to accumulate capital. Daniels (this volume) notes that in Zimbabwe, tens of thousands of MSEs remain untouched by any such assistance. Capital accumulation is inhibited by the dearth of financial institutions to provide security for savings and availability of deposits for business expenses.

The informal sector serves as an employment incubator for jobs that help to reduce income disparity and increase domestic consumption capacity. A rise in the level of consumption creates additional demand for products and services, and this in turn stimulates the start-up or expansion of indigenous enterprises. Within the appropriate economic climate, this process becomes an engine of economic energy that creates additional jobs and the production of more goods and services. Much of the growth of the informal sector is spontaneous and has taken place largely in spite of government policies or programs.

For example, the Kenyan government finally recognized the important role of its informal sector, and, as a result, outlined specific measures to assist the sector in the Sixth Development Plan of 1989–93 (Juma, Toroí, and Kirima 1993). Other African governments are beginning to institute similar measures. Historically, banking and operating structures of firms, ranging from industries and intermediaries, have been more efficient to deliver or upgrading the services. All societies have both the formal and the informal sector, and instead, it "may represent the" (Halperin and Converse 1982:109) and the productivity of both sectors is strongly linked to many aspects of the informal sector, which in turn are interconnected and the informal sector (ILS) is often financed with savings and capital. There are many strong elements in the formal sector. The author in the way to improving the productivity by creating its backward linkages.}

**Formal Sector Public Large and Small Industry**

The African formal sector consists of public enterprises (PE), public hospitals, universities, and central government agencies. Some of these enterprises are large, while others are small. The majority of these enterprises are state-owned. Some of them are small enterprises (SMEs), "are goods and services, and its efficiency" (Stirley, quoted in sub-Saharan Africa for an average of 20 percent of GDP in Senegal, Sudan, and 30 percent of the GNP share of the GDP for Botswana).
same measures. However, legal requirements and regulations for establishing and operating formal sector businesses work against the expansion of firms ranging in size from micro-informal to more visible small industries and medium-size businesses. Many entrepreneurs consider it more efficient to diversify into another microenterprise rather than expanding or upgrading their existing businesses.

All societies have informal components, and there is tension between the formal and the informal. The informal is not necessarily traditional; instead, it “may represent the newest economic form or . . . set of adaptations” (Halperin and Surdevant 1990:334). Minimizing the divisions between the formal and informal sectors may be an effective way to improve the productivity of both. Despite the dualistic analysis, the sectors are already linked in many ways. For example, a study in Ghana found that most of the trained masters in informal sector automotive shops came from the formal sector (ILO 1985). In addition, many of these automobile shops are financed with savings from earnings in formal sector employment (backward linkages). Strong forward linkages are indicated by the fact that 80 percent of the master mechanics’ business is with auto owners in the formal sector. The author of the 1985 study suggests (ibid.76) that “the best way to improve the productivity of the informal sector would be by increasing its backward and forward linkages with the formal sector.”

**Formal Sector: Public and Private Enterprises, Large and Small Industries**

The African formal sector includes both public and private enterprises. Public enterprises (PEs) include not only government institutions such as hospitals, universities, and administrative agencies, but also “quasi-independent entities that African governments have created to do what they feel their private sectors and bureaucracies cannot do” (Nellis 1994:3). These public enterprises, sometimes referred to as parastatals or state-owned enterprises (SOEs), “are supposed to earn their revenues from the sale of goods and services, are self-accounting, and have a separate legal identity” (Shirley, quoted in Nellis 1994:3). During the 1970s, public enterprises in sub-Saharan Africa increased to number more than 3,000. PEs account for an average 10 percent of the GDP in countries worldwide, and the share of PEs in the GDP of African countries ranges considerably. In Guinea, Senegal, Sudan, and Zambia, PEs accounted for 20 to 40 percent of the share of the GDP during the 1970s. During this same period, the PE share of the GDP for Botswana, Kenya, Liberia, and Sierra Leone was less than 10 percent.
Structural adjustment programs adopted throughout Africa during the mid-1980s to the 1990s mandate reduction of the public sector and the divestiture of state-owned enterprises. The objective is to allow more resources to be invested in the private sector, considered to be a more efficient provider of goods and services because of its market-oriented production and distribution systems. However, Cronh and Mukandala maintain that an efficiently functioning public enterprise sector performs "essential functions that enabled the private sector in Kenya to be one of the most dynamic ones in Africa" (1994:43). These authors conclude that in Africa, the relationship between the public and the private enterprise sectors has been one of "interdependence and mutual reinforcement" (ibid.:43).

The formal private sector in Africa consists of a range of enterprises, from small to large in size. Small-scale enterprises (SMEs), small and medium enterprises (SMEs), and small industries (SIs) represent intermediate stages between microenterprises and large firms. Young (1994:31) notes that the SIs are primarily engaged in light manufacturing, have ten or more employees, operate away from home in urbanized locations, and deal with modern commodities (such as baked goods, furniture and woodworking, and metal products). Although small in production scale, most SIs and SMEs are formal sector businesses that do not originate from within the informal microenterprise sector.

In attempting to provide quantitative definitions of small industries, the number of employees—rather than such factors as capital investment, profit, and value added—is the focus (Hansohm 1992). But this number varies considerably: it has been up to 100 employees (Falchamps, this volume), up to 50 (Dankels, this volume), and up to 10 (for example, McDade defines 0-3 as micro and 4-9 as small-scale).

SIs are a training ground for entrepreneurs: they learn firsthand the challenges of sustaining a business in a developing economy. They need to mobilize local resources efficiently, produce for the low-income population, and establish linkages to other sectors in the economic system. Some also pursue new approaches in attempts to improve their operations.

The SI sector has been targeted for assistance from Structural Adjustment Programs (SAPs), but many of these programs tend to be biased in favor of the larger, upper range of SIs in the urban areas (Hansohm 1992:9). They often are oriented toward the few small firms that produce for export, rather than toward the many that supply the domestic market. Consequently, tariff structures, trade liberalization programs, and foreign exchange policies instituted under SAPs may actually penalize small firms. For example, for a small clothing manufacturer, imported sewing machines are capital equipment ever assessed at higher import rates than similar equipment imported for larger-scale enterprises. The advantage of efficiency and productivity gains in these cases of their size, which can provide a market for local or national enterprises. Special operations may improve them with consistent linkages to the domestic or international enterprises, among the many African countries linked with other firms. The fermentation of the small-scale industrial sector in these enterprises will require the development and manufacturing industries.

The African Development Bank seeks to address small-scale enterprises that provide opportunities for the microenterprises, especially by increasing the number of small and medium-sized informal sector activities (AFDB 1993). Providing small firms with financial support is expected to expand the skills and networks of the microentrepreneurs.
...Africa during the last century and the development of new resources has increased production and added new skills to the essential activities that define our economic geography. In many African countries, the production of goods and services has been revolutionized by the introduction of new technologies and increased levels of investment. These changes have had a profound impact on the economy, leading to a more efficient production process and increased productivity.

African economies need to foster linkages among small, medium, and large-scale enterprises to develop an integrated economic system. A major advantage of efficiently running large enterprises is that they raise productivity levels by achieving economies of scale in their operations. Manufacturing productivity among some small enterprises has been constrained because of their size, which "precludes gains from economies of scale" (African Development Bank 1994a:16). Therefore, Industrialization programs in many African countries target both small- and large-scale enterprises. When linked with other firms in the domestic economy, large-scale enterprises can provide a market for intermediate production goods from smaller industrial firms. Especially in industries such as agro-processing, large-scale operations may improve the profitability of small-scale enterprises by supplying them with cheaper, locally produced inputs. Currently, weak or nonexistent linkages to the domestic economy and uncertain markets in the international arena reduce the overall output for certain large-scale manufacturing industries to less than 25 percent of capacity.

The African Development Bank in cooperation with its member countries seeks to address this deficiency. The bank provides funding for agro-based industries that process both industrial and agricultural raw materials (African Development Bank 1994b). Large-scale private companies are increasingly using (rather than SOEs) to build the infrastructure needed for development—including highways, railways, and telecommunications facilities.

Gender and Entrepreneurial Activities
Entrepreneurial activities are engaged in terms of access, control, and management. More men than women tend to be in the more lucrative enterprises, especially in the formal sector as owners and managers of large firms and small industries. Many (but not all) women tend to be in the smallest informal sector micro-enterprises. Both sexes share the middle ground of higher profit informal sector activities. MSEs as income-generating activities are the norm for many women from all parts of Africa (Spring 1995), providing small-scale employment, and, in some cases, handicapping enterprise expansion. Women may not be able to accumulate sufficient capital to expand their operations and upgrade their management skills; their networks may be restricted to other micro and small-scale en-
terprises. However, they pursue entrepreneurial activities and acquire assets increasingly as the decline of the "administrative apparatus of the state and the expansion of the (informal) economy have weakened the mechanism of male control over women" (MacGaffey 1987:66). Women's associations and specific women's projects are making some progress in achieving female solidarity to address these and other issues. But class distinctions, as well as ethnic and socioeconomic differences, may prove divisive in terms of achieving common goals.

There is a substantial literature, especially for West Africa, on women traders and entrepreneurs, mostly in the informal sector (see Spring and Trager 1988; Clark 1994; and references cited in chapters by Horn, Krieger, and Robertson). Such roles, discussed by various authors in this book (Dahles, Horn, Ikeduru, MacGaffey, Oistrick, and Robertson), are somewhat newer in central, eastern, and southern Africa. Men and women traders may specialize in different commodities altogether (MacGaffey 1987; Robertson 1997) and may employ different strategies (Kasengele, this volume). Women generally have less education to quality for formal sector employment, loans, or programs. Thus they are more likely to be informal sector traders and vendors. Women's lack of formal education and their use of African rather than European languages are not barriers to business transactions in the informal sector, and there is no need to secure licenses, keep accounting records, or apply for bank loans. However, the informal sector is not an ideal environment for doing business, both because of limitations placed on it and because of its lack of official support and methods of capital accumulation (MacGaffey 1987; Women's Bureau 1993).

The prominence of African women in many of the chapters of this book reflects the significance of their contributions to economic development. Despite this significance, and although their entrepreneurial activities are essential to the functioning of their societies, they are often marginalized during the creation and implementation of public and private sector development strategies. For example, as entrepreneurs, women are involved in supplying most of the food to people in large cities such as Harare, Kinshasa, and Nairobi (see the chapters by Horn, MacGaffey, and Robertson), as well as in provisioning their local village and household units (Krieger, this volume). Women rarely receive formal recognition or assistance in these largely unheralded roles. In fact, women's enterprises are often proscribed by municipal regulations, and they may be subjected to harassment by local authorities.

But African women are not a homogeneous group, and not all women entrepreneurs in Africa have the same problems. Middle- and upper-class
activities and acquire as the apparatus of the state weakened the mecha-
isms that protected them. Women's assu-
gemor progress in achieving gender equality is
consistent with various benefits, with the exception of women's access to
the formal sector. Women's economic activities are)
found to be informal, and their participation is
limited due to various social, cultural, and economic barriers. Women
are often excluded from formal employment and are forced to work in
the informal sector, where they face significant challenges and barriers.

Women often succeed in both the formal and the informal sectors in areas
outside of which poor women are excluded because of their lack of education,
employment, and capital (see the chapters by Ibedu, Kasengole, and Ostrich).

Themes and Realities of African Entrepreneurship

The chapters in this book elucidate a variety of specific themes and present
detailed studies of a wide range of entrepreneurial expressions: small,
medium, and large; legal and illegal; formal and informal. The geographical
area covered spans the continent and includes Cameroon, Ghana, Kenya,
Nigeria, South Africa, Zaire (now the Democratic Republic of the Congo),
Zambia, and Zimbabwe. The chapters have been grouped into the follow-
ing sections: entry into entrepreneurship, entrepreneurs as providers of the
city and household, state policy toward entrepreneurial development,
finance and credit for enterprises, and structural adjustment and African
entrepreneurs. These divisions represent the major themes in entrepreneur-
ial research as presented by the contributors.

Interpretations presented in these chapters may prompt the reconsider-
ation of previous dictums or assert the applicability of new theories.
Factors that determine whether entrepreneurship falters or flourishes can
be quite specific to a particular country. While recognizing the specificity of
circumstances that may exist in each situation, the chapters are orga-
nized to present, as an aggregate, general requisites—some causal, others
associative—for sustaining entrepreneurship.

Entry into Entrepreneurship

This section explores the reasons why men and women become entrepre-
neurs and explains much about the nature of entrepreneurial activities. Is
entry driven by the needs of the participants or by the marketplace? In
Zaire, MacCaffrey shows that the lack of state support for business activi-
ties forces survival strategies to new heights as entrepreneurs provide miss-
ing infrastructure, use substitute currencies, and pursue unusual trade
networks to maintain "the second economy" in the absence of the first.
The scope of these entrepreneurial enterprises encompasses large and small
firms, mostly in the informal sector, because there is precious little left of
the formal sector.

Daniels argues that surplus labor in Zimbabwe is the entry reason for
the multitude of low-profit MSMEs, while market demand is the reason for
entry into high-profit industries. It is useful in this case to disaggregate the
types of firms that constitute the informal sector, because a classification
that lump them together would overlook their basic differences. This is
an example of the previously noted misconceptions that result when the informal sector is analyzed as a single homogeneous category.

Ethnicity and group barriers affect entry into entrepreneur(ial) activities in examples from South Africa and Zambia. According to deChuera, black African businesses are few on the Johannesburg Stock Exchange, but millions find entry points in the informal sector MSEs. Kasengele presents evidence showing the barriers that Zambian men encounter as they attempt to enter the formal sector clothing and textile industries dominated by Asians. However, upper-income Zambian women have been able to penetrate certain areas of the formal sector clothing industry and establish their own niche and clientele.

To summarize each chapter separately, in chapter 2 James MacGaffey borrows from Schumpeter’s definition that entrepreneurs “have not accumulated any kind of goods; they have created no original means of production, but have employed existing means of production differently, more appropriately, more advantageously” (Schumpeter 1934:132). Entrepreneurs in Zaire function outside the definable official economy using creativity and ingenuity in the face of “insurmountable obstacles.” These include the collapse of the official banking and transportation systems, the unavailability of foreign exchange, the decline in public services and administration, the collapse of supply systems, and the harassment, extortion, and arrest of entrepreneurs.

Zimbabwe entrepreneurs import goods from other countries and travel the globe (including, most recently, to South Africa) to obtain commodities. Because of a lack of foreign currency, they use gold, diamonds, cobalt, malachite, coffee, ivory, and drugs for exchange purposes. They employ networks of kin, friends, and ethnic groups for overseas assistance with visas, supplies, and accommodations during buying trips. Within Zaire, entrepreneurs may have to repair roads and bridges, invest in transportation systems, and keep the second economy alive so that fuel and other scarce commodities are available. Entrepreneurs fill in the functions of a government that has failed to supply the infrastructure that is conducive to business.

Lisa Daniels in chapter 3 presents the variables and models that drive the small-scale sector in Zimbabwe, questioning whether the labor supply hypothesis (surplus labor with limited skills and access to capital) or the market demand hypothesis (entry influenced by consumer demands for micro and small enterprises) holds. She shows that both influence entry into commerce, but the labor supply hypothesis is supported by evidence from low-profit MSEs in which people turn to these informal sector enter-

prises as alternative in the high-profit is affected by changes in capital, as well as great to high-profit entrepre-

nence, and government works, carpentry, etc.

profit activities (like) wood carving, among
tively of the MSEs in a

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Entrepreneurship in Africa

prizes as alternative income sources in a declining economy. In contrast, the high-profit entry model is not driven by excess supply of labor, nor is it affected by changes in the GDP. These entrepreneurs have some access to capital, as well as greater business experience. Still, there are entry barriers to high-profit entrepreneurial activities, and these include capital, experience, and government regulations. High-profit industries (such as auto works, carpentry, electrical repair, and the retail sale of garments) and low-profit activities (tailoring, vending foods and firm products, knitting, and wood carving, among others) represent 19 percent and 83 percent respectively of the MSEs in a sample of more than 12,000. Expansion for high-profit industries is related to decreases in formal sector wage rates. The MSE sector is heterogeneous, and if both low- and high-profit industries were aggregated, the significant differences in the barriers, or entry-inducing factors, would be overlooked.

In chapter 4, Okechukwu Ibiedu looks at the past and present situation of black entrepreneurs in post-apartheid South Africa and discusses two opposing strategies for black economic empowerment. The top-down, formal sector approach includes the few black firms (condescendingly referred to as "black chips") on the Johannesburg Stock Exchange (JSE), potential JSE companies, portfolio investment trusts, and professional investors. The bottom-up approach, which Okechukwu believes has a greater chance for success, includes the MSEs, encompassing registered but unlisted firms and informal sector vendors. MSEs and the informal sector (estimated to be 6.8 million mostly black operators) contribute 45 percent of the GDP. Sixty-two percent of the informal entrepreneurs are women. The sector lacks access to financing and faces extremely competitive market conditions.

Some black entrepreneurs have been successful, but their capacity for economic empowerment is greatly limited. This is because the formal structure is closed to outsiders, and also because there is a tendency to concentrate directorships in the hands of a few people—previously whites, and now blacks.

Although economic reforms and the deregulation of black entrepreneurship result in increased income and buying power, black businesses are not faring particularly well. Some large conglomerates are " unbundling," which is a way to share ownership and receive funds from a large segment of the black population. More than 5 million blacks now own shares in the stock market, including a group called the Women’s Investment Portfolio, which has bought shares in both black and white-owned companies.

Chapter 5, by Mwango Kasengele, analyzes the structure of Lusaka's
clothing industry in terms of the entrepreneurs and their market. The industry is split into formal sector domestic clothing factories, dominated by Asian entrepreneurs, "boutique" garments fabricated by middle- and upper-class Zambian women (for both the formal and informal sectors); and informal sector local Zambian male tailors. Wealthy Zambian male entre-
preneurs are unsuccessful in competing in the Asian market, but Zambian female entrepreneurs concentrate on producing high-quality fashion gar-
ments for higher income clients who wear cosmopolitan, international cloth-
ing. These upper-income women, however, encounter constraints to their business expansion. For example, as with many entrepreneurs, these women also have domestic responsibilities that limit the time they can devote to business. In addition, the increase in imports of second-hand clothing from Europe and North America looms as a major threat to all the local clothing industries.

Entrepreneurs as Provisions of the City and Household

Several chapters document how small-scale entrepreneurs, especially women, supply the essential foodstuffs to some of Africa's largest cities. The importance of women's forward and backward linkages to the rural areas, to commercial growers, and to local producers is the theme of chap-
ters by Robertson, Horn, and Krieger in this section, and by Osirim in a later one. Geographical aspects of development are emphasized in the spa-
tial allocation of natural and constructed resources within rural and urban areas. Allocation and control of commercial spaces determines the layout of markets and the zoning of selling areas. This in turn affects the scale of operation, the profits, and the capacity for the expansion of MSEs.

In terms of provisioning large urban areas, Claire Robertson (chapter 6) analyzes the efforts of urban and peri-urban Kikuyu and Kamba women and men who provide foodstuffs to Nairobi, a city of 2 million. Male trad-
ers tend to be young, often landowners and wage job seekers with few or no dependents, while female traders are older, often landless, and have families. Women lack formal education and have domestic responsibilities that contribute to their relative disadvantage in the marketplace. Like women in other African countries (Clark 1994; Spring 1995; chapters in this volume by Horn, Osirim, and Daniels), female entrepreneurs in Kenya have less start-up and operating capital. Their profits on average tend to be less than men's, who are usually better financed and buy and sell higher priced commodities. Domestic obligations reduce women's selling hours and contribute to their withdrawing capital from the business for family
needs. Poor women tend to sell in areas that may not be zoned for commercial activities, whereas men can afford to locate their operations in legal areas with better access to customers, thereby ensuring higher profits. Women spend more total years in entrepreneurial activities, but men’s individual businesses last longer.

Women entrepreneurs in Harare, Zimbabwe, described by Nancy Horn in chapter 7, are the city’s main distributors of produce emanating from mostly white-owned, large commercial farms and sold to informal sector wholesalers. Here again, women entrepreneurs meet domestic responsibilities, deal with reduced profits because of large numbers of competitors, and provide foodstuffs for their families (often to augment husbands’ inadequate wages). Yet they are viewed neither as serious provisioners of the city nor as income earners.

The current marketing situation is exacerbated by the country’s structural adjustment program, in which transportation is more expensive; sources for wholesale stocks are diminished; and market sites are now located away from pedestrian traffic. Trade liberalization policies under SAP allow more produce to be imported, thereby depressing domestic markets.

Women’s commercial agricultural production is also constrained because of the labor they must perform on subsistence food crops as well as because of household chores, lack of access to land and credit, lack of water for irrigation, and lack of extension information. SAP policies that reduce employment in the formal sector increase the number of traders in the informal sector. Some fresh-produce trading is now being taken over by men.

Horn’s chapter concludes with “ten tenets of women’s entrepreneurship” that seem applicable to many African countries:

1. Entrepreneurship is a gendered activity.
2. Market women take risks.
3. They diversify income-earning activities.
4. They create microenterprise niches.
5. They do not have access to formal capital opportunities but rely on spouses, kin, money lenders, and savings.
6. Entrepreneurship requires market intelligence and reliable wholesalers, as well as knowledge of clients and their preferences.
7. Women apprentice themselves to experienced vendors to learn entrepreneurial skills.
(8) They adapt trading techniques to available locales and spaces.
(9) Women strategize in terms of ways to make a profit and devote much time to their business.
(10) Some women find freedom from domestic chores by engaging in entrepreneurial activities.

Judith Krieger (chapter 8) compares entrepreneurial and non-entrepreneurial households in Cameroon in terms of demographic characteristics, dietary items, and expenditures. She relates these to children’s health using growth indicators (weight and height for age, weight for height). She finds that the children of women entrepreneurs weigh significantly more for their height, indicating a greater food intake over an extended period, than do the children of collaborative households where husbands and wives farm together. Entrepreneurial women have a larger variety of food items in their pantries, as well as a greater quantity of food available. Women’s entrepreneurial activities vary widely in scale and range, from buying and reselling small quantities of rice on the local market to large-scale operations producing commodities for export. There are a number of reasons why entrepreneurial women’s families do better, including small but steady incomes, the ability to conceal income from spouses and other relatives, and the use of commodities to feed their children.

Entrepreneurial Management Styles and Characteristics

The chapters in this section examine the diversity of management styles in organizing enterprises. Traditional networks, ethnicity, and a display of wealth (to be interpreted as evidence of business acumen) are used by entrepreneurs in precolonial Cameroonian commerce, as discussed by Yvette Monga. In modern-day Nigeria, by contrast, Ukaegbu shows that owners of large formal sector firms balance the traditional custom of employing family members with contemporary business administration practices of hiring management based on expertise. This is a delicate balance when the business owner must deal with relatives who rely on traditional notions of patronage and clientelism for employment. Ghanaian artisans employ a variety of methods—networking, apprenticeship or otherwise learning skills—in what is usually considered a traditional crafts industry. Artisans consider themselves business owners rather than craftsmen, and McDade evaluates behavioral characteristics that are associated with business success in these enterprises.

In Yvette Monga’s study (chapter 9) of the Duala entrepreneurs of precolonial Cameroon, she challenges the Weberian view that the Protestant-
type value system is the requisite for entrepreneurial development and the presumption that savings and economic frugality outweigh other cultural characteristics in achieving capital accumulation. Another approach was used with considerable success, that of conspicuous consumption and conspicuous spending on social and familial obligations (such as bride wealth, weddings, and status occasions) to advertise the affluence of Duala entrepreneurs.

This served as a confirmation of their business competence and helped to attract the attention of potential customers and future business partners. Both German and French colonial administrations attempted to obstruct or constrain indigenous entrepreneurship, but Duala entrepreneurs successfully manipulated their schemes, primarily through reliable social networks. Social networking, critical in precolonial Duala society, formed an economic basis for commerce and trade in Cameroon that persisted until the twentieth century and that is also important to the success of business enterprises in many places (see McDade and Malecki 1997).

As noted, chapter 10, by Christian Ukaegbu, examines the contentions that arise when wealthy Nigerian entrepreneurs with limited formal education seek highly educated managers to run their enterprises. These wealthy men (and occasionally women) may have accumulated considerable savings from trade, lending, or in the informal sector. Realizing their lack of formal education and modern management training, they hire managers with B.A. and M.B.A. degrees from prestigious schools.

However, vestiges of the traditional system of placing relatives in top positions in one’s business complicate the relationship between owners/entrepreneurs and managers. Relatives who are invariably given positions within the firms may avail themselves of company funds, vote as a block, and otherwise undermine the “modern managers.” These managers often find themselves in unenviable positions between contentious relatives and the patriarch owner. Their own positions are at risk if they make decisions that might raise the ire of the owner’s relatives. Managers are impressed with the owners’ entrepreneurs’ skill in accumulating capital and ability to take the necessary risks to establish complex enterprises, their realizing their own limitations and seeking competent administrators to manage their large businesses.

Nevertheless, managers complain that entrepreneurs can be secretive about their finances and about other business transactions, and that they may withhold essential information from managers. The managers need this information, for example, to negotiate with competitors or to be aware of the value of the firm’s total capital assets and reserves. Such informa-
tion may be withheld from the relatives as well, often leading to the de-
mise of the firm if patriarchs die without grooming successors.
Barbara McClaide, in chapter 11, delineates characteristics associated
with the business success of Ghanaian cane- and rattan-weaving artisans. A
quantitative analysis using business success (indicated by sales revenues)
as the dependent variable shows that business success for both rural and
urban artisans results from decisions taken and actions performed. It is
not statistically related to personal characteristics, as postulated by
McClelland (1961).
For rural artisans, the most significant characteristics are related to in-
novation (improving products and production processes), opportunity
seeking, and traveling to other rural locations. For urban artisans, the most
significant characteristics have to do with organizing the business—decid-
ing whether it is to be a full-time or part-time operation and what is to be
its location, in addition to considerations such as the owner’s investment
plans, source of start-up or operating capital, number of employees, previ-
ous experience in business, and product innovations. McClaide observes
that innovation and change are not rare among these so-called traditional
crafts entrepreneurs.

Public Policy and Private Initiatives in Entrepreneurial Development
Entrepreneurial activities are highly affected by public policies and their
level of enforcement, as the chapters in this section attest. Whether the
climate for business is favorable or restrictive helps or hinders business
success. It has already been noted that the informal sector frequently suf-
fers from harassment by officials (see chapters by Daniels, Roberson, Horn,
Osirim, and Himbara) through campaigns to “clean up” street and infor-
mal market vendors, as well as through requirements for licensing, attempts
at taxation, and the like. Even within the formal sector in Africa, private
enterprises often do not find a conducive environment for obtaining loans
and tax credits (Falchamps), reducing tariff restrictions, providing adequate
infrastructure (Himbara), producing educated skilled labor (also see Nsude
next section), ensuring access to technology, and creating markets (Blewett
and Farley).
Availability of credit for conducting commerce may vary according to
group affiliation, even in private financial networks in the formal sector.
Falchamps reveals that “trade credits” between buyer and seller help ease
cash flow and liquidity problems, but they are more likely to be offered to
white than to black Zimbabwean business owners. For Kenya, Blewett
and Farley show that ethnic affiliation influences business transactions. Ethnic
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In leading to the de-accessioning of services associated with earning by doing, several factors are of interest to both rural and urban communities. It is not clear what is being said, or what is being published by those who are interested in the matter.

Alliances are related to interests, the need for investment, and what is to be gained. McDade observes that the traditionalists, the mainstream industries, and the consumer base have all been affected by the decision made by the government to promote entrepreneurial development in African economies and to restrict them to a few types of industries. He maintains that such interpretations are myths and argues that instead of impeding or obstructing African entrepreneurs, British colonial policy in Kenya fostered an indigenous entrepreneurial class by promoting MSEIs in the informal sector as the base from which an indigenous capitalism could develop.

However, the postindependence Kenyan government supports the practice of placing Kenyan Africans directly into the mainstream economy dominated by ethnic Asians and foreign business interests. Government policy encourages Kenyan Africans to establish medium- and large-scale businesses in commerce and industry, but, Himbara argues, most Kenyan Africans are not yet ready for this step. He therefore attributes the stagnation in the private enterprise sector to policies that impose “capitalism from above.” These policies primarily benefit reigning politicians and high-level civil servants rather than indigenous private sector businesspersons.

The misunderstood colonial approach was vindicated in the 1980s, when the government began to integrate the small-scale and informal sectors into its overall policy regime. However, the government’s “preoccupation” with loans, offices, business sites, and so on, rather than with more “decisive factors such as business skills, technical know-how, organizational competence, and establishing relationships with mainstream commerce and industry,” says Himbara, do not aid the industrial sector (also see Beddaru and Robertson, this volume).

Robert Blewett and Michael Farley (chapter 13) consider the effects of rational economic policies on entrepreneurial enterprises by evaluating what went wrong with Kenya’s popular music industry following that country’s independence. Using the booming popular music industry in Zambia in the 1960s and 1970s as the comparison, the authors (like Himbara above) cite government policy to “Africanize” the economy as a primary reason for the decline of Kenya’s music industry. Noneconomic factors such as social networks, trust, reputation, and personal relations are shown to be essential to the viability of this industry.

The Kikuyu Kenyans took control of the industry from the Asian Ken-
yans, but the Kikuyu apparently do not have credibility within the international business community. They also lack experience in international music networks, and they fail to see the popular music industry as one that is continuously changing and innovating. Their own ethnocentrism contributes to their narrowing the scope of the music produced to predominantly Kikuyu ethnic music, which does not have the mass appeal necessary to create successful popular music. Furthermore, macroeconomics policies (such as government controls on licensing and imports, and foreign-exchange restrictions) inhibit the music trade.

Marcel Fischamps argues in chapter 14 that bank credit is not the primary source of external finance for most African firms. Rather, trade credit (credit offered by suppliers) is most widely used and is of primary significance in the majority of commercial transactions. In a study encompassing more than two hundred Zimbabwean firms (ranging from small to large) and various ethnic groups (African, Asian, and European) in manufacturing and nonmanufacturing sectors, examples of trade credit included cash discounts and tolerance of delayed payments. The implicit consensus among large firms is that the cost of trade credit is cheaper than finance from banks or other formal financial lending institutions, because trade credit can be obtained more quickly and easily. Some smaller black-owned firms do not accept credit because they prefer to pay in cash, finding this more convenient than keeping track of outstanding loan accounts. White-owned firms, however, are more likely to buy on credit, finding these transactions more convenient and safer than carrying large amounts of cash.

In considering the offer of trade credit, clients are evaluated for credit worthiness through a combination of methods. These range from formal screening using published credit reports (similar to those in developed economies) to “social capital methods” that take into account the personal qualities of the potential creditor, such as reputation and social relationships. These informal methods tend to work against black business owners, whose enterprises are smaller and less well known in the formal banking and business communities.

Structural Adjustment and African Entrepreneurs

No study of development in the present period would be complete without addressing the global allocation of resources. Discussions here focus on the impact of externally induced policies, such as Structural Adjustment Programs and foreign assistance and control. How entrepreneurs react to these external pressures, and how these programs affect the ability of African entrepreneurs to compete in their own domestic markets and succ
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own ethnocentric
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serve the nation appeal
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and impacts, and for-
credit is not the pri-
mary source. Rather, trade credit is of primary signifi-
cantly encompassing (from small to large) least in manufacturing
credit included cash
implicit consensus 
broker than finance
trades, because trade
smallest black-owned
in cash, finding this
is the same.
While
firms the trans-
action of credit, and
valued for credit
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black business own-
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Structural Adjust-
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in the international marketplace, is considered in the final chapters.

How do Structural Adjustment Programs affect entrepreneurs? Mary Osihi argues in chapter 15 that entrepreneurs in the informal sector are particularly affected, in part because of their already disadvantaged status in obtaining capital, credit, and training, and in part because of the increased competition from those who have lost formal sector jobs and enter the informal sector. Women microentrepreneurs in particular face declining profits, increased competition from men (especially retrenched male workers), loss of customers, increased input costs, rising transportation costs, and inadequate workspaces. Women also face double jeopardy in terms of feeding the family as food costs increase, with spouses losing jobs and social services such as health care being cut.

Zimbabwean women are largely restricted to entering MSEs because of their low educational levels, traditional gender notions of the division of labor, and domestic responsibilities. Even their MSEs are limited to trade in foodstuffs, food processing, and household goods. They are limited as well to certain occupational categories: domestic service, beer brewing, hairdressing, sewing, knitting, crocheting, and pottery and craft making.

Many of the recent policy measures taken to remedy the problems of African economies have prescribed market liberalization, which requires resources such as labor and capital to be allocated by private sector entre-
preneurs for tradable goods. In chapter 16, Willem Naude, writing on South Africa, argues that the positive impact of liberalization can be obstructed when investors and entrepreneurs begin to doubt that it can correct eco-
nomic ills, especially if they do not understand the importance of their own roles in making it work.

Liberalization programs may initially cause increases in unemployment and resource scarcity, as the economy tightens into a more efficient system. Entrepreneurs may interpret this as the failures of liberalization rather than the transitory effects that will be corrected, and there may be private sector demands to discontinue such liberalization programs.

Naude recalls that in South Africa, entrepreneurs began to lobby for trade protection and more government intervention when they felt they were being hurt by liberalization, thereby turning the situation into a self-fueling prophecy. In a case such as this, liberalization measures fail be-
cause they are not given sufficient time to effect reform. The ability of Afri-
can entrepreneurs to maximize their returns from such reforms can be enhanced if they develop their technical, managerial, accounting, marketing, and sales skills in order to respond more effectively to the new in-
terests and opportunities. Education programs that teach skills that enhance
international competitiveness are needed to build a more capable entrepreneurial sector that can more effectively compete in the international market.

Conclusion
In summary, this volume looks at how African societies are working out the answers and solutions to economic development through the experiences of their entrepreneurs. Its prevailing theme is that the concept of entrepreneurship, in both theory and practice, must be expansive and inclusive enough to account for the multitude of entrepreneurial dimensions. Entrepreneurship finds expression in a variety of contexts that include innovation, but it is not defined by this single component. What may be new in some situations may be African versions or adaptations of phenomena already established elsewhere. Entrepreneurship in Africa encompasses both innovators and business owners.

Within the African context, there is a merger of traditional business methods (such as utilization of kinship-based networks, patronage and clientelism, and combining household and business activities) and global business practices (hiring managers with advanced degrees, employing trade credit, using computerized systems, and so on). The ways in which capital is accumulated reflect a syncretism of these methods, from lending based on ethnicity to standard bank financing.

This book necessarily gives emphasis to the importance of women entrepreneurs, who are as diverse as are their male counterparts and who carry out entrepreneurial activities at several levels. They range from the ubiquitous, well-recognized market traders and informal sector provisioners locally and in big cities to the fewer large-scale international traders and formal sector owners of firms.

The chapters in this book present a realm of variations on the theme of entrepreneurship. The authors expose on a diversity of expressions among countries and conditions in Africa that are somehow unified under the goals of economic growth. The task of providing cohesion is complex, because entrepreneurial experiences are heterogeneous. Entrepreneurship range from the woman in an open-air market selling dried beans and earning sixty-one cents a day to the M.B.A.- schooled manager of a large firm that has revenues of millions of dollars annually.

Can or should there be a general theory for this entire realm? The explanations offered here are attempts to come to terms with these issues. For example, as African entrepreneurs reformulate political and economic paradigms from their own historical and cultural perspectives, it may be
Inaccurate (or irrelevant) to define them strictly as "capitalists" (see Berman and Leys 1994).

This volume contributes to the process of answering questions while at the same time posing additional ones for future consideration, as part of a continuing debate about development. These studies describe and analyze enterprises that vary in size from manufacturing firms with 100 or more employees to handicraft enterprises with one employee. In addition to enterprise or firm size, the continuum of formal and informal sectors and private and public (to a lesser extent) enterprises is considered. In all, these studies show that entrepreneurship is not a missing commodity in Africa.

But some questions remain. A primary one is whether entrepreneurs will be the engine for economic development. Will each category of entrepreneurial enterprise (MSEs, SESs, SIs, and large firms) have to change or evolve from smaller to larger and from local to global in its methods and strategies? Will the enterprises have to move from nonstandard to so-called standard business practices, from low to high levels of capitalization, and so on, to be the catalyst of development and change? Will distinctly African patterns of entrepreneurship emerge?

For example, the consolidation of small businesses and farms into increasingly larger firms characterizes the U.S. economy. By contrast, Italy, the fifth largest economy in Europe, supports a mix of small entrepreneurs and large firms. Will African governments create optimal business climates in the private sector, in particular those governments with formerly socialist backgrounds and centralized public enterprises? Will governments fund the necessary educational and business-skills training programs, endow financial institutions to become business financiers, protect infant industries, restructure on harassment of informal sector MSIs, enhance market development both financially and spatially, and modify tariff and trade restrictions? Will gender divisions be maintained that relegate the bulk of women entrepreneurs to MSIs and only a few to formal sector industries?

The answers to these and other questions are not yet known. While the social organization and economic systems resulting from Africa’s past contribute to its present dilemma, the future will be constructed from the efforts of its entrepreneurs as they work within the evolving systems. But entrepreneurs cannot maximize their efforts in isolation. A supportive socioeconomic milieu, as well as appropriate government policies, will play critical roles in their success or failure.

How distinctly African patterns will combine with global ones remains to be seen. Also as yet unknown is how African countries will cope with
the impact of entrepreneurial efforts promulgated by international agencies, foreign governments, and multinational corporations. Development will depend on how these countries harness the entrepreneurial drive and energy into a consistently potent force for progress.

Notes
1. A study of the lifetime experiences of 1,259 entrepreneurs and 111 managers in the United States finds little evidence to support the idea that a singular lifetime experience or characteristic distinguishes entrepreneurs from "ordinary" managers (Kerr et al. 1982). Brockhaus and Horwitz's study (1986) of the psychology of the entrepreneur concludes that a causal link between small business ownership and high need for achievement is unclear.
2. Within the African context, certain ethnic groups have come to be associated with entrepreneurial prowess, as for example, the Bamileke in Cameroon, the Gurage in Ethiopia, the Ibo and Ibibio in Nigeria, and the Chagga in Tanzania (Chileshe 1992). Locally their success is frequently attributed to personal characteristics, but location vis-à-vis trading arenas and business opportunities have been factors as well.
3. Thomas (1992) divides informal economic activities into four sectors: the household, with its absence of market sector activities; the informal sector, where small-scale producers and their employees provide goods and services; the irregular sector, with its legal goods and services but production and distribution that involves some illegalities, such as tax evasion and avoidance of regulation; and the criminal sector, with its illegal output of goods and services.

References
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