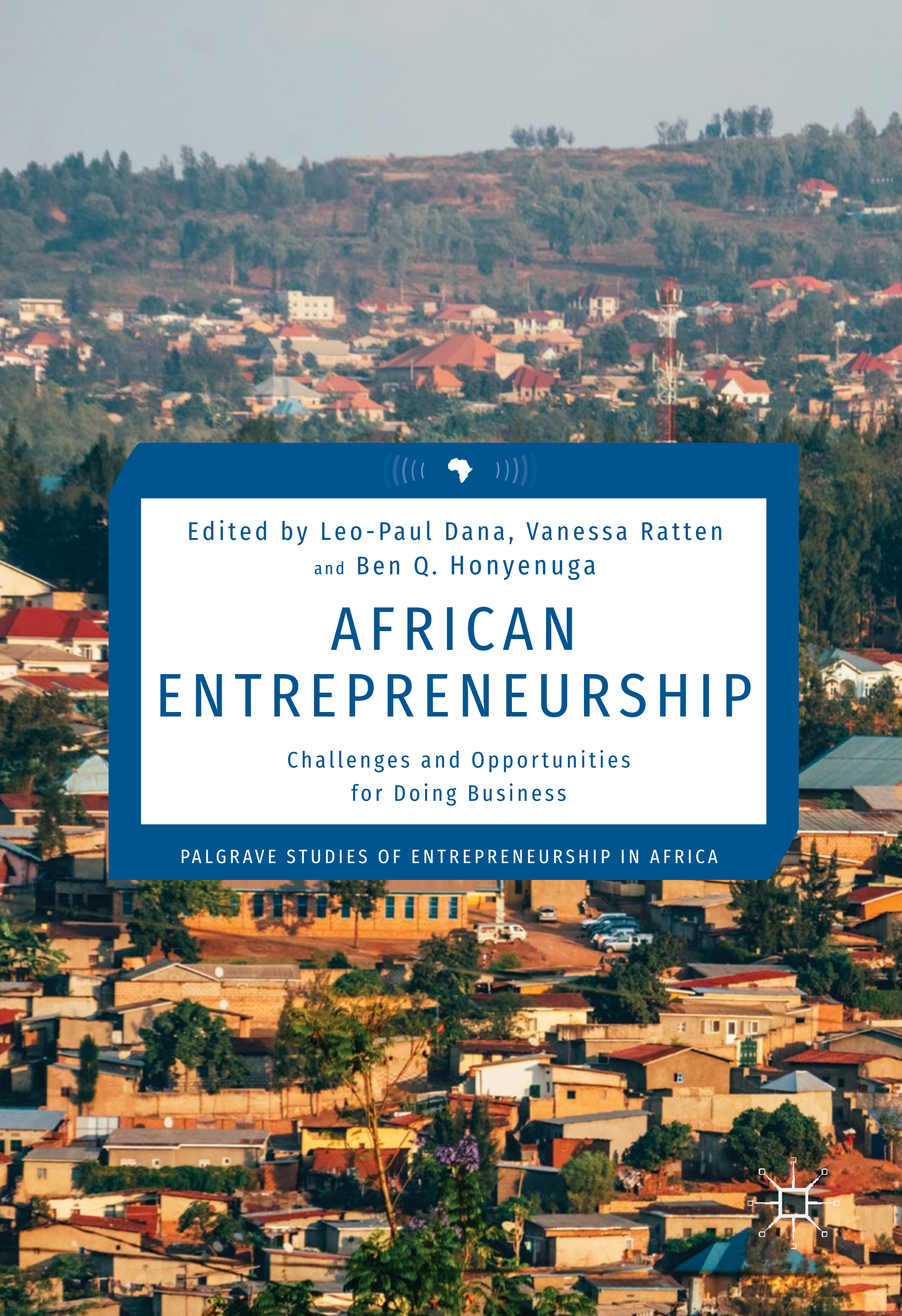

Edited by Leo-Paul Dana, Vanessa Ratten
and Ben Q. Honyenuga

AFRICAN ENTREPRENEURSHIP

Challenges and Opportunities for Doing Business

PALGRAVE STUDIES OF ENTREPRENEURSHIP IN AFRICA

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Foreword by Peter Kilby

The chapters in this volume explore through a fine lens the social and economic context in which African entrepreneurs operate. Case studies in more than a dozen countries—ranging from Nigeria to Mozambique, from Sierra Leone to Namibia—describe the opportunities and the obstacles that small enterprise currently faces.

In a daunting economic environment, we learn of the positive factors working for entrepreneurial success. Unhappily, the number and the force of impediments created by a disordered and volatile market environment more than offset these positive factors. The result is that small producers, along with most larger firms, operate well below their existing capacity with detrimental consequences for their productivity, for their income and for economic growth.

As someone who undertook research in this area long ago, the present writer is drawn to a more distant vantage point. What are the larger historical and socio-cultural factors that have produced what our authors see today? I will concentrate on but two: the colonial endowment and collectivist cultural values.

Much of the literature on colonialism focuses on its exploitive nature, its subjugation of the interests of the native populations to the enrichment of the intruding European power. While the terms of trade between the African middlemen and the Western trading companies were often sharply biased in the latter's favor, it is no less true that without the rudimentary transport infrastructure, credit arrangements and protection from tribal raids that the newcomers provided, there would have been little or no trade at all. It wasn't until about 1920 that the District Officer was replaced by a formal administration, the establishment of schools, paved roads, public health measures, hospitals and clinics. By the time of Independence in the early 1960s, save for the most isolated rural areas, life expectancy had risen by a third.

On the other side of the ledger, two "failures" of the colonial regime have played an important disabling role in the present situation. One administrative, the other political. In colonial Africa the public sector was the principal employer of technical and managerial manpower. As late as 1950, the vast majority of mid-level and senior positions were held by Europeans. Crash Africanization policies during the last decade were too little and too late. Today the absence of a committed and competent cadre of managers is to be seen in the erratic performance of the electricity grid, minimal maintenance of road and rail, clogged seaports and the many other areas documented in the contribution by Gerd Junne. Colonial inaction in this domain is of course not the only culprit. Among other factors, one would have to list an absence of a management tradition coming from tribal society and widespread corruption that loose management facilitates. But the roots of the problem are to be found in the colonial decades 1920–1950.

Although perhaps only clear in hindsight, the second misstep of the colonial authority was the type of political institutions it put in place just prior to Independence. What the problems might be in transferring the Western model of parliamentary democracy to traditional societies are best approached from the bottom-up.

From birth onwards in collectivist societies, individuals are integrated into cohesive groups. The child will grow up among a number of elders, peers and juniors within the extended family and naturally learn to conceive of him or herself as having a specific place within a structured group. In situations of continuous social contact, conformity and the maintenance of harmony with one's social environment becomes a key virtue. Children take their opinions from their elders; hierarchical relations are strictly observed. By contrast, in the individualist nuclear family, filial allegiance and mutual obligation play a far lesser role; children are brought up to have their own opinions, to be independent and to pursue their own interests.

Considerable emotional satisfaction flows from the fact that in collectivist society everyone has their place, everyone counts. No one is fully independent, no one is alone. Indeed, in happiness surveys, collectivist countries typically score higher than their individualist counterparts of comparable per capita income. And as evidenced by the chapters in this volume, group solidarity frequently benefits the small entrepreneur in both attracting customers and assisting in the supply of apprentices and material inputs.

The dark side of our collectivist virtues of trust, cooperation and sharing within the smaller grouping is less attachment to the national polity and potentially hostile competitive relations with outsiders, especially those from other ethnic groups. It is this potential incompatibility between the institutions of egalitarian parliamentary democracy and paternalistic traditional society that has often led to the political instability and biased enforcement of rules and regulations that have characterized so many African countries. The result has been a disabling volatility in the economic environment—with its accompanying breakdown of infrastructural services, input shortages and corruption—of the type described by a number of chapters in this volume.

While all African countries in 1960 faced the twin problems of a management deficit and ill-fitting government institutions, a number of them have proved that these handicaps can be overcome. Prime examples would be Botswana and Rwanda (since 1995.) Both Seretse Khama and Paul Kagame proved to be strong, farsighted leaders able to persuade the various factions to cooperate and to vigorously enforce the country's laws without bias or corruption. Botswana is particularly impressive in overcoming "the natural resource curse" that has played such havoc with Nigeria and a dozen other African countries. The political actors in these countries have been unable to resist the pressures to spend the avalanche of foreign exchange that their valuable resources brought in. With the accompanying appreciation in the exchange rate, the now cheaper imports undercut the prices of local agricultural and manufacturing products, causing these sectors to shrink. After a short period of rapid growth, these economies have fallen into stagnation. By contrast, Botswana withheld a large portion of its earnings in foreign bonds, thereby providing savings for the future and avoiding the treacherous exchange rate effect. As a result, over the past 40 years, Botswana has been among the five fastest growing economies in the world.

Wesleyan University Peter Kilby
Middletown, CT, USA

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For Naomi-Josephine and Jake

Leo-Paul Dana

For my mum Kaye Ratten and her mum Nita Greet. Hopefully they are talking together somewhere by the beach now. Also, my appreciation to my dad David Ratten and my brothers Hamish Ratten and Stuart Ratten.

Vanessa Ratten

To my mother, Mary Kuma Adanfo, for her fortitude in educating us and to my wife, Genevieve, for providing me the space and support to pursue my academic career.

Ben Q. Honyenuga

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Introduction to African Entrepreneurship

Leo-Paul Dana, Vanessa Ratten, and Ben Q. Honyenuga

Introduction

Africa is the world's second largest continent and contains a diverse range of countries from Algeria, Botswana to South Africa. This has led to there being a disparity amongst income levels for people in Africa that has recently been changing due to higher economic growth rates. There are a range of cultures in Africa that have been influenced by the historical colonisation by European countries. Most African countries are now independent, but the colonialist past has influenced their business and economic systems. There are a number of different ethnicities in Africa, which have affected the political and social environment. The independence of many

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African countries led to political instability with there being political coups and presidential assassinations. There has also been a history of some African countries having dictatorships that influenced the living conditions for many people. There is a diverse climate in Africa from tropical to subarctic that has influenced the type of business ventures that exist in Africa.

Obeng et al. (2014: 507) states "the economic structure of most African countries is polarized between a small number of large corporations and many micro- and small enterprises". Due to the disparity between large and small enterprises in Africa, there has been a need to increase the number of middle-income individuals pursuing entrepreneurship. This is important in many African countries as they transition from developing to developed country status. However, there are challenges for entrepreneurs in Africa due to the risky business environment and political conditions. Thus, there is a need to encourage more private sector business activity that is developed from entrepreneurship initiatives (Tajeddini and Ratten 2017).

Entrepreneurship is defined as a "process of creating something new and assuming the risks and rewards" (Hisrich and Peters 1992: 10). This wide definition means that entrepreneurship in Africa involves making decisions that involve responsibility in terms of weighing up the advantages and disadvantages of the business activity. Entrepreneurs in Africa pursue business ventures as a way of assembling resources that have a potential future gain. For entrepreneurs to be successful they need to have an action plan that involves the management of required resources (Gerguri-Rashiti et al. 2017).

Entrepreneurship has been recognised by stakeholders as a major driver of economic development due to its impact on job creation and poverty alleviation (Acs et al. 2008; Adusei 2016). Whilst Africa's entrepreneurial performance has been described as weak, positive developments regarding entrepreneurship and entrepreneurial ability in Africa are encouraging (Kshetri 2011). In Africa, the potential for self-employment abounds but limited research on African entrepreneurship leaves a gap regarding the contribution of entrepreneurship to economic growth in Africa (Naude and Havenga 2007). In this regard, researching opportunities and challenges of doing business by African entrepreneurs deserve attention in the literature due to cultural reasons (Dana and Ratten 2017) more so, when at the centrepiece of entrepreneurship are entrepreneurs who are in charge of opportunity spotting and gathering the factors of production for the creation of new ventures (Robson et al. 2009). In addition, the dramatic changes in the global business environment of which no industry is immune (Prahalad and Krishman 2008) demand a review of opportunities and challenges of doing business.

This book features different perspectives on African entrepreneurship with respect to entrepreneurship opportunities and challenges. The divergent topics and perspectives covered by this book essentially contribute to lighting the path of entrepreneurship in Africa and provide opportunity for further research on African entrepreneurship. The book is organised into 12 chapters in addition to the present introductory chapter which has an overview of the subsequent chapters.

The Structure of the Book

Chapter 2 titled 'Bringing Africa into Entrepreneurship Research' by Vanessa Ratten and Paul Jones discusses the changing nature of entrepreneurship in Africa. This is an important step to ensuring more research focuses on Africa as it has been previously neglected in entrepreneurship research. The chapter presents the importance of entrepreneurship in Africa through a literature review and discusses the main issues connecting African business to entrepreneurship as well as justifying the growing interest in distinct African entrepreneurship types.

Chapter 3 titled 'Tanzania as an Emerging Entrepreneurial Ecosystem: Prospects and Challenges' by Bella Galperin and Lemayon Melyoki examines the role of stakeholders within a country that affects entrepreneurship. This is important in understanding how regional economic policy influences the attitudes towards entrepreneurship and future trends towards self-employment. In this chapter, the authors present entrepreneurship ecosystems and the key role that an entrepreneurial ecosystem may play in the development of Tanzania. Among other things, the chapter discusses the success factors and challenges of entrepreneurial activities and economic prosperity.

Chapter 4 titled 'The Kenyan Environment's Influence on the Emergence and Development of Corporate Entrepreneurship Among SMEs' by Michael J. Mustafa and Mathew Hughes analyses how small business can develop into larger business in Africa. The use of corporate entrepreneurship as a strategy is discussed as an opportunity for Kenyan business people. This chapter draws on institutional theory and examines the influence of the external environment on the development of corporate entrepreneurship among SMEs. The findings indicate that individual and firm-level networks, deregulation and government support initiatives were necessary conditions that promote corporate entrepreneurship among service sector SMEs in Kenya.

Chapter 5 titled 'Entrepreneurship Education in Developing Countries: A Study of the Key Challenges in Sierra Leone' by Alfred Mbeteh and Massimiliano Pellegrini discusses the importance of knowledge and learning in fostering entrepreneurial business practices. This is an important way to understand how developing countries in Africa utilise entrepreneurship education. The chapter devotes attention to entrepreneurship education in developing countries with Sierra Leone as a case study. The study is insightful as it makes a case for entrepreneurship education as a tool to overcoming the rising unemployment among the youth of Africa when challenges such as funding, government policy, appropriate curricular, negative cultural perception and the availability of experienced entrepreneurship educators are overcome.

Chapter 6 titled 'African Entrepreneurship: Constraints and Improvements' by Gerd Junne provides an interesting analysis of recent business developments in Africa. This is useful in understanding the changing nature of business in Africa as to how it is progressing. The chapter focuses on constraints and improvements confronting African entrepreneurs. The chapter identifies broad aspects of entrepreneurship in Africa and focuses on specific constraints that limit opportunities for entrepreneurs to grow their businesses in Africa and suggests measures to expand the opportunities.

Chapter 7 titled 'Entrepreneurial Opportunities and Challenges for Retired Senior Military Officers in Nigeria' by Kaseem Ayasi and Nnamdi Madichie highlights how government employees can become entrepreneurs in their later careers. This provides a different perspective to entrepreneurship in Africa by focusing on public sector employees. In the chapter a specialised issue of entrepreneurship opportunities for retired senior military officers in Nigeria is discussed. The chapter touches on the history of the military in governance of Nigeria and the role that entrepreneurship among the retired military officers can play in Nigeria's development and makes a case for the reversal of entrepreneurial failure among the retired senior military officers.

Chapter 8 titled 'Income Diversification and Banks' Profitability from an African Markets Perspective: A Relief for SMEs' by Isaac Boadi focuses on the role of financial institutions in the economy. This is helpful in providing a way to understand how business is changing in Africa based on financial sustainability. This chapter draws attention to banks as stakeholders of entrepreneurs especially those involved in SME businesses and argues that income diversification has a negative impact on banks' profitability.

Chapter 9 titled 'Entrepreneurship and SMEs' Productivity Challenges in Sub-Saharan Africa' by Paul Agu Igwe, Adah Emmanuel Onjewu and Simon Nwibo discusses how small businesses are developing based on their economic efficiency. This provides a useful way to understand the role entrepreneurial behaviour plays in the African economy. In this chapter, the author examines entrepreneurship and SME productivity challenges in six countries in Sub-Saharan Africa. The factors identified as affecting investment and productivity include education of the labour force, access to infrastructure, firm size and finance. Essentially, these business environment variables need to be improved to enhance productivity and investment.

Chapter 10 titled 'Entrepreneur-SME Manager Traits and Sources of Financing' by Abiodun Anthony Eniola discusses the role of psychology in influencing African entrepreneurship. This provides a way of incorporating organisational behaviour theory into discussions about African entrepreneurship. In this chapter, the authors examine the influence of owner-manager characteristics on the choices of sources of funding for SMEs in Nigeria. The chapter identifies gender, education and religion business status and management experience as the characteristics which have an impact on sources of financing for SMEs in Nigeria.

Chapter 11 titled 'Brokering: Africa's Unique Brand of Entrepreneurship' by Daniel Quaye, Atsu Nkukpornu and George Acheampong provides an interesting discussion about the new forms of negotiating affecting African entrepreneurship. This is useful in understanding the way entrepreneurship in Africa is developing. Chapter 11 discusses Africa's unique brand of entrepreneurship called brokerage which is a new phenomenon in entrepreneurship and by its practice has existed for decades. The chapter highlights that the acceptability of brokerage is varied depending on one's perception and calls for future research into the phenomenon to unravel its potential or otherwise.

Chapter 12 titled 'South Africa's White Entrepreneurs: An Evolution from Opportunity to Necessity' by Warren Lloyd discusses the different forms of entrepreneurship in Africa based on resource characteristics. This helps to understand the different approaches entrepreneurs in Africa utilise in developing their businesses.

Chapter 13 titled 'Entrepreneurship Policy for the Health Sector in Rwanda: A Quest for Contextual Social Inclusion' by Marcela Ramirez-Pasillas, Hans Lundberg and Sabine Umuhire provides an interesting perspective of entrepreneurship from a health point of view, which is important for sustaining economic growth in Africa.

Conclusion

In summary, this book on *African Entrepreneurship: Challenges and Opportunities for Doing Business* is a timely intervention to document different segments and shades of entrepreneurship in Africa which may be of value to scholars, policymakers, development partners, students and youth as well as the general public. This chapter focused on the role of entrepreneurship in Africa by highlighting its distinguishing characteristics that will be discussed further in the book. The importance of entrepreneurship in Africa will be highlighted in the chapters that acknowledge the historical events that have shaped current business practices. Thus, the book will stress how the distinctiveness of African entrepreneurship provides an interesting field of research. The emerging issues for future research will also be stated that emphasise the need for a contextual understanding of entrepreneurship in Africa.

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2

Bringing Africa into Entrepreneurship Research

Vanessa Ratten and Paul Jones

Introduction

Entrepreneurship is considered as a solution to the economic and social problems in parts of Africa (Tvedten et al. 2014). There is a growing recognition that entrepreneurship in Africa provides a way to enable financial independence and control over one's destiny. This is important to community development and increasing the quality of life for people in Africa. Reid et al. (2015: 264) states, "while Africans display among the highest entrepreneurial intent globally, African countries are less well prepared than many other regions to capitalize on these motivations". The reason for this might be that there are more people being pushed into entrepreneurship due to their lack of education and job opportunities (Ferreira et al. 2017). The poor economic conditions in parts of

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Africa have influenced more people to see self-employment as a good career choice.

Entrepreneurship has been lower in Africa compared to other parts of the world due to the abundance of state-owned enterprises (Edoho 2016). This has discouraged small business activity and the incentive for individuals to engage in entrepreneurship. In addition, there was an emphasis on government-controlled businesses that discourage private investment in new start-ups. More recently there has been a shift towards entrepreneurship as a way to increase employment and economic growth (Garba 2010). Adenle (2017: 94) states that in Africa "entrepreneurship will play a critical role in tackling the youth unemployment that is growing at exponential rate in the continent". In order to help encourage more entrepreneurship in Africa, education plays an important role. This is due to the business skills that entrepreneurship education teaches that can help empower people to start businesses (Ratten 2011). In addition, entrepreneurship education that incorporates knowledge and information about business can transform the African economy (Adenle 2017).

There is a difference in entrepreneurship in Africa and other parts of the world due to the cultural and historical factors. However, this disparity is changing as more entrepreneurs in Africa become successful and globalize their business ventures. Only recently has there been an increased interest in African entrepreneurship due to the economic growth in the region. George et al. (2016: 377) states, "Africa is beginning to capture the imagination of entrepreneurs, corporate executives, and scholars as an emerging market of new growth opportunities". Despite the popularity of African entrepreneurship in the media, there is still a lack of understanding in the academic literature about how it is different compared to other geographical locations. For this reason, it is important to provide an overview of current research about African entrepreneurship as a way to project future research intentions. This is due to the historical and institutional factors that have affected the performance of African businesses (Tvedten et al. 2014). In addition, within Africa there are a number of diverse countries with different business systems that make it necessary to examine individual countries rather than categorize all countries as the same. The competitiveness of business in Africa has been limited by the cultural barriers and perceived ability to be entrepreneurial.

This chapter will facilitate the development of research on African entrepreneurship by providing a discussion of the literature in order to understand current gaps. Hence, the chapter will discuss the role of entrepreneurship in Africa through a review of the key findings and policy implications. This will provide a way of understanding the current state of the research about African entrepreneurship and how to move the field forward. This chapter is structured as follows. The importance of entrepreneurship in Africa is outlined including the historical development of research. The main issues connecting African business to entrepreneurship are then stated. The discussion section states the reasons for the increased global interest in Africa and the rapid emergence of distinct entrepreneurial types of business. The chapter concludes by suggesting future research directions and implications for theory.

Literature Review

Rise of Entrepreneurship

Entrepreneurship plays an important role in the economic growth of most countries. Despite the significance given to entrepreneurship in Asia as part of the change for many countries from developing to developed, there has been less emphasis on it in Africa. This is despite there being more acknowledgement of entrepreneurship in Africa in the past decade as a way to stimulate investment and business activity. Much of the literature about emerging economies has tended to focus on Asia and Europe with minimal acknowledgement of the role Africa plays in the global economy. There has been a long tradition of entrepreneurship in Africa but it has been different to that in other geographic areas due to the cultural context. Nafukho and Muyia (2010: 99) state, “in Africa, entrepreneurship has existed since time immemorial”. Therefore, it is important to understand why there has been a lack of research about entrepreneurship in Africa as a way to move the field forward.

Edoho (2016: 280) states that entrepreneurship can be differentiated in terms of social outcomes by “productive (social gains), unproductive (zero social gains) or destructive (social losses)”. Productive entrepreneurship in Africa provides a way to help disadvantaged people gain access to needed services. Unproductive entrepreneurship means no changes occur in the business environment to impact society. Destructive entrepreneurship involves negative effects from business activity that harm individuals. All these types of entrepreneurship offer a way to progress economically and socially by focusing on business ventures. Rodrik (2016) suggests that to ensure continued economic growth in the future for Africa, there needs to be more emphasis on entrepreneurial opportunities. This is due to entrepreneurship involving identifying opportunities in a marketplace so that there can be practical outcomes.

Often there is a need for flexibility in the way opportunities are evaluated so resources can be assembled. This involves making decisions as to the risks and rewards associated with developing the idea. Opportunities are discovered in different ways depending on the environmental context. There are three main types of entrepreneurial opportunities: recognition, discovery and creation (Sarasvathy et al. 2003). Opportunity recognition involves being aware of business ideas that can lead to financial gain. Discovery refers to finding new ways to conduct business. Creation refers to starting new businesses that are innovative or new to previously existing ones.

Africa is seen as an area of emerging business interest due to its potential for growth and entrepreneurial opportunities. There has been a change in the perception of business in Africa to a more positive outlook than the past. Tvetven et al. (2014) suggest there are three main reasons for the increased interest in African entrepreneurship. First, more businesses are changing to a formal status that makes them easier to regulate. This is important in encouraging businesses to move from informal to formal status in order to increase internationalization rates. In addition, the structure of African economies has developed to have a more transparent business environment. Second, there is a middle class emerging in Africa who want to be entrepreneurs and involved in business. This means that more people in Africa are starting new businesses, and this is impacting the entrepreneurial ecosystem. Third, there are some very successful African companies that are paving the way for other businesses to follow.

Entrepreneurship is a buzzword that is used globally to indicate some kind of innovative business activity. There will be a growing recognition of the role entrepreneurship plays due to its business policy and societal implications for Africa. Devine and Kiggundu (2016: 350) state that "in Africa, entrepreneurship is examined amidst the individual entrepreneur, small and medium enterprises (SMEs) and family businesses". Thus, Africa is considered a region that has a large number of developing countries which means there is potential for business growth as the lower-income classes move to become middle-class citizens with more disposable income. Due to the economic potential of developing countries in Africa, there has been a recognition in the global community that there needs to be interaction between business, government and society. The private and public sectors have obligations towards the socio-economic development of Africa (Amaeshi and Idemudia 2015). It is important that entrepreneurship research acknowledges the unique African culture and diversity of people within the African continent.

Economic Performance of Africa

The economic performance of many African countries has transformed in the past decade from negative to positive growth rates. Africa is one of the most resource-rich areas in the world due to its abundance of natural resources. However, there are many different types of countries in Africa with different views about entrepreneurship. The mining industry in Africa is amongst the world's largest and contributes substantially to economic growth. There is also the agricultural industry that exports products including coffee and cotton. Such industries provide the foundation for the many African countries, but there has been a shift in economic policy towards more knowledge and service type of industries due to the potential for more long-term value. This change in economic policy has influenced orientation towards entrepreneurship and the flow of financial capital into new industries.

Khavul et al. (2009: 1219) states that "management and entrepreneurship scholars in general have ignored emerging economies in Africa". The lack of attention from entrepreneurship scholars in Africa is interesting given the novel start-ups and ideas that come from this region. Since the independence of some African countries, there have been dictatorships that have negatively affected economic growth. Moreover, there has been a high proportion of low-income people in Africa with one half of the world's poorest people living in the continent (Khavul et al. 2009). The large land mass and political differences between countries in Africa have meant difficulties for business in internationalizing. This has led to a lack of economic integration and unity in terms of business practices. Edoho (2016: 282) states, "African economies generally comprise formal sector dominated by opportunity-driven entrepreneurs and informal sector inhabited by necessity-driven entrepreneurs". Thus, there is a large proportion of informal businesses in Africa due to their unregistered status and small number of employees. Some of these informal businesses have behaved in an entrepreneurial manner in terms of the products and services sold but often do not attract media attention.

Entrepreneurship in Africa has been used as a way to reduce conflict after wars due to its ability to generate financial gains and employment. This is evident in the Rwandan coffee industry that utilized entrepreneurship post-genocide to rebuild the economy. Africa has the highest participation of women in early-stage entrepreneurial activity in the world (Global Entrepreneurship Monitor 2015). This has meant that there is increased interest in African entrepreneurship due to its potential of fostering business development. More academics are becoming interested in Africa due to its cultural heritage and innovative business practices (Devine and Kiggundu 2016). This is the result of different cultural conditions and treatment of entrepreneurship in Africa.

Amongst the largest economies in Africa is Nigeria, but it has a high unemployment rate (Edoho 2016). Adenle (2017) proposes that a triple helix approach be used in Africa for entrepreneurship development particularly amongst countries with high unemployment. This is due to the triple helix referring to the interaction that takes place between business, governments and universities. Often additional helixes are included in this network system including cultural and social elements as a way of understanding entrepreneurship ecosystems. The political instability and deregulation of industries have a positive effect on entrepreneurship in Africa (Munemo 2012). Entrepreneurship is generally viewed as the rate of new business activity in the marketplace but the context affects its interpretation particularly in Africa. This general definition focuses on the formal nature of entrepreneurship that is based on registered businesses, thus it may exclude informal businesses. Political stability is important to fostering entrepreneurship as it measures how likely there will be changes in laws and regulations in a society. In parts of Africa, there has been political instability due to changing governments, which has affected the entrepreneurial intention and ability of people.

Demographics of Africa

Africa has a different demographic to many other regions as over half the population are under the age of 25 (George et al. 2016). Some of the major problems in Africa include "unemployment, insecurity, food shortages, and environmental degradation" (Karanda and Toledano 2012: 204). Unemployment in parts of Africa is high with the government viewing entrepreneurship as a way to create jobs. Moreover, graduate unemployment is noted as high in several European countries (Adawo and Atan 2013). However, the cultural and social notion of entrepreneurship may differ in some African countries, thereby discouraging people from starting their own businesses. Political instability in parts of Africa has also influenced business activity with international investors focusing on countries they feel are less risky. Food shortages in Africa have meant international aid has focused on nutrition and health rather than the creation of new jobs. Moreover, environmental degradation in parts of Africa has meant less farming land is available.

There is linguistic diversity in Africa that influences cultural events and business opportunities. George et al. (2016: 381) states that "25% of all languages are spoken in Africa, with over 2000 recognised languages spoken on the continent". Whilst English is considered the international business language, the diversity of languages in Africa can make it difficult for business. To help encourage more people to become entrepreneurs in Africa, there needs to be more research about the topic of diversity. In addition, there is an immense range of entrepreneurs in Africa ranging from micro informal businesses to large multinationals. Entrepreneurship scholars have the opportunity to conduct studies about African entrepreneurship that help to build a body of knowledge about this geographical area.

This entrepreneurship is evident in the use of information communication technology in Africa to transcend communication barriers and establish new markets (Meso et al. 2005). Nafukho and Muyia (2010) give the example of Mohammed Ibrahim as a successful entrepreneur in Africa due to pioneering the first mobile company. Entrepreneurship has also been evident in the mining and resource sector. Countries such as Malawi and Zambia offer rich copper reserves that have influenced the growth of the mining sector. However, most of the economies in Africa are based on agriculture and the resource industry. The droughts in some African countries notably Ethiopia have affected the agricultural industry and ability of the country to feed its citizens. In addition, there is a lack of clean drinking water, which has affected nutrition rates. The commercial history of countries in Africa such as Kenya have had a barter and trading existence in terms of exchanging basketry, beads and pottery. These craft and farm goods were used in the African economy for centuries before the advent of the knowledge economy that values more information communications technology types of services. Entrepreneurs need to be innovative in enabling tasks that lead to the development of businesses (Ratten 2016). Nafukho and Muyia (2010: 99) define entrepreneur's new tasks as involving "creating a new business venture or managing an ongoing operation but the tasks must be creative or must respond to change and add value".

The lack of entrepreneurship research in Africa is partly explained by the large amount of scholars residing in other geographic locations. Most research on Africa focuses on countries with a high gross domestic product (George et al. 2016). In African society, there has been a tendency to focus on the extended family for employment opportunities, which can act as a deterrent to entrepreneurship. Luke and Munshi (2006) in a study of Kenya found that kinship networks influence the labour market in a number of ways.

Entrepreneurship in Africa

Entrepreneurship in Africa is a fluid area that is constantly changing to suit social and political circumstances. Amaeshi and Idemudia (2015: 210) define Africapitalism as "an economic philosophy that embodies the private sectors commitment to the economic transformation of Africa through investments that generate both economic prosperity and social wealth". There are a number of reasons for the lower rates of entrepreneurship in Africa compared to other regions. This includes limited infrastructure particularly in landlocked countries that make it challenging for exporters. Poor infrastructure (e.g. ineffective or unreliable electricity, water supply and inadequate road, rail and air services networks) is endemic in African countries particularly in more rural regions. African Rural regions also suffer from a talent drain whereby people migrate to the capital city seeking employment. The consequence of this is limited economic activity in rural areas and infrastructural overload (e.g. road gridlock) in the major cities. In addition, there have been government policies not conducive to entrepreneurship and instead favouring state-run organizations. Many African countries suffer from excessive administration processes and excessive tax systems that impact negatively upon the small business community and entrepreneurial spirit.

Robson et al. (2009) highlight how institutional support tends to be low for new ventures. This means there has tended to be a lack of financial and educational resources available to entrepreneurs. In Africa, there is a tendency to rely on family members for employment and financial needs that impact on the independence of the business venture. Takyi-Asiedu (1993) points out how there are different sociocultural factors that impact entrepreneurial activity in Africa. In Africa like other continents, there can be enterprise without entrepreneurship, which means there is a lack of innovation or creativity. However, what is considered entrepreneurship is contextual and differs based on cultural and social beliefs. Thus, there needs to be a broader perspective about how to understand entrepreneurship in order to bring in new understandings from different cultures.

There is a dualism in the African economy with large state-owned enterprises co-existing with micro businesses. This has been the result of a lack of social assistance to many people in Africa meaning that to survive they have to become entrepreneurs. Not all entrepreneurship is positive, and this is reflected in the types of businesses created. Although entrepreneurship in Africa has the potential to change economic conditions by creating more self-sufficient job opportunities.

Social capital is a way African entrepreneurs can overcome barriers to target growth opportunities. This is due to institutional ties that link entrepreneurs to government bodies that can provide a way to deal with bureaucracy in a positive manner. The level of entrepreneurship differs amongst countries in Africa due to educational and cultural reasons. For example, Gamba (2017) found that there was a lower level of trust and information sharing in Tanzania compared to Rwanda.

Entrepreneurship research is still largely understood from a European and North American perspective (Bruton et al. 2008). This has led to most of the entrepreneurship theories coming from a developed country background, which has inbuilt biases. To examine African entrepreneurship, the economic and social relationships that influence entrepreneurship need to be understood. This recognizes that culture impacts business and emphasizes the importance of social relationships. Takyi-Asiedu (1993) discussed how entrepreneurship was present in the ancient empires of Ghana and Songhai, which means that often entrepreneurship is limited by cultural constraints and social conditions.

Dana (1995: 67) states that “entrepreneurial dimensions are circumscribed by family, government or other environmental factors”. Therefore, entrepreneurship provides a way of nourishing people by increasing their self-sufficiency and confidence. Anderson and Obeng (2017: 25) state, “the lack of entrepreneurship in Africa is broadly attributed to both structured and personal characteristics”. The structural includes the lack of financial institutions being willing to lend money to entrepreneurs. This lack of finance problem exists in other countries but is more pronounced in Africa due to the role governments have in the financial sector. The personal characteristics might include the lack of education in how to register a business. In addition, there is a gender component to entrepreneurship that is more evident in some African countries. For example, in Ghana males are likely to be the fishermen, whilst females trade the fish.

Due to the existence of other geographic trading blocs such as the European Union, there has been a tendency to promote more economic integration amongst countries in Africa. In emerging economies, there is a tendency to view all the same without considering their size and history (Bruton et al. 2008). There is a need to use more multi-country samples of Africa to compare and contrast entrepreneurship rates. There are many countries in Africa that each require more research in terms of business development. In parts of Africa particularly rural-based economies, there is more emphasis on maintaining networks and relationships rather than having independent action. This has encouraged extended family networks to continue by encouraging social welfare but may be detrimental to entrepreneurship.

Encouraging Entrepreneurship Through Education

To encourage economic growth, many governments in Africa have started entrepreneurship education programmes to teach skills about business management (Co and Mitchell 2006). In Africa there tends to be a social structure that is authoritarian and hierarchical (Takyi-Asiedu 1993). This is reflected in the political situation existing in some African countries with presidents having long time periods in power. There have been several bribery and corruption scandals involving some African presidents that have resulted in less economic growth than could have been achieved through a democracy (Asongu 2013). Often these political leaders in Africa who have been in power for a long time are replaced by revolutionary leaders. This political instability has affected entrepreneurs as they need to have the perseverance and drive to see an idea from inception to commercialization.

Takyi-Asiedu (1993: 94) states, "the traditional social structure in Africa makes women submissive to men". This has resulted in gender imbalances amongst business leaders particularly in large state-controlled companies. However, this gender inequity is changing as more females enter the workforce. There are many successful female entrepreneurs in Africa with the craft industries providing a good way for females to balance work and family life. The gender issues regarding entrepreneurship in Africa are similar to many other geographical locations but may differ based on cultural stereotypes.

The political and economic systems in parts of Africa have been incompatible with entrepreneurship due to the focus on government rather than private enterprise. Therefore, there has been a focus on social entrepreneurship in Africa as a way to redistribute wealth and help disadvantaged parts of society. In Africa there has been the tribal system with people born into different levels within their tribe. This has influenced economic life and created difficulties in business. There is also rivalry between tribes in Africa that effects business life. Takyi-Asiedu (1993: 95) states, "the ethnic rivalry between the Kalenjin (one of the smaller tribes in Kenya) and the Kikuyu (the dominant tribe in Kenya) is one of the political maneuvers aimed at ending Kikuyu dominance in all spheres of economic life in Kenya".

In Africa there have been market failures that have resulted in a large informal economy that can make it hard to assess the entrepreneurship existing in a country. There is also a strong ethnic group identity in Africa with tribal systems impacting business practices. This has resulted in Africa being considered as an area with untapped entrepreneurial and growth potential. Thus, there needs to be institutional change in Africa to encourage more entrepreneurship as there is currently a poor governance system in some countries (Dibie et al. 2015). This lack of stability hampers business confidence and makes it challenging for entrepreneurs.

Africa has a history of colonialism, distressed civil societies and bad governance (Amaeshi and Idemucha 2015). There has been tremendous international aid given to Africa, but instead of helping it has in some cases created a sense of dependency. This has meant that there has been a lack of business market development that has impeded progress. Sriram and Mersha (2006: 137) state, "the average per capita income in sub-Saharan Africa today is lower than it was at the end of the 1960s". Whilst many developing countries in Asia have grown significantly, some in Africa have declined. There is an awareness that there needs to be education rather than just aid to help Africa increase economic growth rates.

Entrepreneurship has tended to be more valued in countries in Asia and the United States but less in Africa (Bruton et al. 2015) Governments in Africa are creating entrepreneurship funds to help support new businesses (Nafukho and Muyia 2010). There are individual and societal benefits to entrepreneurship in Africa. Disadvantaged members of society can gain confidence from entrepreneurship education and training. This is occurring in Africa at different stages of education including primary school to higher education institutions. Thus, it is important to have effective entrepreneurship education in order to shift unproductive activities into more productive economies.

In the global market, there is increased recognition of the improved business conditions in Africa. However, Africa contains several diverse countries with different entrepreneurial orientations. Some African countries have a more dynamic business environment and are internationally competitive. Other countries are more bureaucratic and less entrepreneurial as a result of state-subsidized businesses. Tvedten et al. (2014: 252) state, “the literature on rising African enterprises tends to focus on a few countries (typically Nigeria, Kenya, Ghana or Botswana)”. These countries are not representative of the entrepreneurship occurring in other African countries, which means there are biased reports. Entrepreneurship in Africa needs to be understood from the experience of its people in order to obtain a personal reflection of how it is changing. Research about Africa often comes from an outsider’s perspective without realizing the distinct personal experiences of its citizens.

There is limited comparable data about entrepreneurship in Africa that makes it problematic to analyse. In addition, entrepreneurship can be a subjective topic and its meaning is often culturally biased. In a study about African enterprises, McCormick (1999) suggested there are a number of limiting factors affecting business development. This includes the lack of accountability and trust in the government, which is partly the result of historical events. Thus, the labour and financial markets need to be more stable before efficient business practices can emerge. There are increased urbanization rates in Africa, which are impacting the labour force and need for employment and self-employment.

Institutional Structures in Africa

Institutions are important in Africa for giving stability to entrepreneurs and as a foundation for business development. Formal institutions such as banks are required for entrepreneurs in order to gain access to funding for business activities. Economic growth in the form of job opportunities is helpful in reducing social tensions in Africa. It is worth promoting entrepreneurship as a way of decreasing social inequality. The business climate in Africa needs to change by embracing creativity and innovation, which are required in entrepreneurship. To build the appropriate environment for entrepreneurship, there needs to be suitable infrastructure and education. In the formal sector, entrepreneurs are seen as more opportunity driven and focus on high risk but innovative products (Kuada 2015). In Africa, there is greater emphasis on the informal sector in business as it is typically larger than the formal sector. The informal sector in the African economy normally has minimal capital required to start businesses and offers low value added competitiveness (Edoho 2016). This results in many African entrepreneurs being in the informal sector due to necessity and having smaller-sized business. In many African countries, this gives rise to a significant black economy including illegal activities such as street sellers. Whilst providing a means of income generation, this behaviour is hardly entrepreneurial and is difficult to escape from. Thus, informal entrepreneurs are often operating businesses for their survival rather than trying to devise new opportunities. In the informal sector, self-employment enables participants to set their own work hours and geographical place of work. These informal sector entrepreneurs have been referred to as working in the bazaar economy due to the abundance of microenterprises (Edoho 2016).

Frese et al. (2002) in a study of Namibia businesses found that strategic planning can help drive entrepreneurship. Entrepreneurship is underdeveloped in Africa due to the past reliance on the government instead of private business for employment. Each entrepreneur in Africa is unique with their own capabilities, so it is not correct to stereotype all business in Africa as the same. Therefore, understanding entrepreneurship in Africa is a complex process due to the diversity of cultures and business practices.

International trade is increasing in Africa due to the existence of improved economic and social conditions (Dzvimbo and Moloi 2013). It is important to respect the lived experiences of African people that affect their entrepreneurship (Reid et al. 2015). Most countries in Africa are considered factor driven as they rely on macroeconomic stability to survive (Reid et al. 2015). The creation of infrastructure is also a feature of factor-driven economies that enables financial and social stability. There is a dearth of research about comparing different entrepreneurship styles in Africa. This has created a perception of all African entrepreneurship being the same when each country needs to be studied individually, which necessitates a number of future research avenues.

Questions for Future Research

There are several interesting questions for future research regarding African entrepreneurship. Africa offers inspiration and interesting insights regarding entrepreneurship that differs to the extant literature. The emergent literature about African entrepreneurship provides novel ideas about the diversity of business practices but needs to question how the cultural diversity and historical context of Africa differ from other geographical locations. New theoretical insights regarding entrepreneurship will develop from Africa due to the economic and social transformations. Thus, there needs to be careful and considerate examination of entrepreneurship in Africa in order to gain an improved understanding regarding its people. Africa has been seen as being one geographic region with the same business practices, but in reality there are different cultural values that influence entrepreneurship. This raises an interesting question regarding how is Africa becoming increasingly globalized due to the decreased costs of using information technology communications? There is a need for more research that understands the diversity of Africa and its distinct entrepreneurial practices.

In Africa there is lost outcomes from the untapped entrepreneurial capabilities of people. A strategic approach to increasing entrepreneurship rates in Africa is required at a national level to positively impact economic growth rates. Individual countries in Africa need to create effective ecosystems to support business start-up and growth. This includes the educational sector offering effective experiential curriculum that supports innovation and creativity-focused graduate start-ups, seed corn funding and business incubation facilities. Best practice from innovation-driven economies must be identified and customized for an African context. Much research needs to be done to disseminate and evaluate this practice. African economies blighted by high graduate unemployment such as Nigeria need to reconsider how they can encourage self-employability opportunities. This chapter suggests that lessons can be learnt from other countries about how to harness the economic and social potential of entrepreneurship. There needs to be a more accepting environment for the experimenting of ideas that have business potential. This can be difficult in some African countries that have a fragile and unstable political system.

Conclusion

This chapter has shared information regarding how entrepreneurship in Africa is evolving. The existing literature regarding entrepreneurship in Africa was reviewed. This then linked into the section that describes the future for entrepreneurship in Africa. However, more information is required to discuss the nuances of African society given its diversity and its impact on entrepreneurship. There needs to be some trepidation about proclaiming entrepreneurship in Africa as growing as there still is a long way to go before it is fully integrated into society. Whilst Africa contains great entrepreneurial spirit, there is a significant amount of necessity-driven, informal entrepreneurship which lacks the capacity to transform and impact significantly upon respective economies. Thus, there needs to be more effort by researchers to focus on African entrepreneurship that endorses the increased global attention on the continent. Moreover, policymakers need to promote the positive aspects of entrepreneurship in Africa and effectively support its development through funding and infrastructure. This means focusing on how to encourage more effective entrepreneurial behaviour particularly for individuals, entrepreneurs, investors and policymakers in Africa.

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3

Tanzania as an Emerging Entrepreneurial Ecosystem: Prospects and Challenges

Bella L. Galperin and Lemayon L. Melyoki

Introduction

Interest in the concept of entrepreneurial ecosystems has gained currency among researchers, policymakers, and practitioners (Bastos de Morais 2017; Stam and Spigel 2017). At the recent 2017 *Transform Africa Summit* in Rwanda, the importance of public-private collaboration in building a practical ecosystem was discussed (Mwai 2017). Similarly, the Middle East and North Africa region (MENA) Regional Small- and Medium-sized Enterprises (SME) Development Conference held in May 2017, organized by the US Commercial Law Development Program, also discussed the role of ecosystems in promoting SME development (Lahsini 2017).

Entrepreneurial ecosystems point to the realization that entrepreneurship occurs within a particular context; and a profound understanding is

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needed on how cultural, social, political, and economic structures and processes influence all aspects of the entrepreneurial journey. Along the same lines, Johannisson (2011) argues that context, like location, is not a cause of entrepreneurial practices but rather reflects a much more complex influence on entrepreneurship.

An entrepreneurial ecosystem largely focuses on creating an environment that promotes entrepreneurship where multiple stakeholders play different roles; and the government plays a central role in facilitating entrepreneurship. However, governments are still in the early steps of developing ecosystems to foster entrepreneurial activities in many emerging and low-income countries, suggesting that governments need to step up their efforts in developing such systems (Isenberg 2010).

In relation to Africa, which is home to a number of low-income countries, the recent literature and popular press appears to suggest that African countries are recognizing the importance of implementing effective strategies and policies required to create more employment opportunities within SMEs in order to "reap the fruits of entrepreneurship" (Obonyo 2016: 1). For instance, by offering grant capital to entrepreneurs with projects, Rockefeller Foundation, the Tony Elumelu Foundation, and Impact Economy Innovations Fund (IEIF) can assist in fostering entrepreneurial ecosystems (Otieno and Shitta 2014). Providing support to entrepreneurs will further develop the entrepreneurial ecosystems and stimulate economic development.

Entrepreneurial ecosystems create value by connecting the main actors in a well-defined region through the development of entrepreneurial ventures (Cohen 2004). A high-performing entrepreneurial ecosystem leads to economic prosperity, innovation, and national competitiveness (Isenberg 2011). The success of an entrepreneurial ecosystem depends on the interconnectivity of policies and synergistic interrelationships between its stakeholders.

Unfortunately, research on ecosystems is generally underdeveloped with even a greater paucity of research on entrepreneurial ecosystems in Africa (Sheriff and Muffatto 2015). To contribute to the developing literature on entrepreneurial ecosystems, the entrepreneurial ecosystem in Tanzania is discussed in this chapter. Utilizing secondary data, the pillars of the entrepreneurial ecosystem are presented. First, the literature on entrepreneurial ecosystems is reviewed and an overview of the Tanzanian context is then provided. Using Isenberg's (2011) framework, the pillars of the Tanzanian entrepreneurial ecosystem are examined to tease out the factors which prevent and/or contribute to the further development of the Tanzanian entrepreneurial ecosystem. Recommendations for policy and future research are provided.

Approaches to Entrepreneurial Ecosystems

The fundamental idea behind entrepreneurial ecosystems was first developed in the 1980s and 1990s as part of a shift from individualistic and personality-based research toward a broader perspective that incorporates the role of social, cultural, and economic forces in the entrepreneurship process (Dodd and Anderson 2007). In other words, there was a shift away from conceptions of the entrepreneur as a solitary Schumpeterian 'economic superman' toward a more nuanced view of entrepreneurship as social processes embedded in broader contexts (Nijkamp 2003; Steyaert and Katz 2004).

There exist many definitions of entrepreneurship ecosystems. However, at the core of each definition is an emphasis on the existence of the complex and interdependent linkages that serve a critical role for the development and functioning of entrepreneurship ecosystems in societies (Sheriff and Muffatto 2015). For example, Temko (2009) describes entrepreneurship ecosystems as being responsible for promoting formal and informal affiliations and structures between research institutions, government, public and private institutions, and businesses. These institutions, in turn, accelerate ideas that will develop into business ventures. Eventually, these early ventures grow into larger firms. Pistrui et al. (2008) view entrepreneurial ecosystems as a mechanism that links people by vision, commitment, passion, and innovation for a common goal. In this chapter, we view an entrepreneurship ecosystem as a set of policies, laws, and institutions (both public and private) that exist and operate to aid and guide the entrepreneurs as they go through the entrepreneurial process of developing ideas, creating and developing business ventures. It is a service network where the entrepreneur is the focus of action and the measure of success (Isenberg 2010, 2011).

Studies on entrepreneurship ecosystems vary in terms of scope and focus. Some researchers have concentrated their efforts on describing and/or measuring the entrepreneurship ecosystem in a specific geographic area, while others have focused on macro factors influencing the degree of entrepreneurship at a national level (Stam and Spigel 2017). For example, according to the Aspen Network of Development Entrepreneurs (2013), the Innovation Rainforest Blueprint and Council of Competitiveness studies tend to focus on the local/subnational unit of analysis.

More recently, Strangler and Bell-Masterson (2015) developed a framework entitled the Indicators of Entrepreneurial Ecosystem Vibrancy, which has been used to examine local entrepreneurial ecosystems. The framework consists of four indicators including density, fluidity, connectivity, and diversity with corresponding measures to the indicators. For example, measures for the diversity indicator include multiple economic specialization, mobility, and immigrants. This framework has been used to measure entrepreneurial ecosystems in Tampa Bay, USA (White et al. 2017).

There have been other studies that have taken this local perspective to examine entrepreneurial ecosystems. For example, the World Economic Forum (2013) describes the development of entrepreneurial technology ecosystems in Buenos Aires and Istanbul and observed that the ecosystem in Buenos Aires grew over a period of time from the mid-1990s and only emerged as a system 15 years later, similar to other ecosystems such as Silicon Valley. Isenberg and Onyemah (2016) describe the entrepreneurial ecosystem and its process of regional economic growth in Milwaukee, Wisconsin, and the coffee growing region of Manizales, Colombia. Other ecosystems around the globe include the USA (Silicon Valley, Los Angeles, and Boston), Canada (Toronto, Waterloo, Vancouver), the UK (London, Cambridge Research Triangle), Australia (Sydney, Melbourne), France (Paris), Germany (Berlin), Russia (Moscow), Israel (Tel Aviv), Brazil (São Paulo), Chile (Santiago), and India (Bangalore) (Startup Ecosystem Report, 2012).

The frameworks that take a national or cross-country approach in the assessment of entrepreneurial ecosystem include the World Bank Doing

Business studies, the World Economic Forum framework, and the Organisation for Economic Co-operation and Development (OECD) framework. Following the national level approach, Fuerlinger et al. (2015) examined the entrepreneurship ecosystem in Germany and found that although progress has been made in improving the regulatory environment and entrepreneurship education, the government still needs to further implement policies that impact social values and attitudes toward entrepreneurship. Soto-Rodriguez (2015) studied the entrepreneurial ecosystem in Puerto Rico and concluded that major constraints in the entrepreneurial ecosystem include excessive bureaucracy and governmental interference. In order for the entrepreneurial ecosystem to flourish, it is important that there is no governmental bias in entrepreneurial policy.

In this chapter, we apply the Babson Entrepreneurial Ecosystem Project (BEEP) to examine the entrepreneurship ecosystem in Tanzania. The BEEP is a well-established framework developed by Isenberg (2010, 2011) and has guided research and measurement of entrepreneurial ecosystems of cities and countries around the globe (Fuerlinger et al. 2015; Isenberg and Onyemah 2016). According to Isenberg (2010, 2011), there are four aspects of the entrepreneurial ecosystem. First, the framework consists of six domains: market, policy, finance, supports, culture, and human capital. Refer to Fig. 3.1 for an illustration of Isenberg's six-

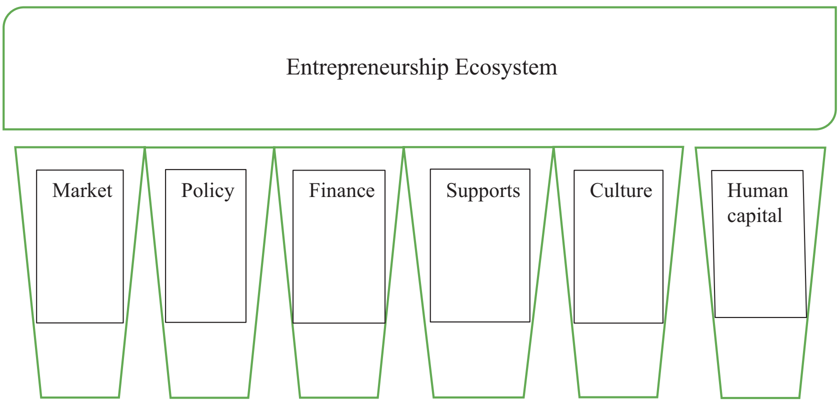

Fig. 3.1 Isenberg's six pillars of the entrepreneurship ecosystem. Source: Adapted from Isenberg (2011)

domain entrepreneurial ecosystem. Second, each entrepreneurship ecosystem is unique. Although similarities between entrepreneurship ecosystems may exist, they are unable to be replicated. Third, the identification of root causes of the entrepreneurship ecosystem is limited because multi-dimensional cause-effect relations are difficult to pinpoint. Finally, entrepreneurship ecosystems eventually become self-sustaining when all six pillars are resilient. In the following sections, we provide an overview of the Tanzanian context and then discuss the six pillars in greater detail and relate them to the Tanzanian context.

An Overview of the Tanzanian Context

Tanzania, the largest country in East Africa, includes the spice islands of Zanzibar consisting of Pemba and Unguja) and its mainland which is located south of the equator and between the great lakes (Victoria, Tanganyika, and Nyasa) and the Indian Ocean. Parts of these water bodies fall into Tanzania. Although the country is a developing economy, Tanzania holds significant promise for its people and for the world. Agriculture is the main part of Tanzania's economy.

Real gross domestic product (GDP) grew by 7.3% in 2013 and 7.0% in 2014 (World Bank 2014). The main contributor to the economy was agriculture which contributed USD 13.9 billion to its GDP (nearly 30%) and 67% to total employment during 2014. As of 2016, Tanzania had over 44 million hectares of arable land with only 33% of this amount being cultivated (Tanzanian Investment Center 2017). Other industries of economic growth include construction, trade, and transportation sectors.

The headline inflation continuously declined from over 20% in 2011 to 4% in January 2015, largely due to the combined impact of prudent monetary policy and recent decreases in global food and energy prices. However, the rising local food prices have slightly increased the inflation rate to 6.4% in July 2015 (World Bank 2014). These developments have encouraged government efforts and other stakeholders to improve the business environment.

The Tanzanian economy has taken different turns over time. Between 1967 and 1985, the country attempted to build a socialist economy based on concepts of self-reliance and state entrepreneurship articulated in the blueprint, commonly referred to as the Arusha Declaration (Nyerere 1977). Nationalization occurred and newly created state-owned enterprises had monopoly over various sectors of the economy. However, the country changed to a market-based system of economic coordination in 1986. The process of undoing state entrepreneurship was initiated through various initiatives; privatization and liberalization of the economy created a space and new incentives for private entrepreneurs to engage in business (Lipumba 1992; Bagachwa et al. 1992; Kiondo 1993; Mukangara 1993). From an entrepreneurial ecosystem perspective, this background is important since a struggle to deal with the legacies of state dominance in production and distribution still exists as the private sector must be working hard to be the main economic actor with the state playing a supportive role.

The Pillars of the Tanzanian Entrepreneurship Ecosystem

As noted above, Isenberg's (2010, 2011) six domains of an entrepreneurial ecosystem are markets, policy, finance, supports, culture, and human capital. First, markets consist of two main categories: early customers (e.g. reference customers and distribution channels) and networks (e.g. multinational corporations). Second, policy consists of two areas: leadership (e.g. unequivocal support and entrepreneurship strategy) and government (e.g. institutional investment and support and regulatory framework incentives). Third, finance relates to the role of financial capital and microloans. Fourth, supports consist of two areas: infrastructure (e.g. telecommunications, transportations) and support professions (e.g. legal, accounting). Fifth, culture consists of two areas: societal norms (e.g. tolerance of risk) and success stories (e.g. visible successes such as wealth generation for founders and international reputation). Finally, human capital consists of two areas: educational institutions (e.g. general degrees and specific entrepreneurial training) and labor (e.g. skilled and unskilled). Below, the role of the ecosystem pillars in the Tanzanian context is discussed in greater detail.

Markets

Given the increased globalization, trading across borders has become an important factor in the entrepreneurial ecosystem. The G20 Summit communiqué issued in 2014 called for enhanced economic growth through entrepreneurship by taking a number of measures including lowering barriers to new business entrants and investment (Mazzarol 2014). Developments in Tanzania suggest that the country has been able to attract private foreign capital as part of its entrepreneurial ecosystem.

Africa's share of foreign direct investment (FDI) inflows among developing economies rose from 6.5% in 2011 to 7.1% in 2012 (Bank of Tanzania 2014). However, Tanzania's share of FDI inflows increased from 2.5% in 2011 to 3.4% in 2012; FDI inflows were largely from ten major countries (e.g. South Africa, the UK, and Canada) accounting for 71.5% and were in the mining, quarrying, manufacturing, finance, and insurance sectors of the economy (Bank of Tanzania 2013). In the future, the petroleum (oil and gas) sector will likely be one of the leading investment sectors due to the recent discovery of commercial quantities of gas offshore and in the deep sea (Tanzania Petroleum Development Corporation 2015). To add to this, the largest reserve in the world of helium was recently discovered in Rukwa, Tanzania (Sample 2016).

Even though FDI increased over the years, Tanzania ranked the lowest in the ease of trading across borders compared to other African countries (World Bank 2015). As a result of its low ranking, Tanzania introduced various reforms which have made trading easier and faster, such as: (1) the implementation of the Pre-Arrival Declaration (PAD) system and electronic declaration; (2) upgrading the Dar es Salaam port; and (3) implementing the Tanzania Customs Integrated System (TANCIS), an online system for downloading and processing customs documents, which has reduced the time for exporting and importing (World Bank 2015).

In the future, there remains much promise for the markets in goods and services given the Tanzanian growing population (World Bank 2015). Currently, Tanzania has about 53.5 million people (World Bank 2017), but the population is expected to reach 70.1 million by 2025 (Agwanda and Amani 2014). The structure of this population shows a youthful population with more than half of the population under 17.5 years (median age). Further, while a large population of Tanzania still lives in rural areas (about 70%) and depends on agriculture, urbanization is rapidly growing. Dar es Salaam and Mwanza, two cities in Tanzania, were recently listed among the top ten fastest growing cities in the world (Morris 2017; World Book 2017) with most large companies located in the major cities of Dar es Salaam, Arusha, Mwanza, Mbeya, and Tanga.

The National Bureau of Statistics released a report indicating that the majority of business entities are located in the following urban areas: Dar es Salaam (29,060 business establishments) followed by Mbeya (11,103), Morogoro (9919), Ruvuma (7918), Arusha (7833), and Mara (7006) (United Republic of Tanzania 2016a). These business entities constitute a huge attraction to rural residents to migrate to urban areas. Furthermore, it is expected that markets for products will continue to be grow in urban areas compared to rural areas and hence provide increased market opportunities for potential entrepreneurs. An assessment of the SME policy implementation, however, found that local Tanzanian businesses and large companies did not have the sufficient business support, which impeded their performance (United Nations Industrial Development Organization 2012). The role of policy is discussed below.

Policies

Government policy is usually seen as the most important component of an entrepreneurial ecosystem (Mazzarol 2014). Government policy is directly relevant to small business or entrepreneurship and impacts a wide range of policies relating to taxation, financial services, telecommunications, transportation, labor markets, immigration, industry support, education and training, infrastructure, and health. In the Tanzanian context, several policies and laws have a bearing on business development and have focused on the Tanzania Development Vision 2025 (United Republic of Tanzania 1999), an overall framework that outlines a vision to become a middle-income country by the year 2025. In general, the Vision 2025 policy development accords the private sector the role of 'engine of growth', while government plays a facilitating role. Notwithstanding this determination, there are still barriers to entrepreneurship and business development in Tanzania linked to the socialist past that are being addressed through reforms (Melyoki and Galperin 2017). Not that long ago, no less than 60 different laws and regulations were concerned with conducting business, which actually prevented the ease of doing business in the country. However, reforms are now being made (United Nations Industrial Development Organization 2012). Among the major reforms implemented to date include the Tanzania Investment Act of 1997, which plays a central role in promoting investments in the country. This Act has motivated a number of initiatives by creating incentives for entrepreneurs/investors to invest in the country, including setting up an institutional mechanism for promoting investments, commonly called the Tanzania Investment Centre (United Republic of Tanzania 1997).

The SME Policy of 2003 is considered the main government policy for supporting entrepreneurship in the country as it articulates several elements of the entrepreneurial ecosystem including the legal framework for the establishment of business, entrepreneurship training, and access to finance by the SMEs. There are also several sector-specific laws that seek to promote entrepreneurship in the respective sectors. For example, the Petroleum Act of 2015 requires the Tanzanian Petroleum Development Corporation (TPDC) to implement local content policies (Melyoki 2017), which implies that TPDC has to take specific steps to assist local businesses to partake in the petroleum value chain.

The Agricultural and Livestock Policy is aimed at the development of agricultural and livestock activities that are performed by both small farmers and livestock keepers. The mining policy of Tanzania identifies the artisanal and small-scale mining operations as a major target group to be promoted through improved access to finance and availability of tools, equipment and consumables, supportive extension services, simplified licensing, and enhanced marketing opportunities (United Republic of Tanzania 2009). The National Employment Policy recognizes that the private sector including SMEs is the major source of employment in Tanzania and outlines policies that will contribute to the creation of an enabling environment for private sector development and other policies which promote entrepreneurship including Gender and Women Development Policy, Cooperative Development Policy, the National Energy Policy, and the National Environmental Policy and Rural Development Strategy.

As a result of these policies, a number of organizations and laws have been established to support and promote entrepreneurship. For example, the Business Registration and Licensing Agency (BRELA), established under the business registration law (United Republic of Tanzania 2007), is designed to regulate business but also designed to offer needed support. Section 8 of this Act states that the business center was established, "to provide information regarding services provided by the government and other agencies to businesses including, but not limited to training programmes, skills access in the form of technical advice and business development services" (United Republic of Tanzania 2007, S.8)

Similarly, the National Economic Empowerment Council (NEEC) established under the national Empowerment Act of 2004 (United Republic of Tanzania 2004) promotes entrepreneurship through various means. Section 5(1) of the NEEC stipulates that the government "shall develop strategic institutional framework and national guidelines to support planning, and co-ordination of the sector and multi-sector response to such policy shall in particular, co-ordinate training on entrepreneurship and research geared towards facilitation of economic empowerment…" (United Republic of Tanzania 2004, S.5).

While the efforts cited above have borne fruits, challenges still exist. According to the World Bank Doing Business 2013 report, Tanzania was ranked 134th out of 185 countries on the ease of doing business (World Bank 2013). More recently, Tanzania moved up the list and ranked 132nd out of 190 countries on the World Bank Doing Business 2017 report. According to the World Bank report, it still takes 26 days to start a new company in Tanzania and costs over TSh 380,000 (over USD 150) in official costs. Table 3.1 provides an overview on the number of days it takes to start a business in Tanzania. According to Table 3.1, it can take four days to apply and receive a certificate of incorporation and another six days to apply and receive business license. The findings of the report suggest that policies have not made a significant improvement in facilitating business and entrepreneurship.

Table 3.1 The number of days it takes to open a company in Tanzania

Steps	Brief description	No of days
1	Apply for clearance of the proposed company name	1
2	Obtain a notarized declaration of compliance	1
3	Apply for company incorporation and obtain the certificate of incorporation	4
4	Apply for taxpayer identification number (TIN)	1
5	Obtain taxpayer identification number (TIN)	1
6	Apply for a business license	6
7	Apply for the VAT certificate	4
8	Register for the workmen's compensation insurance	1
9	Obtain Social Security registration number	7
	Total	**26**

Source: Extracted from World Bank (2017)

Table 3.2 Assessment of business environment in Tanzania

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Overall business environment	**48.4**	**49.1**	**48.7**	**47.6**	**48.4**	**47.6**	**47.5**	**47.2**	**46.3**	**46.2**[a]
Competitive environment	49.2	52.5	55.8	54.9	56	56	56	56	56	56
Customs procedures	30.9	30.9	30.9	21.8	30.2	42.2	46.1	41.8	37.2	36.3
Investment climate	55.6	55.6	55.6	66.7	72.2	66.7	61.1	61.1	66.7	66.7
Bureaucracy & red tape	33.3	33.3	33.3	33.3	33.3	33.3	33.3	33.3	33.3	33.3
Soundness of banks	73.1	73.1	67.8	61.6	50.2	40	41.1	43.7	38.5	38.5

Source: Adapted from Ibrahim Index of African Governance (2015)
[a]Scale 1–100 (with higher scores representing better performance)

In addition, the Ibrahim Index of African Governance in Africa shows that Tanzania's performance in business environment has been declining (Ibrahim Index of African Governance 2015). Based on the Ibrahim Index of African Governance, Table 3.2 summarizes the assessment of the business in the Tanzanian environment on a scale of 1–100 (with higher scores indicating better performance). As seen in the table, Tanzania scored 49.1 in 2006 but fell to 47.5 in 2011, and continued to deteriorate to 46.2 in 2014. The report suggests that the decreased performance has been due to the decline of two out of the five underlying performance indicators: customs procedures and soundness of banks. Specifically, the soundness of banks indicator deteriorated from a score of 73.1 in 2005 to 38.5 by 2014. Other indices such as the environment competitiveness, however, remained unchanged since 2009. These findings suggest that there has not been any improvement in the reduction of bureaucracy and red tape for the entire decade ending in 2014.

All in all, these results show that while it is important to have policies in place to support entrepreneurship, the implementation of these policies is critical—a key challenge in Tanzania. Similarly, a report by the United Nations Industrial Development Organization (2012) found that Tanzania's SME policy introduced in 2003 was only partially implemented, suggesting that despite the good intentions stated in the policy, implementation has not been attained (United Nations Industrial Development Organization 2012). Additionally, the general lack of trust between government and the private sector has further reinforced the perception that supportive policies were inadequately implemented (Government of Tanzania and Danish Ministry of Foreign Affairs 2015).

Finance

The financial sector in Tanzania has grown significantly following the liberalization. The industry has increased from less than 10 state-owned banks in the late 1980s to 56 banks in 2015 (Tanzania National Council for Financial Inclusion 2017). Despite the rise in the number of banking institutions, there is limited access to entrepreneurial finance to start up or grow businesses, a major characteristic of the Tanzanian entrepreneurial ecosystem (United Nations Industrial Development Organization 2012). A recent report by government shows that most business entities obtained their initial capital from personal/private sources (United Republic of Tanzania 2016a). Out of the 154,618 business entities surveyed in 2015, about 40% of these entities obtained finance from private (personal) sources, while only 10.2% obtained initial capital from various organizations in the form of loans (United Republic of Tanzania 2016a). Table 3.3 summarizes the number and percentages of sources of capital. As shown

Table 3.3 Sources of capital

Source	Establishments	
	Number	Percentage
Private source	62,670	40.5
Loan from bank	11,905	7.7
Loan from government	237	0.2
Savings and credit cooperative societies (SACCOS)	2398	1.6
Micro finance	2075	1.3
Social security fund	219	0.1
Not stated	75,114	48.6
Total	**154,618**	**100**

Source: United Republic of Tanzania (2016a)

in Table 3.3, 7.7% of the surveyed entities obtained initial capital from banks, while 2.9% obtained initial funds from both Savings and Credit Cooperative Societies (SACCOS) and microfinance organizations. These findings support the claim that access to finance remains a challenge in Tanzania (United Nations Industrial Development Organization 2012).

The limited access to finance is a long-running problem in Tanzania. This is due to high interest rates and other stringent conditions imposed by banks and other lending organizations. Banks typically require a collateral in the form of immovable property and charge interest rates up to 24% per annum. While microfinance institutions (MFIs) generally do not offer the needed levels of capital, they charge high interest and require repayment within short cycles.

Additionally, several government schemes are also available to provide credit to finance start-ups, including a credit guarantee scheme operated by the Bank of Tanzania, funding scheme operated by the National Economic Empowerment Council, Small Industrial Development Organization (SIDO), and various trusts (e.g. Social Action Trust Fund). However, these schemes generally provide relatively inadequate small amounts of funds and are suited to trading activities, which requires the entrepreneur to repay back the loan over a short period of time. For example, SIDO operated funds provide only a maximum loan of TSh 2.5 million or about USD 2000 (Small Industries Development Organization 2014).

More recently, sources of finance have emerged from international donors, including the Financial Sector Deepening Trust (FSDT). While these funds assist entrepreneurs, start-up capital remains a huge problem (Zevenbergen 2007). Another funding opportunity is the requirement for local authorities in the country to support entrepreneurship among women and youth by allocating 10% of their own revenues to these groups, respectively (United Republic of Tanzania 2016c). Unfortunately, this requirement is often unfulfilled due to limited revenues of local authorities.

Although the World Bank has recently reported that Tanzania has improved conditions for accessing credit by improving credit information systems and regulations (World Bank 2017), these reforms have recently been implemented, and their actual effect on the business performance is yet to be determined. Although this additional funding may also reduce the dominance of business entities that operate as informal proprietorships, only the future can determine the impact of the reforms.

Support

In the literature, support consists of two types of services: infrastructure and business services (World Economic Forum 2013). In terms of infrastructure, the Ibrahim Index of African Governance (2015) shows that Tanzania has been experiencing improvements in this sector. Table 3.4 summarizes the trends in the development of infrastructural services in Tanzania. Since 2011, gains were experienced in three indicators: access to water, digital connectivity, and most notably electricity supply. Consistent growth has been shown in the area of digital connectivity and telephone and information technology over the last decade. As one may note, while road network has been moving up and down in terms of scores, the most recent scores show a downward trend. However, it is important to take into account that overall scores for this category are still above average for the infrastructure, in general. The table also shows that air transport largely account for the declining trend in infrastructure. Overall, the findings suggest that although infrastructural support remains a challenge in the Tanzanian entrepreneurial ecosystem, it is slowly improving.

Business support services continue to present a large challenge in the Tanzanian entrepreneurial ecosystem (United Republic of Tanzania 2012).

Table 3.4 Trends in the development of infrastructural services in Tanzania

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Overall infrastructure	**27.9**	**28.2**	**26.7**	**30.8**	**32**	**33.3**	**33.6**	**32.8**	**32.5**	**32.8**[a]
Road network	38.8	38.8	32.7	25.1	29.2	35.2	40.8	41.7	36.9	37.5
Rail network	25	25	25	25	25	25	25	25	25	25
Air transport	45.3	45.3	43.7	42.3	41	41.3	42.3	42.2	35.9	33.1
Access to water	24.6	24.8	25	25.2	25.4	25.7	25.9	26.1	26.3	26.6
Electricity supply	24.4	24.4	19.9	22.2	26.2	27.6	21.1	14.6	23	25.9
Telephone & IT infrastructure	33.3	33.3	33.3	66.7	66.7	66.7	66.7	66.7	66.7	66.7
Digital connectivity	4	5.6	7.4	9.2	10.7	11.7	13.2	13.7	13.7	14.9

Source: Adapted from Ibrahim Index of African Governance (2015)
[a]Scale 1–100 (with higher scores representing better performance

This is despite the presence of service providers spread across the country. For example, in a recent study of 1,015 professional organizations in the country, 41.4% of organizations were involved in legal and accounting activities; 35.9% in other professional, scientific, and technical activities; 9.9% in architectural and engineering activities; 4.8% in head office and management consultancy activities; 3.5% in scientific research and development; 3.4% in veterinary activities; and 2.0% in advertising and market research (United Republic of Tanzania 2016a). This suggests that there could be factors which constrain access to these services.

Additionally, there exists a gap regarding support services between the private and public sectors. Even though public entities were established to provide technology services, the majority of private sector entities, especially SMEs, were unaware of the existence of such support bodies (United Republic of Tanzania 2016b). It is unfortunate that many SMEs do not obtain the needed support services in the areas of entrepreneurship training, business management training, and provision of market information (United Republic of Tanzania 2012). Due to the lack of connectedness between entrepreneurs and the service support industry, entrepreneurs are not receiving the support required to create and develop entrepreneurial ventures.

Culture

Culture can also play an important role in the entrepreneurial ecosystem. According to Hofstede's (2015) research, national culture can be characterized along various dimensions including power distance, individualism, masculinity, uncertainty avoidance, long-term orientation, and indulgence. Power distance is defined as the extent to which less powerful members of institutions and organizations accept the unequal distribution of power. Tanzania scores high on this dimension (score of 70) which means that the society generally accepts hierarchical order whereby each person has a place. Similarly, hierarchy is seen in organizations and typified by inherent inequalities, centralization, and an expectation that subordinates need to be told what to do. The cultural dimension of power distance can be seen in the importance of social status, and the role of age and gender with respect to leadership in Tanzania. For example, social status is highly respected and valued among Tanzanians. Factors that enhance social status are therefore prized. These include achievement in the form of riches, education, and leadership positions. People who have achieved these factors are held in high regard.

Individualism is the degree of interdependence that a society maintains among its members (Hofstede et al. 2010). With a score of 25, Tanzania is categorized as a collectivistic society (Hofstede 2015). In collectivist cultures, close long-term commitment to the members of a group is expected. Loyalty to one's family, extended family, or extended relationships is central to the society. In Tanzanian organizations, one will expect employer-employee relationships to be viewed from a moral perspective, and hiring and promotion decisions may take into account the employee's in-group. Masculinity is the extent to which a society will be driven by competition, achievement, and success (Hofstede et al. 2010). With a score of 40 on this dimension, Tanzania is considered a feminine society, and hence one would expect there to be an emphasis on quality of life and well-being with conflicts likely to be resolved by compromise and negotiation (Hofstede 2015).

Uncertainty avoidance is defined as the extent to which the members of a culture feel threatened by ambiguous or unknown situations (Hofstede et al. 2010). Given Tanzania scores 50 on this dimension, one may expect no preference with respect to dealing with uncertainty (Hofstede 2015). Tanzanians have learned to successfully adapt to ambiguity. Long-term orientation describes the extent to which a society has to maintain some links with its own past while dealing with the challenges of the present and future (Hofstede et al. 2010; Hofstede 2015). Those cultures scoring high on this dimension focus on preparing for the future. On the other hand, cultures scoring low on this dimension are considered normative societies which prefer to maintain traditions. Tanzania scores a 34 on this dimension indicating that it is a more short-term culture, and the culture has great respect for traditions and a strong concern for establishing the absolute (Hofstede 2015).

Finally, indulgence is defined as the extent to which people try to control their desires and impulses based on the way they were raised (Hofstede et al. 2010). Cultures that score high on the indulgence dimension have relatively weak control. On the other hand, cultures displaying more control show restraint. With a low score of 38, Tanzania is described as a culture of restraint and hence actions are restrained by social norms, and there is a perception that indulging oneself is somewhat wrong (Hofstede 2015).

Part of the cultural pillar, outlined by Isenberg (2011), encompasses success stories. Julius Nyerere, the first president of independent Tanzania, is considered by many as a charismatic leader (Melyoki and Galperin 2017). One of Nyerere's more important literary works was a paper called *Ujamaa: The Basis of African Socialism*, which summarized his views of government and of African unity and later served as the philosophical basis for the Arusha Declaration (1967).

As outlined in the Arusha Declaration, Nyerere was committed to the creation of an egalitarian socialist society based on cooperative agriculture in Tanzania. He focused on bringing together village farmlands, creating mass literacy campaigns, and free and universal education. Nyerere also stressed the importance of Tanzania's need to become economically self-sufficient rather than remain dependent on foreign aid and foreign investment (Encyclopædia Britannica 2017).

All in all, Tanzanian culture needs to be viewed in the context of its history as being one of the leading countries on the path of African Socialism, which emphasized a socialist path to development, aiming to return to the precolonial values of an egalitarian society based on the community rather than the individualism (Zevenbergen 2007). The literature suggests that Tanzania's socialist past has brought about a loss of an entrepreneurial mindset (Zevenbergen 2007). Given this decline in the entrepreneurial mindset, the strengthening of the entrepreneurial culture is even more important. Policies that support entrepreneurial efforts must be implemented, and entrepreneurs should be given the necessary support.

Human Capital

The education system in Tanzania can be divided into three levels: basic, secondary, and tertiary levels. The basic level education consists of prep-rimary, primary, and nonformal adult education. The secondary education level includes the ordinary and advanced levels of schooling, while the tertiary level programs and courses are offered by higher education institutions, including universities and teacher training colleges.

Tanzania has 26 universities (10 public and 16 private) and 15 university colleges (4 public and 11 private). Most of these institutions are concentrated in the city of Dar es Salaam. While Dar es Salaam hosts seven universities, other cities, such as Mwanza, Arusha, Kilimanjaro, Tanga, Morogoro, Iringa, and Mbeya, only have one or two universities. There are also more than 100 colleges, below university level, that offer postsecondary education. Generally, most of these universities, colleges, and institutes offer various types of programs in accounting, engineering, and business communication.

The Tanzanian government understands that a high-quality education contributes to the development of a competitive and entrepreneurial economy. Since a skilled labor force contributes to the national development, the Tanzanian government has attempted to create necessary factors to provide a high-quality education (Istoroyekti 2016). This perspective is rooted in Julius Nyerere's (1967) view that the purpose of education in Tanzania is "[It must] encourage the development of proud, independent and free citizenry which relies upon itself for its own development, and which knows the advantages and the problems of co-operation" (Nyerere 1967).

In other words, Nyerere's perspective is that education promotes the development of human resources and productive citizens in society. As noted above, Nyerere believed in free and universal education. In line with his vision, the government has been mainly concerned with primary education, which is free for all Tanzanian children. According to the Education Policy and Data Center (2014), Tanzania has a primary education net enrollment of 98% and completion rate of 81%. These findings suggest that Tanzania is making progress toward universal primary education, a key United Nations Millennium Development Goal. Projections for 2025 expect a 93% primary completion (Education Policy Data Center 2013).

According to a United Nations (2011) report, Tanzania's labor force is better educated than in the past, although highly qualified human capital remains limited. Between 2001 and 2006, the share of individuals (aged 15–60 years) with secondary education and above has increased from 5.6% to approximately 7%. Even though this progress is low, the number of individuals with tertiary or higher education more than doubled over this period. Similarly, enrollment in higher education increased by 28% from 2006 to 2009. The main supplier of jobs for graduates of higher education is the salaried employment sector; graduates rarely join the nonwage sector (e.g. self-employment). In other words, since graduates of higher education are less likely to become self-employed, there is an opportunity for entrepreneurship education to maintain growth among higher education.

More recently, Tanzanians have recognized the importance of entrepreneurship to the growth and prosperity of the country. As a result, there has been an emphasis on the mainstreaming of entrepreneurship education and training by both the National Higher Education Policy (United Republic of Tanzania 1999) and the Small and Medium Enterprise Development Policy (United Republic of Tanzania 2003). The aim of this mainstreaming is to promote entrepreneurial culture which focuses on creating entrepreneurial initiatives. In a study investigating entrepreneurship education in Tanzanian business schools, it was found that while every business school in Tanzania offers one or more credit courses in entrepreneurship, there were less schools that offered full academic programs. Furthermore, only 38.9% of the schools received support for entrepreneurship education (Olomi and Sabokwigina 2010).

Despite the progress Tanzania has made toward universal primary education and advances in entrepreneurship education, the quality of education has been declining. According to Ibrahim Index of African Governance (2015), out of a score of 100, Tanzania decreased in education system quality from a score of 48.2 in 2012 to 33.5 in 2014. Table 3.5 provides an overview of the assessment of education in Tanzania. Refer to Table 3.5. In addition, the Tanzanian government recently announced that 80% of its labor force was unskilled (Kasumuni 2016). In other words, 16 million Tanzanians are unskilled. Given this situation, the government needs to recognize the importance to upgrade the labor force and reduce the percentage of unskilled workers.

In summary, Isenberg's six pillars of the entrepreneurial ecosystem provide us with a framework to better understand the Tanzanian context. Based on the entrepreneurship literature and secondary data, we explored each pillar and delved deeper into the Tanzanian cultural, social, political,

Table 3.5 Assessment of education in Tanzania

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Overall education	**35.6**	**38.5**	**40.6**	**42.6**	**45.4**	**44.1**	**44.9**	**45.0**	**42.2**	**41.3**
Education provision & quality	33.3	33.3	33.3	41.7	50.0	50.0	50.0	41.7	33.3	33.3
Education system quality	34.3	34.3	40.0	35.7	38.5	39.0	41.9	48.2	40.8	33.5
Ratio of pupils to teachers in primary school (UNESCO)	50.6	54.5	53.7	54.5	53.0	56.4	59.3	62.3	64.7	64.7
Literacy	67.3	67.1	66.8	66.6	66.3	66.1	66.9	67.8	68.7	69.5
Primary school completion	37.4	54.0	64.1	73.5	82.9	70.3	66.1	62.0	57.3	57.3
Secondary school enrolment (UNESCO)	24.0	24.0	24.0	24.0	24.0	24.0	25.6	27.1	25.3	25.3
Tertiary education enrolment	2.0	2.2	2.4	2.6	2.8	3.0	4.5	6.0	5.6	5.6

Source: Adapted from Ibrahim Index of African Governance (2015)
[a]Scale 1–100 (with higher scores representing better performance)

and economic contexts. During the process, we uncovered the factors that facilitated and impeded the Tanzanian entrepreneurial ecosystem.

Discussion

According to the entrepreneurship literature, high-performing entrepreneurial ecosystems will increase economic prosperity, innovation, and national competitiveness (Isenberg 2011). A successful ecosystem will have interconnected policies and synergistic interrelationships between its stakeholders in a well-defined region (Cohen 2004). In a comparison of entrepreneurial ecosystems in four countries (Botwana, Egypt, Ghana, and Uganda), Sheriff and Muffatto (2015) found that the entrepreneurial environment accounted for differences in economic growth. This means, the context for entrepreneurship is just as important as the individual entrepreneurs who rely on this context to be able to pursue entrepreneurial initiatives.

Our overview of the Tanzanian entrepreneurial ecosystem further suggests the key role entrepreneurial ecosystems can play in the development of a nation. We show that Tanzania has developed a sound policy base over time to support the entrepreneurial ecosystem. These improvements have contributed to recent developments in investment activities and reinforce need for more improvements. First, Tanzania FDI inflows have improved, and it is expected that recent discoveries in petroleum and helium will further improve FDI in the future (Bank of Tanzania 2013; Tanzania Petroleum Development Corporation 2015). Second, the future holds opportunity for future entrepreneurs, given the Tanzanian population is expected to reach 70.1 million by 2025 (Agwanda and Amani 2014), and two of the cities in Tanzania were listed as the fastest growing cities in the world (World Bank 2017). Third, a number of policies have been created to support and promote entrepreneurship (United Republic of Tanzania 1997). Fourth, funding opportunities have improved to support entrepreneurship, especially focusing on women and the youth (United Republic of Tanzania 1982). Fifth, there has been a slight upward trend in infrastructure with consistent growth in digital connectivity, telephone, and information technology over the last decade.

Finally, primary net enrollment and completion rates have increased and are expected to increase, thereby making progress toward universal primary education which was a key United Nations Millennium Development Goal (Education Policy Data Center 2013). Furthermore, there has been a growth in entrepreneurship education (Olomi and Sabokwigina 2010).

Despite these prospects, Tanzania is faced with many challenges which can impede entrepreneurship. First, Tanzania is ranked the lowest in the ease of trading across borders compared to African countries (World Bank 2015) despite increased FDI over the years. More recent data from the World Bank Doing Business Report 2017 also suggest that Tanzania only slightly increased in their ranking on the ease of doing business. Newly created policies have not assisted in facilitating entrepreneurship. Unfortunately, it is possible that Tanzania's socialist past with multiple laws, regulations, and bureaucracies may still serve as barriers to entrepreneurship despite reform efforts that have been pursued since the country began to develop a market-based economy (Melyoki and Galperin 2017). As revealed by the foregoing discussions, the policies that have been instituted as part of the reforms have only been partially implemented.

Second, there is still limited access to finance to start and grow entrepreneurial businesses, a major characteristic of an entrepreneurial ecosystem even though the financial sector has grown (United Nations Industrial Development Organization 2012). Third, despite the establishment of various support services, SMEs are often unaware of the existence of these resources (United Republic of Tanzania 2016b). Various studies by government and other stakeholders have shown that entrepreneurs lack access to business support despite the existence of a number of various professional support organizations (United Republic of Tanzania 2012). Deliberate efforts need to be made by all stakeholders to create efficient connections between various service providers and entrepreneurs including creating awareness among the entrepreneurs of the existence of the support networks, as well as, supporting the actual realization of the connections and interactions. Finally, the majority of the labor force is unskilled even though advances have been made with respect to universal primary education and increased enrollment in higher education (United Nations 2011).

All in all, a disconnect exists between the creation of various policies, procedures, and support mechanisms and the actual implementation. Building a successful entrepreneurial ecosystem will depend on the translation of these policies into implementable initiatives. While the depth of this task is substantial, we believe that addressing the public-private conversational milieu lies at the heart of the actual transformation. It is important to include the participation from various stakeholders at various regions, cities, and communities. The establishment of District Business Councils which are meant to serve as mechanisms for public-private dialogue (United Republic of Tanzania 2001) could help in addressing some of these challenges if efficiently strengthened and utilized.

To further support the implementation of policies, other practical recommendations include the development of entrepreneurship training programs which can promote dialogue and networking between the private and public sectors and eventually bridge the gap between these two sectors. Since less than half of business schools received support for entrepreneurship education (Olomi and Sabokwigina 2010), increased funding for entrepreneurship education is needed for including funding for entrepreneurship research.

There exists many opportunities for future research. In-depth research on entrepreneurial ecosystems at the national and local/subnational unit of analysis will provide a better assessment of the entrepreneurial ecosystems. In addition, a longitudinal perception on how the Tanzanian ecosystem has evolved will be especially useful given Tanzania's rich political and cultural history. More research is also needed on how to provide skills development and entrepreneurial training to the unskilled labor force and the informal sector. There exists greater synergy between the potential partnerships between business and agriculture schools. Since agriculture is Tanzania's economic mainstay and the majority of the poor population live in rural areas and are involved in farming (Tanzanian Investment Center 2017), innovative techniques in entrepreneurial education related to the farming industry would be beneficial.

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4

The Kenyan Environment's Influence on the Emergence and Development of Corporate Entrepreneurship Among SMEs

Michael J. Mustafa and Mathew Hughes

Introduction

Scholars have long acknowledged the significance of entrepreneurial activity due to its influence on the emergence and survival of organizations and as a driving force in economic and societal development (Bosma and Levie 2010). The entrepreneurial activity, either via the creation of new ventures or through corporate entrepreneurship (Sharma and Chrisman 1999), is particularly significant in emerging economies. Globally, emerging economies are becoming major economic forces (Bruton et al. 2008). Particularly interesting has been the rapid rise of Africa's economies (Marzo and Patterson 2010), which has sparked scholarly interest into

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how entrepreneurial activity in Africa can contribute to its development (Devine and Kiggundu 2016).

Through the creation of new jobs and building of competitive and innovative capacity, Africa's small- to medium-sized enterprises (SMEs) and their entrepreneurial activities are critical components of the region's transformation (Bosma and Levie 2010; Bruton et al. 2008). Yet, many African SMEs continue to find themselves operating in hostile environments characterized by political and macroeconomic instability, weak infrastructure and limited access to resources (Bruton et al. 2008; Ngobo and Fouda 2012). Such hostile environments require African SMEs to re-evaluate their traditional ways of doing business by developing entrepreneurial strategies (Hughes and Mustafa 2016; Yiu and Lau 2008). CE provides a viable strategy for SMEs to reconfigure their resources and to identify and exploit opportunities (Ireland et al. 2009) and remain competitive in Africa's hostile environment (Tajudin et al. 2014; Yiu and Lau 2008).

The benefits of CE have been well established and empirically tested via various models that consider a range of internal, external and strategic factors (Antoncic and Hisrich 2001; Covin and Slevin 1991; Guth and Ginsberg 1990; Ireland et al. 2009). Recently, there has been a call to action by scholars to better understand how country- and regional-level external environmental conditions influence CE (Gómez-Haro et al. 2011; Hughes and Mustafa 2016; Lim et al. 2010; Turro et al. 2016). The external environment's influence on CE is largely a perceptual phenomenon (Boyd et al. 1993). Thus, why managers chose to engage in CE will be dependent on their perceptions of the context and the existence of specific environmental factors. However, much remains to be understood regarding how managers perceive conditions in Africa's external environment and how it influences their decisions regarding CE (de Villiers-Scheepers 2012).

Current studies examining the influence of the external environment on CE among African firms remain limited, with most focusing on a narrow set of factors based on Western-based models and assumptions (see de Villiers-Scheepers 2012; Hughes and Mustafa 2016). Such approaches may be problematic as they may not fully account for the uniqueness of the African context. Therefore, further empirical work is needed to uncover external environmental factors specific to the African context and how they influence the decisions to engage in and support CE

(Hornsby et al. 2013). In light of these gaps in our knowledge, this study seeks to address the following two research questions:

RQ1: Which external environmental factors encourage African SMEs to pursue corporate entrepreneurship?
RQ2: Which external environmental factors influence the development of corporate entrepreneurship among African SMEs?

In addressing the above research questions, a qualitative investigation of five SMEs from Kenya's service industry was utilized. As a rapidly developing African economy, Kenya is home to many SMEs (Jackson et al. 2008), which have played instrumental roles in its development (Matanda 2012). Despite facing resource constraints, intense local and international competition and cultural attitudes and institutional voids that do not favour firm-level entrepreneurship (Hughes and Mustafa 2016), Kenyan SMEs continue to remain highly entrepreneurial in nature (Jackson et al. 2008; Buil 2017). Hence, Kenya provides an interesting context in addressing the research questions posed. The findings from this study make a valuable and timely contribution to the African entrepreneurship literature (Devine and Kiggundu 2016)

Relevant Literature

Corporate Entrepreneurship and Its External Determinants

As a strategy, CE enables firms to refine their business concept, address customers' expectations and enhance their competitiveness (Zahra 1991; Zahra and Pearce 1994). CE is defined as the "process wherein an individual or a group of individuals, in association with an existing organization, create a new organization or instigate renewal or innovation within that organization" (Sharma and Chrisman 1999: 26). Broadly, CE refers to the total process wherein established organizations act in an innovative, risk-taking and proactive manner (Zahra 1991; Dess et al. 1999). As a process, CE is not seen as a single event, but rather as part of the organization's culture and as a specific strategy (Ireland et al. 2009). The extent of

CE within organizations varies in intensity, as it is largely dependent on changes in the organization's culture and the explorative or exploitative nature of firm activities (Sharma and Chrisman 1999).

Corporate entrepreneurial activities in firms can come about either through strategic renewal (Altman and Zacharakis 2003) or through corporate venturing (CV) (Guth and Ginsberg 1990). CV describes the various methods for creating, adding to or investing in new businesses (Kuratko and Audretsch 2013) that allow organizations to build their innovative capability, expand the scope of their operations and knowledge and generate financial returns (Kuratko et al. 2015). CV activities may be either internal or external in nature (Narayanan et al. 2009). Strategic renewal on the other hand refers to organizational change efforts that lead to new strategy reformulation, reorganization, organizational learning and the addition of new combinations of resources resulting in competitive advantage (Zahra 1993).

The existing literature has developed several models highlighting the main internal, environmental and strategic factors that encourage CE (Alkapan et al. 2010; Antoncic and Hisrich 2001; Covin and Selvin 1991; Guth and Ginsberg 1990; Ireland et al. 2009). Specifically, manager's perceptions of the external environment, and the perceived entrepreneurial opportunities within it, can act as important stimuli for CE (Antoncic and Hisrich 2001; Zahra 1991). The external environment consists of macroenvironmental factors such as environmental dynamism, hostility, heterogeneity and the extent of competitive rivalry in an industry (Gómez-Haro et al. 2011; Turró et al. 2014; Zahra 1991). Research has shown the external environment to influence how firms formulate entrepreneurial strategies, such as self-renewal or corporate venturing strategies (Antoncic and Hisrich 2001). Similarly, studies have also shown a relationship between the extent of legal requirements and regulatory changes (Caperlleras et al. 2008; Urbano and Turró 2013; Zahra 1991) and government support to significantly influence the types of CE activities (Gómez-Haro et al. 2011).

Additionally economic and regulatory factors, scholars have also identified factors such as regional variations (Turro et al. 2016), cultural norms and values (Hughes and Mustafa 2016; Turró et al. 2014; Urbano and Turró 2013), existence of appropriate entrepreneurial role models (Urbano and Turró 2013) and the levels of human capital and knowledge (Gómez-Haro et al. 2011) within a society and firm influencing CE.

CE can be particularly advantageous to firms in the highly turbulent and volatile markets of emerging economies wherein strategic flexibility and innovativeness is needed to maintain competitive advantages and respond to environmental pressures (Cai et al. 2014; Kantur 2016). The environmental factors that influence CE are not universal in nature and are expected to differ between emerging economies and market-based economies (Antoncic and Hisrich 2001; de Villiers-Scheepers 2012; Hughes and Mustafa 2016; Yiu and Lau 2008). Therefore, the context in which CE activities are placed needs to be considered (Hornsby et al. 2013; Zahra and Wright 2011). In this particular study, we consider the African context.

Institutions, Africa and Corporate Entrepreneurship

Differences in the external environmental factors can be explained by Institutional Theory (North 1990; Urbano and Alvarez 2014). Institutions exert different types of pressure to which organizations respond, causing organizations to establish fields of action that define the activities of firms and the conditions under which firms obtain legitimacy (Scott 1995). Broadly, institutions refer to the cognitive, normative and regulative structures that provide stability and meaning to behaviour (Scott 1995). Whether formal (regulations, normative, contracts, etc.) or informal (codes of conduct, attitudes, values, etc.) in nature, institutions shape decision-making process concerning how CE is perceived and ultimately enacted (Gomez-Haro et al. 2011; Kantur 2016). Hence, Western-based assumptions as to how the external environment may influence CE among African firms may not be appropriate given their environmental uncertainty, lack of institutional structures and managerial interpretations of such environmental uncertainties (de Villiers-Scheepers 2012; Hughes and Mustafa 2016).

The African external environment has often been characterized as one with significant institutional voids, environmental dynamism and uncertainty (Devine and Kiggundu 2016; George 2015; Hoskisson et al. 2000; Zoogah et al. 2015). Such characteristics present African firms with significant organizational and developmental challenges (Ofori-Dankwa and Julian 2013). A limited number of studies to date have examined the effects of the African external environment on CE activity. For instance, despite environmental dynamism and uncertainty found throughout African economies, the region's growing economies and markets are said to present firms with significant entrepreneurial opportunities (Anderson 2011; Bosma and Levie 2010; Bruton et al. 2008). Adomako et al. (2016) found perceptions of Ghana's economic environment by SME owners to positively attenuate the effect of their entrepreneurial orientation on their firm's performance. Similarly, de Villiers-Scheepers (2012) and Madichie et al. (2013) suggested that African entrepreneurial firms still perceived attractive opportunities and increased market demand, despite an increasingly challenging operating environment.

Africa's external environment can also present several challenges to the development of CE among African firms. In difficult, dynamic environments such as Africa, firm entrepreneurial activity requires higher access to financial capital as well as formalized procedures and legal procedures and protection (Frank et al. 2010; Mambula 2004). Yet, institutional weakness in regulatory and capital markets throughout Africa may limit the availability of credit and private equity investment necessary to finance CV activities (Khayesi et al. 2014; Fisman 2001). Consequently, African firms may face a proportionately greater risk of innovation failure compared to firms in developed economies and are likely to receive fewer rewards for being entrepreneurial (Sorescu and Spanjol 2008; Urban 2012). Additionally, difficulties in acquiring financing can constrain African managers' attitudes towards innovation and their willingness to invest in CE-related activities such as new product/service development or strategic renewal (Anderlini et al. 2013; Freel 2005; Hughes and Mustafa 2016; Obeng et al. 2014).

Recently, empirical evidence has also emerged with regard to the effects of African culture, history, values and education on firm-level entrepreneurial activity (Zoogah et al. 2015; Spencer and Gómez 2004). Specifically, the ability to develop an entrepreneurially minded workforce necessary for CE can be limited in Africa by the quality of human resources available and by the cultural attitudes of employees. For instance, cultural attitudes towards work and relationships among African employees (Jackson et al. 2008) can encourage conformity and compliance with management's instructions, thus reducing individual risk-taking and creative behaviours necessary for CE to prosper. Additionally, a lack of entrepreneurial training among African employees may have implications for African firms to hire and develop an organizational culture necessary for CE (Hughes and Mustafa 2016).

In sum, previous findings suggest that CE activity among African firms is contingent on the African institutional environment (Buli 2017; George 2015). Therefore, more empirical evidence is needed to understand the unique external environmental factors that influence CE among African firms. The Kenyan services industry provides an ideal context to explore the external environmental determinants of CE.

Kenya and Services Sector SMEs

Kenya, with its diversified economy, has emerged as East Africa's largest economy and a prominent player in the East Africa Community (EAC) since 2014 (Lock and Lawton-Smith 2016). Kenya's rapid economic development has been attributed to the government's Vision 2030, which includes various efforts to increase both domestic and international competition, reduce the cost of doing business and encourage private sector innovation (Oyelaran-Oyeyinka and Sampath 2006).

As an important source of wealth and job creation, Kenya's many SMEs have been at the forefront of its economic transformation and achieving its Vision 2030 (Matanda 2012). Particularly prominent have been SMEs in the Kenyan services sector. The services sector accounts for approximately 63% of Kenya's gross domestic product (GDP) and has historically led much of Kenya's economic growth (Library of Congress 2007). As part of the nation's economic re-adjustment strategy, the sector has undergone significant social, political, economic and structural changes over the past 15 years (Nyanjom and Ong'olo 2012). This has resulted in an opening up of the services sector to increased foreign competition, especially in the form of MNCs from the US and China (Balistreri et al. 2009). Thus, SMEs in this sector are finding themselves in a position of having to make significant adjustments to their business processes and strategies to remain competitive in the face of both domestic and international competition (Hughes and Mustafa 2016; Jackson et al. 2008).

Despite the potential growth and development opportunities afforded by the structural changes in the services sector and Kenya in general, many SMEs continue to operate in a hostile and dynamic environment characterized by limited access to financial and managerial/human capital and increasing competition (Aulakh and Kotabe 2008; Neshamba 2006). However, recent empirical evidence suggests that many Kenyan SMEs continue to remain highly dynamic, innovative and successful in such an environment (Hughes and Mustafa 2016; Jackson et al. 2008). Therefore, an understanding of the environmental factors that condition CE in Kenyan SMEs is highly warranted.

Method

Given the paucity of research on CE in Africa, an exploratory case study approach was adopted. Recommended for studying complex and under-explored phenomena (Eisenhardt 1989; Yin 1984), the case study design permits an in-depth investigation of specific phenomena within its real-life context. Case studies are being increasingly used to examine firm-level entrepreneurial activities (Sebora et al. 2010; Zahra and Wright 2011) and has recently been used to examine the antecedents of CE in emerging economies (Kantur and Iseri-Say 2013; Hughes and Mustafa 2016). Therefore, the method is well suited to understanding the external environment's effect on CE in the context of African SMEs.

In this particular study, a multiple case study approach was adopted as it is generally considered as more robust than single case studies because it provides for the observation and analysis of a phenomenon in several settings (Eisenhardt 1989; Eisenhardt and Graebner 2007; Yin 1984). A criterion-based purposive sampling strategy was used to select five firms for empirical analysis. The following criteria were used in the identification and selection of the five firms: *(1) firms were from the Kenyan services sector; (2) firms were of small or medium size in that they employed between 51 and 500 employees (OECD, 2004); and (3) firms had either initiated or implemented at least two or more CE initiatives (regarding product, service, process innovation or strategic renewal) within the past five years*. Using information from the Kenya Institute of Management's Company of the Year Awards database, 20 CEOs/Owners of firms who met the above criteria were contacted regarding their willingness to participate in the study. After initial discussion with the CEOs/Owners, eight agreed to further participate in the study. The final selection of cases was carried out by considering the variety of industries and markets the firms operated in and the possibility of accessing the necessary sources of information. Table 4.1 provides a summary of the key characteristics of the case study firms and variety of different markets and sectors of service industry they served.

Primary data was collected using a series of semi-structured interviews with the firms' founder/CEOs and key managers over a four-month period. All interviews were conducted in English, were recorded and followed an interview protocol. Interview questions focused around what environmental factors' respondents considered as important in influencing CE in their firms. This primary data was complemented via secondary sources such as web pages, company reports, financial records, meeting minutes, brochures and observations. This enabled a deeper understanding of each case firm's history and their products as well as understanding the circumstances behind certain CE activities. The following procedure was used in analysing the data. Firstly, all interviews were coded by the author and a research assistant independently, with any inconsistencies resolved by consensus. Secondly, once the key points were coded, they were entered manually into an open-coded database. Finally, an inventory of open codes was developed around the key topics that emerged through the interviews and categories suggested by the literature on CE and Institutional Theory. Also, the CE literature and Institutional Theory were utilized as they offered a terminology and conceptual references that helped to develop labels for the identified emerging factors from the data.

Findings

Drawing on case and interview evidence, along with the literature on CE and Institutional Theory, four external environmental factors specific to Kenya, which were perceived to influence the emergence and development of CE among SMEs, were identified. Table 4.2 provides a summary of the key findings.

Table 4.1 Key characteristics of case firms

Case	A	B	C	D	E
Year of inception	2004	1988	1995	2005	2003
Number of CE-related initiatives implanted since inception	4	7	3	3	4
Nature of services	Tourism/travel services	Retail sales (online)	Health and safety equipment and distribution provider	Information technology solutions	Bio-technology
Interviewees	Founder, Managing Director, Operations and Planning Manager, Sales and Marketing Manager	Founder, Sales Director, Online Projects Manager, Marketing and Operations Manager, Employee	CEO, Engineering Director, R&D Manager, Training Coordinator	Managing Director, Chief Information Officer, New Projects Manager, Software Engineer	Founder, Sales Director, Lead Scientist, Marketing and Sales Director
Total number of employees	165	80	66	58	55
Annual turnover (USD)	11.43 m	3.1 m	0.83 m	2.1 m	1.1 m

Business history and CE activities	Initially started as a small regional airline. Rapid expansion over the past six years, with a number of innovative business practices developed internally. First regional airline to use internet bookings and payment system. More recent innovative activities have been based around developing high-quality products, specialized tours	Started as a small real estate firm in the late 1980s. Company has grown rapidly since then and branched out into a number of allied areas, such as property management and online retailing. Recently new innovative practices have emerged which has enabled the company to develop its own online portal and introduce financing options for customers, making them the premier online trading company in Kenya	The company was mainly founded from the efforts of its owner, who previously was working for large oil MNC in Kenya. The main activity was based around providing health and safety equipment to oil and gas companies. More recently as a result of CE activities, company has designed their own products and expanded to develop and deliver their own Occupational Health & Safety (OH&S) programmes for corporate and Oil & Gas clients. The company has also moved into sales and distribution of such products	Business originally founded to provide IT solutions to existing companies. Since 2007 the firm has engaged in a number of new projects based on developing and commercializing new software specifically for the East African market. Original business line also expanded, designed to offer permanent assistance for clients. Latest CE project involves rebranding and changing to organizational structure which resulted in winning lucrative government contract	Started as a small company selling important Bio-technology products to medical industry. Within three years, firm went through a change in structure and strategy and started focusing on developing custom solutions for the Kenyan medical industry. In 2012, the firm created a new division focusing on the development and application of Bio-tech solutions for food manufacturing industry. Recent CE activity includes designing and developing Bio-tech equipment for new markets in Kenya and abroad

Table 4.2 Summary of key findings

	Case A	Case B	Case C	Case D	Case E
Founder and senior management team background	Founder had prior experience working in tourism and related industry; most of senior management come from start-ups or tourism industry	Founder has Master's degree from abroad; well-educated senior management with strong sales backgrounds and experience working in start-ups	Company started as a joint partnership between several people; senior management team is well educated and has a long history of engineering experience with Oil & Gas MNCs	Company started jointly between several members of the senior management team. Senior management team highly educated both locally and from aboard. Mix of experience working in large MNCs, international companies and small new ventures	Founder has degree in Sciences and prior working experience in Bio-tech industry. Senior management team is largely drawn from friends and includes individuals with extensive work experience and knowledge of private sector

Reasons for starting enterprise	Desire to own business and improve social situation	Wished to setup own business to provide support of extended family	Improve own economic and social situation of workers in Oil & Gas industry	Founding group has strong cultural traditions of self-employment; improve individual economic situations	Founder dissatisfied with prior working situation; wished to set up own business
Kenyan entrepreneurial attitudes and values	Founder described as having a persistent and risk-taking attitude. Senior management are seen as innovative and proactive because of their prior work experiences	Founder has a strong Christian work ethic; some members of the senior management are described as being passionate with a strong entrepreneurial and creative attitude	Senior management are largely seen as being proactive and willing to take risks in business; strong work ethic and cultural values and attitudes towards community are expressed	Management team has strong cultural values towards community and strong work ethics along with drive and persistence	Founder seen as being a risk-taker and having a highly persistent attitude

(*continued*)

Table 4.2 (continued)

	Case A	Case B	Case C	Case D	Case E
Perceptions of market and environmental dynamism	Management feel that the Kenyan environment is filled with uncertainty and rapid changes. Increasing rivalries from local and international competitors along with a growing affluent middle class encouraged firm to design and develop customized online travel portal and offer bespoke adventure tours. Firm revised traditional business model by moving to network-based model	Management see Kenya as a rapidly expanding economic environment, but filled with uncertainty. Growing middle class and desire by small business for affordable insurance prompted the firm to explore new ways of offering insurance and financial services products	Management feel that Kenya is experiencing significant growth, but while experiencing great uncertainty. Government's desire to create an Oil & Gas hub led to significant reforms in the sector. Firm saw this as an opportunity to invest in the development of new products for the industry	Management see Kenyan environment as developing for the better. Internally re-organized structure and process to create a new government services division. Firm moved away from developing apps for mass consumption to design and implement database solutions to cater for the rapid expansion of Kenyan government ministries	Management view Kenya as a difficult operating environment; Increased foreign competitors in Kenya along with growth and development of local food manufacturing encouraged the firm to develop and implement several innovations to existing process in order to increase customer engagement and reduce costs

Firm and individual networks and social capital	Firm’s director of operations and managing director used their own clan-based relationships to build a network of highly reliable and flexible tour providers. Founder utilized tribal networks with government to secure grant funding	Founder relied on Church group network to raise some capital and acquire the latest server technologies for the development of their own online sales trading portal. Firm utilized its strong working relationship with leading financial company in Kenya to house a developmental team in their HQ. This allowed the firm to gain the specific and in-depth knowledge about the industry which was instrumental in the development of new products for that market	CEO and engineering director used personal and ethnic networks with local bank managers to secure short-term loans. Loans were used to finance R&D and marketing efforts to build brand reputation in new market. Firm drew on existing relationships and alliances with international suppliers to source and acquire 3-D printing and the latest fire safety technologies. Acquisition was useful for the firm as it helped transform the operations of the firm by supporting them to develop their own bespoke products	Firm used personal networks of senior management to identify and recruit personnel from MNC to staff the development and management of their newly created government services division. Firm used existing dealings with both local and foreign MNCs to co-develop database technologies. Firm considered that such technologies were still in their infancy in Kenya and thus difficult to acquire	Firm’s sales director and lead scientist used their own relationships with past employers to recruit scientists with specific skills currently difficult to obtain in Kenya. Firm’s existing relationships with suppliers proved instrumental in helping to source and secure the latest lab testing technologies through international markets

(*continued*)

Table 4.2 (continued)

	Case A	Case B	Case C	Case D	Case E
Perceptions of government regulations and support	Management feel that government changes have reduced the cost of doing business and increased efficiency. Firm was successful in securing several seed funds from government entities to begin internal transformation projects designed to increase the rate of innovation regarding new product/services development for the industry	Management express confidence in the long-term stability and economic objectives of the Kenyan government and its efforts to deregulate. Firm has utilized several government support services, specifically related to increasing the productivity of the work. Confident of the government's support, the firm has invested both human and financial capital in the development of two new entrepreneurial initiatives to bring new innovations to the financial services market	Firm was successful in patenting two of its key ideas developed by the R&D division. Firm's R&D division is largely sustained by several government funding initiatives designed to spur innovation and tax incentives. Management feel optimistic about the government's efforts to upskill their workforce. Management have used several government back initiatives to upskill their workforce	Management feel there is greater transparency in the process of dealing with government and non-government institutions in Kenya. Management see increase in legal protection as a good sign as it enabled the firms to invest more in the development of costly databases and CRM solutions. Firm has acquired funding for two seed initiatives to help defer the cost of R&D in the development of apps for government departments	Increased legal protection over IP and copyright laws encouraged the firm to continue to commit resources for the exploration of new Bio-technology solutions for the food manufacturing industry. Firm was able to support the purchase of new technologies from government back grant. Firm has used tax incentives to upgrade the technical and scientific skills of several of its staff. The newly acquired staff skills helped in the design and improvement of existing products in the market

External Environmental Factors Affecting the Emergence of CE

Kenyan Entrepreneurial Attitudes and Values

The existence of specific entrepreneurial attitudes and values among the case firm owners and senior management emerged as a significant factor in explaining why firms decided to pursue CE. Interview evidence highlighted the importance of perseverance, proactiveness, acceptance of risk, creativity and innovativeness, a strong work ethic and a desire to improve their own personal and social situation as particularly important entrepreneurial attitudes and values with respect to CE. According to respondents, such attitudes and values were also considered as important parts of Kenya's social fabric and necessary to succeed and survive in Kenya. For instance, Firm A's founder was described as somebody who had a willingness to take considerable risk in starting a small airline company. Thus, Firm A's decision to seize a larger portion of the market share by developing an online travel portal was attributed to his perseverance. As the sales and marketing manager commented "Despite the few failed attempts at growing the business in a new market, he [Founder] continued to push the firm in that direct …. It's essential to have this, otherwise growth in the market may be impossible". Similar attitudes were observed among the remainder of the case firms.

Firm B's online sales director came from a family with a strong entrepreneurial heritage. Since a young age, entrepreneurial values, such as being creative and innovative to overcome some of the many day-to-day business challenges, have been drummed into him. The sales director drew on these values when asked by the founder to think of ways of expanding the business. Consequently, the sales director's solution of tying up with local banks to create an online financial service trading platform became an instrumental means through which the firm expanded into a new niche market by creating new product offerings. Similarly, at Firm C, the CEO's individual proactiveness and concern for Kenyan Oil & Gas employees' health and well-being encouraged the firm to explore new ways to address such issues in the market. As a result, Firm

C decided to change its business scope away from being an importer to a custom developer of Fire and Safety equipment. As Firm C's CEO explained "I'm always thinking of new ways of serving my community better, trying to make things better around here. They won't just get better on their own, so you have to take the initiative, think outside the box and do things better".

In sum, the abovementioned findings support previous findings that have suggested that national cultures can influence individual cognitive frameworks and hence CE activities, by affecting how individuals perceive specific issues and how they view their firm's competitive landscape (Turró et al. 2014; Hughes and Mustafa 2016; Mousa and Wales 2012).

Perceptions of Market and Environmental Dynamism

Evidence from our cases suggests that respondents' perceptions regarding the level of dynamisms found in the Kenyan environment and the opportunities contained with it, contributed to accelerating their innovativeness. Generally, most respondents agreed that Kenya, and even Africa, was a challenging environment to operate in. As Firm E's CEO explains "there's a lot of issues and threats operating in this market [Kenya] … one has to successfully and constantly navigate them if there is any chance of survival or growth". Respondents, though, were also highly cognizant of the rapid changes that had been taking place over the past 15 years in Kenyan services industry and how they influenced the entrepreneurial behaviour of their firms. Specifically, increase in competition from both abroad and local, emergence of a new affluent middle class and the increased use, importation of technological advancements from abroad along with government supported deregulation, while rapid and unpredictable in nature, were viewed as opening new entrepreneurial opportunities for case firms. As Firm B's marketing and operations manager explained "yes, we face a lot of uncertainty in the market, and this has been there for a while now. But with this uncertainty, we also see a lot of new and exciting opportunities in new markets".

Case evidence further revealed that such changes encouraged managers to adopt entrepreneurial strategies, such as moving into new market by developing new products (Firms A, B, C and D), revising existing business models and practices (Firms A, D and E) and introducing new innovations into existing markets (Firms A, B and C) to take advantage of the emergent opportunities in the Kenyan environment. For example, starting out as a small start-up company, Firm D had traditionally focussed on developing applications for Kenyan small businesses. However, with the growth in the size of the Kenyan economy and a subsequent expansion in government services, Firm D decided to exploit this new opportunity by developing innovative IT management solutions for several Kenyan ministries. On the other hand, declining sales and increasing competition from overseas encouraged Firm E to seek new strategies and ways to reduce costs and increase customer engagement. As the sales director commented, "rivalry in the market had intensified to the point that we were not competitive any longer. It was then that we decided to change internal process here, focus on de-layering, driving costs down and developing stronger relationships with our key clients". Thus, Firm E's management believed that such business transformations were necessary to remain competitive in the face of much cheaper competition from abroad.

In sum, the findings suggest that the uncertain but opportunity-rich environment of Kenya can be important stimuli for firms to engage in CE. Such findings also support previous findings that increased dynamism in the external environment can lead to increased entrepreneurial postures (Antoncic and Hisrich 2001; de Villiers-Scheepers 2012; Mambula 2004; Zahra 1991).

External Environmental Factors Affecting the Development of CE

Firms and Individual Networks and Social Capital

Prior studies have recognized the role of networks and social capital supporting CE (Turner and Pennington 2015; Urbano and Turró 2013). Despite Kenya's impressive economic growth and structural changes, numerous respondents still indicated difficulties in acquiring key resources such as financial, human capital, knowledge and technology to develop and sustain CE activities. As Firm D's R&D manager stated, "R&D projects are difficult to get off the ground. You not only need cash to get them started, but you also need to have a steady supply of it. This is the challenge in Kenya, getting regular and reliable access to such cash". Moreover, case evidence highlighted the significance of firm social capital and individual ethnic/tribal and professional networks in the development of CE activities.

Regarding individual ethnic/tribal and professional networks, the case evidence showed that both firm founders and senior managers used such networks to acquire financial resources (A, B, C), human capital (A and D) and access key technologies (B and C) to support CE activities. For instance, to support their decision of moving into the government services industry by developing new products, Firm D created a specific operating division. However, the firm initially faced great difficulty in recruiting staff with the necessary IT skills and expertise to run and develop this division from the Kenyan labour market. To overcome this issue, Firm D's chief information officer (CIO) used his personal relationship with an MNC manager to recruit talented software engineers for their new division. Similarly, Firm A's CEO leveraged on his tribal ties within the tourism ministry to bypass the bureaucratic waiting period and stringent requirements necessary in acquiring a tourism operator's licence. This licence, and the governmental approval and funding that came with it, helped to reduce the risk associated with designing and developing an online portal for the industry, thus further encouraging exploration with new ideas in the area. As Firm A's managing director commented:

> *Once we could secure permissions and approvals from the Ministry, we had the confidence to further explore new ideas and ways to improve our process to serve clients better.*

Equally influential was the use of firm social capital. However, case evidence suggests that firm social capital was particularly important in the acquisition of high value and difficult resources or knowledge that could not be obtained easily in Kenya. For instance, over the years, Firm B had forged a long-term and special relationship with a leading Kenya financial services provider to gain in-depth knowledge regarding the financial industry. Such a relationship helped to significantly reduce the necessary investments in funding market research and helped to develop a new range of online financial services products. Similarly, several respondents also indicated the importance of acquiring the latest technologies from aboard to spur innovative activities in their firms. As the founder of Firm E stated, "the latest technologies are key to our business success. In Kenya, the level of technological development is not highly sophisticated, this creates a problem for us to source our requirements locally. Hence we use our existing supplier networks to find them from overseas". Therefore, case evidence demonstrated the beneficial nature of each of the case firms' social capital in overcoming such limitations and acquiring advanced technologies via international markets (C, D and E) and partnerships with MNCs (B and D). Acquisition of such technologies helped the firms redesign and improve existing product/service offering (B, C and E) or develop new products/services for new markets (C and D).

Broadly, the findings above reconfirm the importance of firm and individual social capital and networks in the development and exploitation of CE activities in African SMEs, through the acquisition of specific resources to overcome the institutional constraints and inefficiencies found in Kenya (George 2015; Khaysi et al. 2014).

Perceptions of Government Regulations and Support

Both case and interview evidence revealed that perceptions concerning government regulations and support contributed to accelerating and increasing the development of CE activities among the case firms. As part of its Vision 2030, the Kenyan government has engaged in a series of transformations to reform the economy. These included a deregulation of the economy and reduction in bureaucratic processes aimed at reducing the cost of doing business and encouraging private sector innovation (Oyelaran-Oyeyinka and Sampath 2006). Generally, such initiatives were positively interpreted by respondents as it made it easier for the case firms to apply for loans (Firms A, B, C and D), operating permits (Firms A, B and E) as well as offering them with increased legal protection over innovative activities (Firms C and E). The case evidence demonstrated that such deregulation supported the development of new products/services for new markets (B, C, D and E) and encouraged significant improvements to existing products/services (A, C and D). For instance, in supporting their move into the food manufacturing industry, Firm E created a small team, charged with experimenting new product development. Consequently, the team's success in rolling out several new innovative products was made easier because of the ease at which they could register new ideas and the increased protection of intellectual property. As the chief scientist at Firm E commented:

> *Compared to 10 years ago, it has become much easier to deal with the Kenyan ministries…. The time from idea to market is much much easier.*

Respondents also perceived favourably the Kenyan government's efforts to support innovation in the private sector. Several years of economic growth and political stability allowed the Kenyan government to put into place various financial and non-financial support packages to help SMEs increase their global and regional competitiveness. Particularly important for developing CE among the case firms were support packages such as R&D grants (Firms C and E), seed funding (Firms A and D) and tax incentives for training and development (Firm B, C and E). Case evidence suggests that such government support efforts encouraged managers to take the risks necessary to develop and put into place long-term entrepreneurial plans (B, C and D) and increased their confidence in Kenya's government (A, B and C) and their willingness to take risks and commit resources for entrepreneurial activities (B, C, D and E). For instance, Firm C used the government funding to establish their R&D centre, while Firms A, D and E used tax incentives to develop the entrepreneurial competencies of their employees through creativity and innovativeness training programmes. Broadly, the above findings support in part the conclusions of previous research regarding the impact of government support initiatives (Madichie et al. 2013; Mambula 2004; Neshamba 2006; Turró et al. 2014).

Conclusions

Given the significance of corporate entrepreneurship to organizational and economic development (Antoncic and Hisrich 2001; Hoskisson et al. 2000), examining what factors contribute to enhancing its emergence and fostering its developments remains highly warranted. This may especially be the case in the context of emerging economies such as Africa where there is very little theoretical and empirical knowledge concerning the phenomena of CE (Madichie et al. 2013; Mambula 2004; Ratten 2014). Drawing on Institutional Theory to account for the influence of context, this study sought to uncover the external environmental factors that condition CE among Kenyan SMEs. Broadly, the findings from the study reaffirm the importance of the external environment in fostering CE (Antoncic and Hisrich 2001; Covin and Slevin 1991; Gómez-Haro et al. 2011). Figure 4.1 provides a conceptualization of the key findings. Specifically, Kenyan entrepreneurial attitudes and values along with increasing market and environmental dynamism were found to constitute important elements in the emergence of CE activities among SMEs. Additionally, individual and firm-level networks and social capital, as well as deregulation and government support initiatives, were identified as important factors in facilitating CE among SMEs.

Several theoretical and managerial implications emerge from the study's findings. Theoretically, the study broadens our understanding regarding the environmental determinants of CE among African firms, a topic which has received a dearth of empirical examination by the literature (Devine and Kiggundu 2016; Hughes and Mustafa 2016). The prior literature has largely focused on a narrow set of external environmental factors adopted from Western-based models (de Villiers-Scheepers 2012; Madichie et al. 2013; Obeng et al. 2014). The applicability of these factors to the African context may be questionable given the inherent environmental uncertainties, lack of institutional structures, resource availabilities and cultural attitudes found in Africa. Thus, by adopting an exploratory approach, this study uncovered a set of new external environmental determinants, specific to the Kenyan context, which influences CE. Moreover, the study's findings also provide a complementary per-

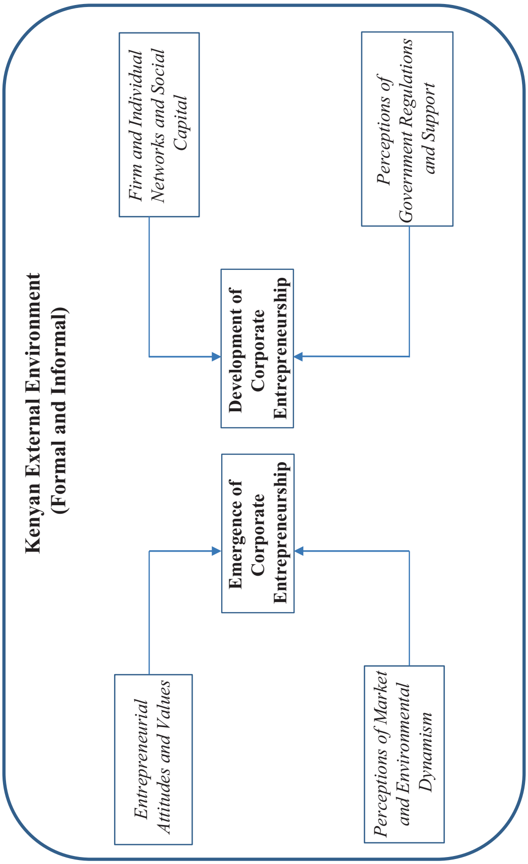

Fig. 4.1 Conceptual model of key findings

spective to existing notions in the literature that the African environment largely discourages CE (Devine and Kiggundu 2016). Instead, the study's findings demonstrate and reaffirm the notion that corporate entrepreneurial activity may emerge and even flourish in the difficult operating environments of Africa (Devine and Kiggundu 2016; Hughes and Mustafa 2016; Madichie et al. 2013; Obeng et al. 2014). By doing so, the study helps to advance the literature on African entrepreneurship away from simply focusing on factors that lead to success and failure of African enterprises to that of high growth and development (Benzing and Chu 2009; Obeng et al. 2014). Additionally, the findings highlight the importance of considering the role of African contextual and cultural factors in how they influence CE (Ratten 2014).

Regarding managerial and policy implications, the study's findings show that despite significant challenges faced by Africa's SMEs, they can succeed with the right support. From a policy perspective, African governments could do well to lower transaction costs, reduce political and economic instabilities and focus on developing capacity (Fosu 2013). Such measures could be an important step in encouraging SMEs to take the risk of engaging in CE. Additionally, CE is often directly associated with the personal qualities of managers and employees (Castrogiovanni et al. 2011). Hence, policies that emphasize entrepreneurship education at both secondary and tertiary levels which encourage creativity and innovativeness may be needed (van Vuuren and Botha 2010).

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5

Entrepreneurship Education in Developing Countries: A Study of the Key Challenges in Sierra Leone

Alfred Mbeteh and Massimiliano M. Pellegrini

Introduction

Africa is a continent with one of the largest youth population; more than half of the population is "aged less than 21 years and two-thirds less than 30 years" (Awogbenle and Iwuamadi 2010: 1) or in terms of age brackets usually 15–30 and 15–35 (Mkandawire 2000; Argenti 2002; Chigunta et al. 2005). However, the actual definition of youth generally varies from country to country (Temba and DeWaal 2002). For example, Nigeria defines it as 18–35, Botswana 12–29, Ghana 15–35, South Africa 15–35, Malawi 14–25, The Gambia 12–30 and Sierra Leone 15–30 (Chigunta 2005; ILO 2015). Even in terms of international organisations such as the United Nations and the Commonwealth, there is no clear agreement. Indeed, the United Nations defines a youth as anyone between the ages of 15 and 24, whilst the Commonwealth defines a youth as anyone

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between the ages of 15 and 29 (Chigunta et al. 2005). Despite such differences, according to the International Labour Organization (ILO) Global Trends for Youth 2013 report "the world is facing a worsening youth employment crisis: young people are three times more likely to be unemployed than adults and almost 73 million youth worldwide are looking for work". In Africa, about 60 per cent of the 200 million youth population are unemployed (Agbor et al. 2012). In Sierra Leone, specifically 70 per cent of the youth population are unemployed (UNDP 2014). The problem is severe even among graduate youths that in theory should possess more skills sought by employers to gain a competitive advantage (Collins et al. 2004; Galloway et al. 2005; Mitra 2011; Wilson et al. 2009; ILO 2015; Msigwa and Kipesha 2013). A study conducted by the Career Graduate Youths shows that only about 16 per cent of the graduates' population achieved employment after studies (World Bank 2013). Thus, the competition for jobs among graduates has become intense, as the traditional education system is no longer a passport for graduates to gain secure employment in the twenty-first century (Nabi and Bagley 1999; Collins et al. 2004; Mwiya 2014). This stark reality has a damaging consequence on the economic development of the country and the personal development of youths in general (Agbor et al. 2012; ILO 2015).

To this end, the Government of Sierra Leone (GoSL) has in the context of Agenda for Change, which is in line with its Poverty Reduction Strategy Paper (PRSP II), implemented a new legislation for youth-friendly initiatives that are focused on creating an environment that is conducive to youth employment, development, entrepreneurship and empowerment (World Bank 2013). Among such initiatives is the development and implementation of entrepreneurship education programmes for youths across the country (World Bank 2013). Entrepreneurship education (EE) is recognised to play a significant role in an economic system (Isaacs et al. 2007; Hisrich et al. 2007; Nagesh et al. 2008); indeed several scholars (e.g. Thomas and Mueller 2000; Abimbola and Agbola 2011, de Wit and de Kok 2014) indicate EE as an element that facilitates economic growth, creates employment and jobs and helps in particularly empowering the disadvantaged segment of the society, which may have a minor access to labour market. Such claims are also confirmed by empirical studies; for example, a study of Premand et al. (2012) shows that EE programmes increase the level of employment among youths in Tunisia. Similarly, Blattman et al. (2015) concluded that EE interventions in Uganda helped in reducing graduate youth unemployment, and this is true in comparative studies too (e.g. Cho and Honorati 2013) on African countries (specifically, Uganda, Malawi and Sierra Leone).

Yet, whilst research on the importance of entrepreneurship education abound, scant is the literature on the challenges faced in effectively developing such education, generally in Africa, and even less in specific countries, for example, Sierra Leone (Kingombe 2012; Agbonlahor 2016). Thus, this chapter aims to address this gap by reviewing through an exploratory approach some of the challenges faced in developing EE programmes across Africa, using Sierra Leone as a case study. The study has several contributions. Firstly at a theoretical level, it focuses on "concrete" challenges faced in an institutional environment of a developing country, highlighting the necessity of more grounded and context-specific studies for entrepreneurship education research. Secondly, the study contributes to the debate on impacts of EE with specific reference to the prospect of ameliorating youth employability. Thirdly, results from this study have potential to assist policy makers to create effective strategies in relation to EE programmes in developing countries.

Apart from this introduction, the study is structured as follows: the second section reviews concepts of EE and its impacts on graduate youth unemployment. It also grounds the study in the institutional environment of Sierra Leone with specific reference to its social and economic context and public policies dedicated to the stimulation of entrepreneurship. The third and fourth sections focus respectively on the methodology adopted to collect the data and findings on the key challenges faced in effectively implementing EE programmes in Africa. Finally, conclusions, recommendations, limitations and future avenues for research are discussed.

Entrepreneurship Education Impacts and the Context of Africa

Entrepreneurship Education

Despite several debates on whether entrepreneurship can be taught or not, Kuratko (2003: 11) stated "it is becoming clear that entrepreneurship, or certain facets of it, can be taught […] business educators and professionals have evolved beyond the myth that entrepreneurs are born, not made". However, there is no single and generally accepted definition of EE as a field of study; rather there is still an evolving definition (Isaacs et al. 2007). In general entrepreneurial education has several aspects: (1) it is the process of providing skills to recognise commercial opportunities and its weak signals and insights (Jones 2007); (2) it focuses on understanding and developing an individual capacity for the pursuit of entrepreneurial behaviours, skills and attributes in their widely different contexts (Gibb 2005); and (3) it targets both secondary and higher education students with the latter comprising graduate and undergraduate students that are enrolled on formal degree-granting programmes (World Bank 2014).

There are several objectives of EE programmes that vary from increasing or creating entrepreneurial culture, spirit and attitudes among participants and/or a community in general (e.g. Kirby 2004; Henry et al. 2005; Gibb 2005; Mwasalwiba 2010) or to stimulating participants' intention towards creating new ventures and jobs (e.g. Henry et al. 2005; Matley 2005). Indeed, comprehensive definitions (e.g. Fayolle et al. 2006; Venkatachalam and Waqif 2005) assess key objectives of an EE programme as changing the state of the individual behaviour and intention towards entrepreneurship and to become entrepreneurial in nature which will inversely lead to the creation of new businesses as well as new job opportunities.

Hytti and O'Gorman (2004) grouped objectives of entrepreneurship education into three key areas: education for, about and in entrepreneurship. Education for entrepreneurship aims at developing present and potential entrepreneurs with relevant skills and knowledge that will help them to either create new ventures or enhance existing ones (Mwasalwiba 2010). This education thus is aimed at developing certain type of skills such as personal and social skills, skills relating to financial literacy and business start-up (OECD 2009). As a whole it "is concerned with the inculcation of a range of skills and attributes, including the ability to think creatively, to work in teams, to manage risk and handle uncertainty" (OECD 2009: 5). This first area is rather developed in traditional approaches.

The second area, education about entrepreneurship, instead focuses on the primary objective of creating a good understanding of entrepreneurship among different stakeholders including students, policy makers and the general community (Hytti and O'Gorman 2004). In this case the learning outcomes are more related to developing a social and institutional environment favourable to entrepreneurial activities, with positive externality for the developing market.

Finally, education in entrepreneurship seeks to achieve the objective of making individuals become more innovative and/or entrepreneurial in either their existing firms or place of work (Henry et al. 2005). In the perspective of pedagogies, this education is regarded as the most complicated since it aims to modify mindsets and attitudes first and later also behaviours of individuals (Fayol et al. 2005). However, at the same time, it seems also the most powerful in terms of impacts (Rae et al. 2012).

Another aspect relevant to entrepreneurship education that has increased over the past years is the interests in different methods/pedagogies used to deliver EE programmes (Gibb 2005; Kirby 2004; Mwasalwiba 2010). Entrepreneurial pedagogy can be referred to as a collection of different teaching techniques that is aimed at achieving the intended goals of the entrepreneurship programme (Hägg and Peltonen 2014). However, there appears to be some disagreement between academics and business practitioners on what is the best method for teaching entrepreneurship (Jones 2007; Neck and Greene 2011). Academics support a theory-based approach to teaching entrepreneurship which focuses on rigorously engaging students into theories of how to become an entrepreneur (Yamakawa et al. 2016). Yamakawa et al. averred that theoretical-based pedagogical approach uses nascent entrepreneurship and strategic theories to teach participants about the theoretical paradigm of entrepreneurship. The goal of theory-based entrepreneurship pedagogy is to enhance the participants' conceptual understanding of entrepreneurship whilst harnessing their analytical skills (Cobham 2000).

On the other hand, practitioners are largely in support of a practice-based entrepreneurship pedagogy which focuses on developing the entrepreneurial skills of participants by using real-life case studies of entrepreneurs and allowing them to use their individual experiences. The practice-based pedagogical approach is based on the singular premise that entrepreneurship is about doing, and hence, the best way participants can learn about how to become entrepreneurs is by applying entrepreneurial principles (Yamakawa et al. 2016). However, Neck et al. noted that a good theory without an action is busy work and an action without a theory is not worth learning. Thus, both theory and practice-based pedagogies are required to effectively teach the concept of entrepreneurship; the two are sine qua non conditions to effectively teaching entrepreneurship programmes.

The Impact of Entrepreneurship Education on Graduate Youth Unemployment

According to the International Labour Organization (ILO), the youth employment crisis is fearsome; only in Africa, on an estimated total of 200 million youth, 60 per cent are unemployed (Agbor et al. 2012). The situation is no better even in the most educated segment of youth population, that is, those regarded as young graduates, relegating the traditional education system to a mere obsolete "machine" no longer a passport for employment in the twenty-first century (Nabi and Bagley 1999; Collins et al. 2004; Mwiya 2014). Most employers now demand that graduates possess more entrepreneurial attributes and skills in order to help them gain a sustainable advantage (Collins et al. 2004; Galloway et al. 2005; Mitra 2011; Wilson et al. 2009; Msigwa and Kipesha 2013). This leaves the unemployed graduate youths to proactively seek for programmes that will help them acquire entrepreneurial attributes and skills that align with the demands of employers (Woodier-Harris 2010).

There is therefore a need to design mechanisms that help young graduates to acquire the necessary skills that will lead to employment (Lungu et al. 2007). To this end, key stakeholders in developing countries have shown strong interest in EE as a tool for fighting graduate youth unemployment (Henry 2013; ILO 2015; Volkmann et al. 2009; World Bank 2008). In particular, policy makers as well as researchers have recognised the important role that EE plays in equipping graduates with entrepreneurial attributes and skills (Harrison and Leitch 2010).

Many empirical studies (e.g. Charney and Liecap 2000; Luthje and Frank 2002; Wiklund and Shepherd 2003) assert that there is a positive relationship between EE and business creation which invariably leads to a reduction of youth unemployment. This is also true for graduates; those who were engaged in EE programmes went on to start their own businesses within 0.7 years after graduation, whilst those who were not engaged in EE programmes started after 2.8 years after graduation (Gibcus et al. 2012). Concurrently, studies conducted in the UK and USA have indicated that individuals who are more educated in entrepreneurship are likely to be successfully engaged in entrepreneurship activities than the less educated ones (Robinson and Sexton 1994; Pickernell et al. 2011). Research conducted by Blanchflower and Shadforth (2007) concluded that in the UK most self-employed individuals who own and effectively run their businesses hold a university degree compared to their counterparts.

Helping individuals to create small businesses and a better understanding of the start-up process will increase the possibility of graduate students to find an alternative occupation to graduate jobs, reducing the unemployment rate among them and yet creating new jobs also for others (Bygrave 2003; Maina 2013).

Similar results have been obtained also in developing countries. Ogundele et al. (2012) found out that EE in Nigeria encourages youths to be job creators rather than job seekers. Olorunmolu (2010) also averred that EE helps to produce entrepreneurs who in turn reduce the problem of youth unemployment and other social-related problems in a country. For this reason, calls to governments and non-governmental agencies related to improving the livelihoods of youths focus on EE (Bennell 2000).

The Context of Sierra Leone

Sierra Leone is situated in the West Coast of Africa. It was colonised by the British Crown, but got its independence in 1961. The country currently has a population of about 6.5 million people. It is endowed with many natural resources including diamonds, bauxites, iron ore, gold, abundant fertile agricultural land and natural harbour among others (World Bank 2015). The country has gone through some huge downturns including a rebel war that lasted for ten years and the recently ended Ebola disease that killed hundreds of people. Both situations also led to the departure of many foreign-owned companies contributing to the existing rise in youth unemployment.

According to UNDP (2014), the current rate of youth unemployment in Sierra Leone stands at 70 per cent of the overall youth population. Worse still, out of the 5000 graduate youths leaving university each year, only few gain employment (Sierra Leone National Youth Commission 2013). A study between 2010 and 2012 on the employment status of recent graduates shows that 55 per cent of students were still looking for a job, 16 per cent were employed, 16 per cent were actively engaged in further education, 5 per cent were self-employed and 7 per cent were recorded not doing anything (Career and Advisory Placement Services (CAPS), World Bank 2013). The reason for the large number of unemployed graduates is both due to a lack of requisite skills needed by the labour market and a lack of job offers in the economic system. Indeed, there are limited amount of jobs in the formal sector; thus youths are increasingly faced with the challenge of getting paid jobs than their experienced older counterparts (UNDP 2014), and it has negatively impacted the economic growth of the country (World Bank 2013; Berrian 2016). Unfortunately, this situation also poses a strong concern for the security of the country as unemployed (youth) people will or may end up engaging in anti-social behaviours. Thus, great efforts have been made by both governments and non-governmental agencies in promoting entrepreneurship education across the country in order to help reduce the staggering level of unemployment that it faces. In 2013, the Government of Sierra Leone (GoSL) set its five-year development agenda which it referred to as "The Agenda for Prosperity" (PRSP II 2013–2018); the aim of the plan is to reduce poverty, to create jobs and to increase economic growth (GoSL 2013).

The present government's agenda has mainstreamed youth employment initiatives to reduce the general level of unemployment in the country (GoSL 2013). The government has also established a special ministry for youths and the National Youth Commission (NAYCOM) (Act of Parliament, No. 11 of 2009) to promote "friendly policies" for training, educating and empowering youths to behave in an entrepreneurial way and to develop their potential, creativity and skills, aiming to setting up businesses and/or be creative whilst working for private, public or social companies for national development (NAYCOM 2009). These with many other policies have helped drive the number of EE programmes across the country.

In similar vein, the African Union's (AU) action plan for the Second Decade of Education (2006–2015) recognises the importance of EE-related programmes "as means of empowering individuals to take control of their lives and suggests the integration of vocational training into the general education system" (Kingombe 2012).

Higher education institutions are mediums through which developing countries may empower individuals with entrepreneurial capacities that help in driving economic growth (World Bank 1994). In the context of Sierra Leone, higher education refers to any formal education provided to students that have met the minimum entry qualification, that is, the West African Senior School Certificate Education (WASSCE) or its equivalent (Education Act 2004). The programmes of higher education institutions in Sierra Leone include (1) university programmes, leading to bachelor, master and doctorate degrees; (2) teacher training programmes, leading to Teacher Certificate (TC) and Higher Teacher Certificate (HTC); (3) polytechnics, leading to ordinary Diploma and Higher National Diploma (HND); and (4) professional courses leading to professional certificate and general practice in the field (World Bank 2013). A list of higher education institutions registered with the Tertiary Education Commission (TEC), the body responsible for quality assurance in the country, both the public and private sector, is shown in Table 5.1. As shown, the majority of higher education institutions are based in the Western Urban region of the country with few in other regions. However, at least each region has one public higher institution (World Bank 2013). It is important to note that the University of Sierra Leone, which has the largest number of students, has three main constituent colleges, that is, Fourah Bay College, College of Medicines and Allied Health Sciences and the Institute of Public Administration and Management (World Bank 2013).

Table 5.1 List of higher education institutions in Sierra Leone

	Institution	Location
	Public institutions	
1	University of Sierra Leone	Western Urban
2	Njala University	Moyamba, Bo
3	Milton Margai College of Education and Technology	Western Urban
4	Freetown Teachers College	Western Urban
5	Port Loko Teacher's College	Port Loko
6	Northern Polytechnic	Makeni
7	Eastern Polytechnic	Kenema
8	Bonthe Technical College	Bonthe
	Private institutions	
1	University of Makeni	Makeni
2	Institute of Electoral Administration and Civic Education	Western Urban
3	College of Management and Administration (COMA)	Western Rural
4	College of Business Studies	Western Urban
5	College of Travel and Tourism Studies	Western Urban
6	Banktec College of Information Technology	Western Urban
7	MASTEE College of Technology	
8	Emibex College of Management and Finance	Western Urban
9	Crown Technical College	
10	Evangelical College of Theology	Western Rural
11	Silicon Pro	Western Urban
12	Every Nation College of Administration	
13	Freetown College of Management and Accountancy	Western Urban
14	Christian Leadership College	
15	Institute of Advanced Management and Technology	Western Urban
16	Institute of Business Studies and Administration (IBSA)	
17	Institute of Business Administration and Technology (IBATECH)	Western Rural
18	Institute of Continuing Education and Consultancy Services	Western Urban

(*continued*)

Table 5.1 (continued)

	Institution	Location
19	Institute of Management, Accounting and Tourism (IMAT)	Western Urban
20	Orthodox College of Education of West Africa	Western Urban
21	Pentecostal International Christian College of Management and Administration	
22	Kelhas College for International Studies	
23	LICCSAL Business College	Western Urban
24	Sierra Leone Theological College and Church Training Centre	Western Urban

Source: World Bank (2013)

Methodology

This research was carried out through a qualitative analysis of different case studies of higher education institutions offering EE programmes in Sierra Leone. Indeed, qualitative approach is largely used to effectively analyse EE programmes (Caputo et al. 2016; Basu et al. 2008). Yet, most of the data on EE programmes in Sierra Leone are either incomplete, fragmented or scarce; thus, a heavy reliance on secondary data could result in inconsistent findings. For this reason a case study analysis of higher education institutions offering EE programmes was preferred. The richness of the data collected should allow for theoretical saturation to infer general conclusions (Eisenhardt and Graebner 2007; Eisenhardt 1989).

In conducting a qualitative analysis of the multiple case studies on EE, the researchers went through the following process:

1. Firstly, a systematic search on electronic databases, for example, EBSCO business resource and Web of Science, has been performed looking for case studies and reports on Sierra Leone. The search mainly focused on key words such as entrepreneurship education, EE programmes and EE programmes in Sierra Leone, youth employment in Sierra Leone, the

Table 5.2 List of institutions included in the study and interviewees

Name of institution	Number of people interviewed	Position	Location
University of Makeni (UNIMAK)	1	Programme Manager	Makeni
Institute of Public Administration and Management (IPAM)	2	Dean of Business Administration Department and Module Leader	Western Urban
The Institute of Advanced Management and Technology (IAMTECH)	1	Course Director	Western Rural
Milton Margai College of Education and Technology (MMCET)	1	Lecturer	Western Urban
Njala University, Sierra Leone (NUSL)	2	Lecturer	Moyamba, Bo
Northern Polytechnic	1	Lecturer	Makeni
Eastern Polytechnic	1	Module Leader	Kenema
College of Management and Administration (COMA)	1	Module Leader	Western Rural
College of Business Studies	1	Lecturer	Western Urban
Emibex College of Management and Finance	1	Lecturer	Western Urban
Freetown College of Management and Accountancy	1	Module Leader	Western Urban
Institute of Business Studies and Administration (IBSA)	1	Lecturer	Western Urban
Institute of Business Administration and Technology (IBATECH)	1	Lecturer	Western Rural
Institute of Continuing Education and Consultancy Services	1	Founder	Western Urban
Institute of Management, Accounting and Tourism (IMAT)	1	Founder and CEO	Western Urban

impact of entrepreneurship education on youth unemployment, the challenges of entrepreneurship education and so on.

Additionally, online searches were made to identify reports, websites and articles on institutions offering EE programmes in Sierra Leone. Meanwhile, whilst a comprehensive list of higher education institutions was found on the TEC's website (Table 5.1), it doesn't clearly state what these institutions offer, so it was impossible to discern those involved in delivering EE programmes. The lack of data availability in developing countries has been cited as one of the biggest challenges researchers face (Ramadani et al. 2015; Ramadani and Schneider 2013). To this end, telephone and mail contacts were made to each institution to establish whether they offered EE programmes. From the main set of institutions found from this direct interaction, the following criteria were applied to assess the validity of the case and thus the inclusion in the sample:

a. Programmes with clear outcome(s) that are measurable;
b. Programmes with details of their target group(s);
c. Programmes delivered by higher education institutions;
d. Programmes should take the forms and pedagogies of entrepreneurship education.

Using these criteria, the final sample was reduced to 15 cases.

2. Secondly, after selecting the required cases, telephone interviews were carried out to get in-depth qualitative insights. In total, 17 people were interviewed across the 15 institutions identified. Table 5.2 shows the name of the institutions, number of people interviewed, their position and location of the institution.

Findings and Discussions

The main aim of the research is to assess some of the challenges facing EE programmes across Africa using Sierra Leone as a case study. To effectively achieve this aim, the extant literature was searched to identify the key challenges facing EE programmes in Africa generally and in Sierra

Leone specifically and then used as background to guide the creation of the case study.

From our data entrepreneurship education has been regarded as an effective tool in combating the rise in youth unemployment especially among graduates across the world and in Africa in particular (Kirby 2004; Mwasalwiba 2010; Ojeifo 2013; Agbonlahor 2016). Entrepreneurship education helps graduates to harness new ideas through creativity and innovations (Nwosu and Ohia 2009) and in developing the entrepreneurial mindsets and capacities of graduates which inherently leads to self-employment (Wilson 2008). In a nutshell, also from our cases, it emerged that entrepreneurship education is regarded as the “catalyst of entrepreneurs” who can take risks, plan, organise and co-ordinate resources in order to either make profit or help communities (Singh and Sharma 2011).

However, the effective implementation and integration of EE programmes across Africa and Sierra Leone in particular remains a key challenge (Kingombe 2012). The key challenges that emerged from the qualitative data collected through interviews are the following:

1. Funding

The effective implementation of EE programmes requires an adequate level of funding for state-of-the-art buildings, equipment, training for trainers and funds to help participants to effectively execute their business plans. As also Agbonlahor (2016) surmised, the infrastructure required to deliver practical and quality-oriented EE programmes requires huge investment in capital. However, there was a general consensus among the interviewees that there is currently a lack of appropriate funding for the effective implementation of EE programmes. For example, one of the trainers at the Institute of Public Administration and Management (IPAM) highlighted that “funding is one of the key challenges facing most EE programmes in Sierra Leone today”. Another at the Institute of Advanced Management and Technology (IAMTECH) re-echoed that “there is a lack of sufficient funding for graduates who want to execute their business plans after acquiring the requisite entrepreneurial skills”. Oketch (2009) pointed out that there is a lot of rhetoric from government over the importance of entrepreneurship to economic growth but yet still less is done to fund such process. A very close look at the Sierra Leone government budget profile for financial year 2014–2018 can shed some light on the contradiction between the government emphasis on creating jobs through entrepreneurship and the actual funding available for it (Ministry of Finance and Economic Development 2016). In developing countries, the vast majority of resources available are spent on social services; hence, funding for skills development is always scarce (Kingombe 2012). Also, funding EE programmes in Sierra Leone is based on "tripartite mechanisms" that include the government, individuals and employers (including non-governmental organisations (NGOs)) (Kingombe 2012). This current trend calls for the role of individuals and enterprises in contributing to the costs of skills development (Atchoarena 2009), and this arrangement is indeed a hindrance as most youths do not have the resources to commit in acquiring skills.

2. Cultural Perception

Promoting African entrepreneurship is a long-term process, involving overcoming negative cultural perceptions regarding entrepreneurship (Kingombe 2012). Unfortunately, EE programmes seem to be not yet fully understood in developing countries. One of the reasons to that is the societal views and sentiments on entrepreneurship that is regarded as a second-class choice when compared to other professions, for example, medicine, law, engineering, accounting and so on. (Billet 2009). Also, entrepreneurship is often seen as something to be engaged in only by those who have dropped out of formal education (Kingombe 2012). This is supported by one interviewee at the University of Makeni who stated that "the profession of entrepreneurship is treated as a profession for school drop-outs in the country". The widely held national beliefs about entrepreneurship, according to another interviewee at Njala University, render it "a last resort by youths who are unable to get university requirements". Several studies have been carried out about the relationship between entrepreneurship and national culture (Pinillos and Reyes 2011; Rauch and Frese 2000). For example, Mungai and Ogot (2011) studied the perceptions of four ethnic communities in Kenya on entrepreneurship. The study found huge differences among the communities, suggesting that certain cultures may embrace entrepreneurship more than others, suggesting frantic efforts to make entrepreneurship as part of the national culture.

3. Governmental Policies

Government policies help in effectively implementing EE programmes (Agbonlahor 2016). Most of the people interviewed indicated that although current government policies call for the promotion of EE programmes in the country, such policies, however, do not make EE modules/programmes compulsory for at least some profile of graduates. One interviewee at the Eastern Polytechnic stated that "it is at the sole discretion of colleges to embed entrepreneurship related programmes within their curriculum". This was observed by Nyalley (2010) who stated that there is no national policy that makes it compulsory for EE to be part of the national curriculum and syllabus. There was a call from the Sierra Leone Ministry of Education, Youth and Sport to make this a priority if we are to benefit from the objectives of entrepreneurship-related programmes (Kingombe 2012). However, based on the interviews conducted, it is clearly seen that this call has not been adequately responded to.

Indeed, the integration of EE into national curricula has been a successful choice in both developed and developing countries (European Commission 2012; Undu 2013; Achor and Kate 2013). For instance, the European Commission through its "Europe 2020 Strategy" has stressed the need to embed innovation, creativity and entrepreneurship into its education systems (European Commission 2012). This is highlighted in three key flagship programmes: Innovation Union, Youth on the Move and Agenda for New Skills and Jobs (European Commission 2012). This strategy helped the integration of EE programmes nationwide. Probably, similar results would be secured by Sierra Leone too. The inclusion of entrepreneurship programmes/modules in the national curriculum would also contribute to the general cultural acceptance of entrepreneurship as a profession and a viable and respectable source of income.

4. Lack of an Adequate System to Develop Curricula

Curriculum development is a vital part of any effective delivery of EE programmes. Thus, the absence of an effective curriculum design for EE programmes is a major hindrance to its smooth running (Agbonlahor 2016). An effective curriculum design should aim at involving all stakeholders, for example, students, trainers, businesses and policy makers who can help shape the learning outcomes, teaching and assessment strategy of the programme. However, most interviewees highlighted that the programme which is designed by the National Council for Technical, Vocational and Other Academic Awards (NCTVA) does not seek the input of most of the key stakeholders. One of the interviewees at the Milton Margai College of Education and Technology (MMCET) stated that "they are only given syllabi to teach and are never part of the actual process of design". Another at the Institute of Public Administration and Management stated that "the development of a module specification for entrepreneurship is done with little or no involvement of the key stakeholders of the module itself". Also, there is a lack of problem-based learning activities within the curriculum. According to one interviewee at Northern Polytechnic, "the curriculum emphasises the development of a business plan as an educational approach ignoring other problem-based learning activities". Meanwhile, the Consortium for Entrepreneurship Education (2012) indicated that this is a very common problem in most curricula.

5. Lack of Experienced Entrepreneurship Educators

Entrepreneurship educators are an important facet of any EE programme. Hence, these figures need the opportunity to acquire relevant knowledge, skills and attitudes required to design, deliver and assess EE programmes (EU 2014). There is, however, a dearth of skilled and experienced staff for such purpose registered in Sierra Leone (Kingombe 2012). One interview at the University of Makeni highlighted that "Staffs do not own a businesses or are (were) not involved in start-up processes and thus lack the practical knowledge to advise students on what is required to manage the challenges of businesses in real life". Another at Njala University stated that "the vast majority of staff delivering EE programmes across the country does not have entrepreneurship related qualifications; most educators come from disciplines like economics and business administration which are similar but quite different from entrepreneurship as a concept". In a developed country like the USA, for instance, staff that have a qualification and background in entrepreneurship are a must (Zhuo and Haxia 2012).

6. Theory-Driven Approach

As already stated, two main approaches for delivery entrepreneurship exist: theoretical- and practical-oriented (Yamakawa et al. 2016). The latter focuses largely on action-oriented delivery, whereas the former focuses on teaching entrepreneurship by heavily depending on theoretical foundations. The actual paradigm of EE programmes in Sierra Leone is largely theoretical-based. One interviewee stated that "the limitation of the theory-driven pedagogy is that it does not encourage students to effectively engage with the hard realities of the business environment". Another from the same institution concluded that "the over-reliance on theory-driven approach to entrepreneurship education by educators in Sierra Leone has to do with a lack of adequate resources to help sponsor students on field trips". He continues to say "though some schools invite external speakers from the business environment to talk in class, the vast majority are not employing such strategies". In countries like the USA and UK, for instance, the invitation of an external speaker to share their experiences with students is a normal practice. The lack of a practical-based paradigm in most African countries is also a result of the inadequate equipment and facilities for delivery of practical-related programmes (Akpomi 2009; Nwosu and Ohia 2009, Offorma et al. 2012)

Conclusion and Recommendations

It is clear from the literature that graduate youth unemployment is rising in Africa (Agbor et al. 2012; Msigwa and Kipesha 2013) and is even more severe in a country like Sierra Leone (UNDP 2014). To combat this alarming problem, policy makers have reached a consensus that EE programmes play a major role (Abimbola and Agbola 2011; de Kok and de Wit 2014). Such programmes seek to create a general awareness of entrepreneurship and equip learners with the relevant skills and knowledge needed to start and develop a business and/or become more innovative whilst working for others. Graduates engaged in EE programmes tend to benefit more as they can be better placed to either commercialise their ideas derived from studying their respective disciplines or engage in social enterprises. The Government of Sierra Leone has rolled out youth-friendly policies that are geared towards promoting EE across the country. As a result of its benefits, there has been a surge in the number of EE programmes implemented across the country.

However, the effective implementation of these programmes is met with some challenges. Through this study have emerged those challenges which hamper the full realisation of the benefits of EE.

There is therefore an urgent need for its effective implementation across all institutions in the country, with a strong consideration of responsibilities from a plethora of actors. For instance, governments must develop the required policies and provide the right resources for its effective implementation. Institutions responsible for developing entrepreneurship curricula must ensure that all stakeholders are involved in its designs. Educators should be open to continually learning from best practices across the world avoiding also to be overly dependent on a theory-based pedagogical approach.

According to our findings, this study concretely aims to suggest some practical implication and recommendations to ameliorate the specific situation of Sierra Leone and of developing countries more in general:

- There should be a government-driven policy that should encourage higher education institutions to make EE modules (programmes) compulsory for all graduates in the country. This can be achieved by effectively collaborating with all Chancellors and Head of schools. The governmental body responsible for promoting EE initiatives in the country can form a forum where all these subjects can meet and discuss nationwide strategies.
- There is an urgent need for NCTVA and all institutions responsible for the EE programme development to review the curricula. Such a review should call for the involvement of stakeholders, for example, educators, business owners, students, relevant government officials

and so on. The review should also aim at benchmarking international practices.

- The government should help in providing adequate funds for all EE activities including but not limited to the building of a very conducive lecture environment that supports activities and training of all staff engaged in the design and delivery of the programmes. Funding also has to be provided for students with very bright innovative ideas. Higher institutions can also help in raising funds through strategic partnerships with non-governmental organisations (NGOs) and other entrepreneurship centres across the world, for example, the National Consortium for Entrepreneurship Education, the Ewing Marion Kauffman Foundation and so on.
- There is an urgent need for higher education institutions to train and retrain their current and future staff in the design and delivery of the programmes. This can be done locally or internationally or a mix of the both. Also, webinars could be arranged with industry experts to train all staff. In addition, the future recruitment of staff should include people who either have a business background or hold a qualification in entrepreneurship or a mix of both.
- A centre for entrepreneurship and entrepreneurship education should be set up by the government body responsible for promoting EE programmes. Such centre should have the mandate to co-ordinate all EE initiatives across the country.
- There should be a nationwide drive on educating people on the importance of EE as a viable force for changing their lives. Key facts about EE impacts in graduate youth unemployment should be communicated using different mediums. Incentives can also be provided to participants who enrol for EE programmes. This will help change the perception of people with time.

Of course, this study also has its limitations; indeed it focuses only on EE programmes of higher education institutions in Sierra Leone. The study did not therefore include EE programmes targeted at primary and secondary school students and working professionals who are not enrolled in tertiary education institutions. It does not also cover entrepreneurship training programmes targeted at youths in general, those in formal education and not offered by organisations such as ILO, UNDP and other non-governmental institutions. Further, few institutions which offer EE programmes were not included due to difficulties in reaching them. Therefore, the list of higher education institutions included in this study is not exhaustive though it is representative of the overall population.

For these reasons, future researchers are encouraged to conduct a comprehensive review of the challenges of EE programmes in Africa using comparative studies, siding qualitative analyses with a more quantitative approach in order to give the full account of impacts of entrepreneurship education.

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6

African Entrepreneurship: Constraints and Improvements

Gerd Junne

If you think of African entrepreneurs, the Nigerian billionaire Aliko Dangote may come to your mind, "Mo" Ibrahim, or Isabel dos Santos. There are many distinguished African entrepreneurs like them.[1] But they are still the exception. The typical African entrepreneur is a woman, most probably a smallholder, who works in the informal sector on a piece of land, which sometimes is as small as a tennis court.[2] The majority of the world's entrepreneurs are poor people in poor countries, and this is even more the case on the African continent, where most of the working-age adults can be regarded as starting up or running their own business.[3]

There is a great entrepreneurial potential. When the Tony Elumelu Foundation launched the Tony Elumelu Entrepreneurship Programme (TEEP) in 2015, it received more than 20,000 applications from all 54 African countries.[4] Africa is full of entrepreneurial people. What are their ambitions and role models? What is their time horizon? And what holds them back?

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This chapter will first present some general aspects of entrepreneurship in Africa. It will then concentrate on the specific constraints that limit the opportunities for entrepreneurs to grow their business. It finally indicates a number of possible measures that would broaden these opportunities and facilitate a successful accumulation process.

Framework Conditions for Entrepreneurship

Different Role Models

Africa experiences the fastest demographic growth of all continents. By the end of the century, its population may reach four billion. According to recent figures from the African Development Bank, there are 480 million youth on the continent today (the number is expected to grow to 850 million by 2050), with 10–13 million entering the job market every year and only 3 million getting wage employment.[5]

Governments cannot provide these jobs. Formal economic sectors are strongly biased toward the exploitation of mineral resources with little employment, other sectors are exposed to strong international competition from (often Chinese) imports. There are only a few fast-growing industrial sectors (like telecom, breweries).

Agriculture is not attractive in its present form and is largely subsistence agriculture.

If there are only a few jobs offered, people have to create their jobs themselves. Hence, there are a large number of people who become "necessity entrepreneurs" in the informal sector. The very fact that many people have no other choice (and certainly do not get wealthy in this way) creates a negative image of (most) entrepreneurship. You become an entrepreneur if everything else fails. "In many parts of the continent there are so few successful companies that would-be entrepreneurs seldom see inspiring examples or have trusted friends in business to turn to for advice or as suppliers or customers."[6]

Well-educated people aspire to become government officials with a guaranteed pension or get employed by a large company. If you can land a job in the petrol industry and get a monthly salary of $ 3000, why go through all the hardship and face the risks of a starting enterprise with a meager income, lots of work, and an uncertain future?

If you want to become rich, you would rather become a politician than an entrepreneur. This is not an either-or question, however, since (big) business and politics are largely intertwined. If your family is politically well connected, you can more easily get government orders and subsidies, and if you do well in business, you can more easily become an elected official. Politicians are often political entrepreneurs. Kenyan politicians, for example, spend more on election campaigns (per voter) than politicians in the United States, a country which is 40 times richer.[7]

If you do not have the right connections, you may have other role models: You may want to become a musician, a football player, an athlete, an actor, a scientist, but probably not an entrepreneur. That is, you may want to BE a successful entrepreneur, but you do not want to try to BECOME one. The main reason may be that too many determinants beyond your control decide whether you will be successful or not.

Uncertainty

Entrepreneurship implies risk taking. But the risks are usually much higher in an African context than in OECD countries. To understand entrepreneurial behavior in Africa, it is good to take this higher degree of uncertainty into account. Many of the risks can be summarized as the "Five Cs": corruption, crime, conflict, competition, and climate.

Corruption takes many forms: Nepotism creates situations which limit business opportunities to people with connections. Licenses may depend on "speed money" and patronage lineages. High crime rates raise costs to guard property and reduce mutual trust that would facilitate business transactions.

The higher chances of violent conflict increase the risk of investment especially in fixed assets. Strong competition, recently especially by Chinese products, makes it difficult to find a suitable market niche.

The decreasing predictability of the weather due to climate change reduces the attractiveness of investments in agriculture.

The high levels of uncertainty contribute to a hesitance to invest in ventures with a long time span before they deliver results. It is no wonder that the African countries covered by the Global Entrepreneurship Monitor occupy the lowest ranks on the "Undeterred by fear of failure" indicator.

Since uncertainty is so high in an African context, entrepreneurial individuals, who can mobilize the means to be mobile, often leave and migrate to another country where the chances are higher that with hard work, they will really achieve something.

Time Horizon

The high degree of uncertainty has a double impact on entrepreneurship. It reduces the incentive to plan—and to save (to invest). Both would be necessary to become a successful entrepreneur. In our own entrepreneurship program,[8] we have seen that participants find it especially difficult to produce a cash flow forecast—because "they cannot know beforehand." Several African languages are even said to lack a future tense.[9]

A rational analysis is substituted by hope. One result is that many ventures remain unsuccessful—which then has a negative impact on the image of entrepreneurship.

Religion also plays an ambiguous role in entrepreneurship, and many Africans are deeply religious. If I wait for higher powers to rescue me, put more emphasis on the after-life than on life on earth, or believe that everything is pre-determined, it provides some spiritual comfort, but does not expand my business. However, it can also work out in the opposite way. Many entrepreneurs who are successful are religious people. They dare to take risks, because they are confident that "God is at their side" and will help them, if they persevere.

Planning always assumes that the entrepreneur can exercise some control over the outcome. Given the high uncertainty, this may not be the case. While this hampers the capacity to plan, it can also have a positive impact on other ingredients of entrepreneurship. If I cannot control the outcome, I have to be flexible and be able to improvise. I would guess that African entrepreneurs have developed a higher degree of flexibility and improvisation talent than most of their counterparts elsewhere. They just had to; otherwise, they would no longer be in business.

Another important aspect of a limited time horizon is the limited inclination to save. What makes saving so difficult is that most assets may quickly lose their value—by fire, flood, theft, inflation, corruption, or armed conflict. Besides, the pressing social needs around the entrepreneur are so abundant that it is difficult to save instead of satisfying at least some of these needs, especially of the own larger family. Since in the absence of a well-functioning social security system, family bonds provide the only social safety net, the pressure to share any income earned from business activity is very high. Financial literacy in the larger family is generally low. So a decision to save more and share less would not be well understood in the entrepreneur's social environment. Many entrepreneurs therefore move to another town or abroad, so that success becomes less visible for the larger family, which otherwise would exercise a lot of social pressure. Such moves have the disadvantage that entrepreneurs may start in an unfamiliar environment, where they do not have a dense personal network—which then is another obstacle.

Constraints for Entrepreneurship

Knowledge

The generally low average level of education in most African countries forms a bottleneck for entrepreneurs. It implies not only difficulties to find suitable employees. The entrepreneurs themselves often have enjoyed little formal education, which makes it difficult for them to get information on business opportunities, to go through the procedures of formal registration, and to keep proper records. In Sierra Leone, for example, more than half of all entrepreneurs are illiterate.

The formal education system is not geared toward entrepreneurship. It offers a more abstract curriculum, and teachers lack experience in entrepreneurship themselves.

Since most people still depend on agricultural activities, it is especially problematic that agricultural extension services do not function properly and in many countries have been cut down for financial reasons. More and more helpful information is available on the Internet. But a minimal level of literacy, reading English, familiarity with computers, Internet access and electrical power is necessary to make use of the wealth of information out there. People who do have access then mostly look for an occupation outside agriculture.[10]

Finance

If you ask entrepreneurs what the most important bottleneck is that they experience, they would probably not start with knowledge, but with finance. "There is a myth out there that every good idea can find funding," according to Goolam Ballim, the chief economist of South Africa's Standard Bank. "But in Africa that simply isn't true."[11]

The grim reality is that there is money,[12] but it is hardly available for investment in small enterprises.

One aspect of this is income inequality. "In addition to being [one] of the poorest regions in the world, Africa is also the world's second most inequitable region after Latin America. Inequalities have not diminished over time. In 2010, six out of the 10 most unequal countries worldwide were in Sub-Saharan Africa, and more specifically in Southern Africa."[13]

But the poorer groups of the population still have some money. Every year, several hundred thousand Africans try to reach Europe. It is very costly to pay for the journey through Africa and then pay a human trafficker to put you on a boat to Europe. Let's assume that the average costs of such migration are $ 5000. If 100,000 refugees and migrants embark on such a voyage, this would imply that $ 500 million have been collected to make this flow possible. With the same amount, thousands of small companies could have been started instead.

Migration is costly, but it also leads to dividends in the form of remittances. African countries south of the Sahara received about $ 33 billion of remittances in 2016, of which 19 billion went to Nigeria alone.[14] But only a tiny percentage is invested in businesses.[15]

Most African banks shun away from credits to small companies and prefer to lend money to governments.[16] The banks' aversion to lending to small enterprises is particularly preventing micro and small businesses from exploiting their full potential.[17] Interest rates are high, and bank employees are not well trained in assessing the risks of lending to these enterprises.

Financing business through microfinance credits is not very attractive either, since interest rates are high, and (micro)entrepreneurs fear that they might lose even their last assets if they do not pay back the credit in time.[18]

Infrastructure

Access to finance depends on the opportunities to sell what you produce. But "even if entrepreneurs get access to finance, it is still difficult for them to make and sell things."[19] The lack of road infrastructure makes it expensive to get supplies. Regular power cuts (or no electricity at all) make it difficult to produce. High transport prices make it difficult to reach markets. Traffic jams in the major cities cause a lot of time to travel from one end to the other. Spare parts for broken machinery or cars can be hard to obtain.

While some major roads have improved, the infrastructure in rural areas remains deficient. This implies huge post-harvest losses for farmers, because they cannot reach markets in time.[20] On the other hand, it also limits the size of the market for other goods: "Investors who want to reach the majority of consumers still need to focus on getting goods out to dispersed rural communities. In many cases overcoming infrastructure gaps matters more than product novelty."[21]

The International Fund for Agricultural Development (IFAD) summarizes the crucial role of infrastructure very well: "Reliable infrastructure is essential for all elements of rural development. It has an enormous impact on the cost of supplying both farm and non-farm goods and services. It is a key determinant of the business services available to smallholder family farmers (for example, processing, marketing, storage) and to their profitability."[22]

At present, large parts of African countries are not accessible for long periods during the year, due to the weather, mud, bad roads, or lack of bridges.

Of course, in addition to the constraints in the field of education, finance, and infrastructure, there are the well-known problems of bureaucracy, lack of political stability, and lack of good governance in general, which can create obstacles as big as the ones depicted above.

Improvements

Given all these constraints, what can be done about them? How can the chances especially for starting entrepreneurs be improved? Political stability, of course, would be a precondition for a positive investment climate (for other entrepreneurs than arms dealers, smugglers, and similar trades). Besides that, major changes in education, finances, and infrastructure could give a great boost to African entrepreneurship.

Education

The majority of African entrepreneurs are smallholders who practice agriculture with a relatively low productivity on an increasingly exhausted soil.[23] To get a maximum result from small farms without damaging the environment further, while adapting to climate change (and reversing its negative impact where possible), a lot of additional knowledge would be necessary. A big step into the right direction would be the expansion of agricultural extension services, which have been severely curtailed in the past in most countries. To reverse this trend, Nigeria has taken an initiative that should be followed by other countries. The Nigerian vice-president has announced the recruitment and training of 100,000 young persons as agricultural extension workers as a way of providing support services in agricultural technologies to farmers.[24]

Agriculture in the present setting is not attractive for young people. Many therefore would like to migrate to the cities (or abroad). To increase its attractiveness, education would be desirable in a broad range of agriculture-related professions that would help to improve the image of agriculture, like Agricultural Economist, Arboriculturist, Agricultural Lender, Animal Geneticist, Crop Scientist, Conservation Officer, Educational Specialist, Export Sales Manager, Ecologist, Food Microbiologist, Farm and Land Appraiser, Farm Manager, Grain Broker, Livestock Procurement, Market News Reporter, Plant Geneticist, Quality Assurance Officer, Soil Scientist, Toxicologist, Viticulturist, Waste Management, and Wildlife Biologist, as suggested by the "Kairos Ladies" in Ghana.[25]

At the same time, a tremendous expansion of informal education could take place. There is so much information available in international networks on the Internet, which could boost not only agriculture but any kind of economic activity. A precondition for that would be more widespread literacy, access to the internet, computer literacy, and knowledge of English or another widespread language.

Besides such basic knowledge, more entrepreneurial skills training could improve the chances of entrepreneurial success. Such programs have quickly spread in many African countries but could still reach more people and coach them for a longer period.[26] There is disagreement about whether entrepreneurship can be learnt,[27] but relevant skills can certainly be acquired by additional training.

A Financial Marshall Plan

There are thousands of capable people all over Africa with viable business ideas that cannot be realized because there is no initial financing. An institutional network is lacking that would be able to provide small credits at bearable interest rates that would help to get these companies started. There are many initiatives at a small scale, but their impact has been limited. This is understandable, because the same uncertainties that plague the starting entrepreneurs are also encountered by institutions that could provide such start-up financing. In addition, these institutions have to cope with the uncertainties regarding the skills and the integrity of the entrepreneurs. Only a comprehensive approach that combines financing with intensive mentoring would have a chance to yield the expected results.

One handicap for most initiatives is that they usually target individual enterprises rather than a group of mutually supporting enterprises that would be clients for each other. This, however, would require a degree of planning, cooperation, and mutual trust that does not yet exist in many communities.

Improved Infrastructure

At least one aspect of infrastructure has improved at lightning speed in Africa: Mobile phones have spread into the most peripheral areas. There are actually 557 million unique subscribers in Africa with a mobile phone, and their number is expected to reach 725 million by 2020, which would imply a penetration rate of 54 percent. The number of mobile internet subscribers tripled in the last five years to 300 million by the end of 2015, with an additional 250 million expected by 2020.[28]

This has not only created a large number of telecom-related companies (like mobile network operators, infrastructure service providers, retailers and distributors of mobile products and services, handset manufacturers and mobile content, application and service providers). It has also increased the opportunities for doing business in general, because it has facilitated not only communication and coordination but also marketing and financial transactions.

While this is probably the most important change that is actually taking place, there are also large infrastructure developments on the continent that create many new opportunities for trade between African countries—and other continents.[29] While this will improve the chances for traders, it may also hamper the chances of local small-scale industries, which may suffer from increased global competition.

The rise of China has been crucial for the expansion of African infrastructure. The World Bank already "in the 1960s shifted its aid focus away from infrastructure, transportation, and infrastructure, leaving basic irrigation, transportation, and electrification systems underdeveloped. China has stepped in as a new and symbiotic partner. … Today China is the greatest force evolving Africa beyond its artificial European colonial borders because it is paving over them with sturdy infrastructures reaching deep into landlocked countries."[30]

This infrastructure also provides new opportunities for African entrepreneurs, though it basically serves to provide access to African raw materials and to distribute Chinese goods—in the same way as the colonial infrastructure served Europeans in the nineteenth and twentieth centuries.

A major difference, however, between now and then is the existence of a growing group of African entrepreneurs who—in spite of all obstacles described above—can also use this very same infrastructure.

Notes

1. See, for example, Iwa Adetunji (2017), *African Entrepreneurs—50 Success Stories,* MX Publishing; Quemchy Angels (2017), *African Entrepreneurs and Their Success Stories*. See also Mfonobong Nsehe—The African Billionaires 2017, https://www.forbes.com/sites/mfonobongnsehe/2017/03/20/the-african-billionaires-2017/#79ea289f2334.
2. New York Times, 4 August 2017.
3. In Burkina Faso, for example, "close to two-thirds of working-age adults […] are starting up or running their own businesses". Global Entrepreneurship Monitor, 2016/2017, p. 24. http://www.c4e.org.cy/reports/2017/gem-2016-2017-global-report-web-version-1486181226.pdf
4. Cf. Tony Elumelu Foundation—Unleashing Africa's Agricultural Entrepreneurs. Improving the Enabling Environment for Agriculture, February 2016, p. 2. https://www.growafrica.com/sites/default/files/Unleashing-Africas-Agricultural-Entrepreneurs.pdf.
5. Pan-African Youth Empowerment Conference: to support young people to shape their own future, Press Release, 18 August 2017, https://d3japsmkk00rot.cloudfront.net/wp-content/uploads/2017/08/Press-Release-Pan-African-Youth-Empowerment-Conference.pdf.
6. The Economist, 30 June 2016.
7. The Economist, 30 June 2016.
8. The Network University (TNU) has offered an online training to starting entrepreneurs in West Africa, http://ent.netuni.nl.

9. Other languages, however, have even more tenses than Westerners are used to: There are African languages with even seven tenses, like "simple past," "recent past," "remote past," "present," "habitual," "immediate future," and "remote future." See http://www.africananaphora.rutgers.edu/tense-and-aspect-in-african-languages-hiddenmenu-218.
10. Cf. Tony Elumelu Foundation—Unleashing Africa's Agricultural Entrepreneurs. Improving the Enabling Environment for Agriculture, February 2016. https://www.growafrica.com/sites/default/files/Unleashing-Africas-Agricultural-Entrepreneurs.pdf.
11. The Economist, 30 June 2016.
12. There is money, in spite of the fact that huge amounts of resources are transferred out of the continent every year: "In 2012, the last year of recorded data, developing countries received a total of $1.3tn, including all aid, investment, and income from abroad. But that same year some $3.3tn flowed out of them. In other words, developing countries sent $2tn more to the rest of the world than they received." See the summary of the study by Washington-based Global Financial Integrity and the Norwegian School of Economics on http://www.gfintegrity.org/press-release/new-report-on-unrecorded-capital-flight-finds-developing-countries-are-net-creditors-to-the-rest-of-the-world/.
13. African Development Bank, Briefing Note 5: Income Inequality in Africa, 7 March 2012, https://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/FINAL%20Briefing%20Note%205%20Income%20Inequality%20in%20Africa.pdf.

    At the end of 2014, Africa was home to 160,000 people with personal fortunes in excess of US$ 1 million, a twofold increase in the number of wealthy people since the turn of the century. "Meanwhile, the number of poor people in Africa—defined as those living on less than $1.25 a day—increased from 411.3 million in 2010 to 415.8 million in 2011."https://www.theguardian.com/global-development/datablog/2015/jul/31/africa-wealth-report-2015-rich-get-richer-poverty-grows-and-inequality-deepens-new-world-wealth.
14. World Bank, Migration and Development Brief 27, April 2017, p. 27–28 http://pubdocs.worldbank.org/en/992371492706371662/MigrationandDevelopmentBrief27.pdf.
15. See the figures on the use of remittances for business or investment in five countries (Burkina Faso, Kenya, Nigeria, Senegal, Uganda). Admittedly, "it is difficult to identify the share of remittances devoted to

specific uses, as money is fungible, and reports from remittance recipients on how they use remittances may be biased. Evidence from other regions suggests that a significant part of remittances is spent on housing investment and the purchase of land, particularly where few other assets are reliable stores of value." World Bank, "Leveraging Migration for Africa. Remittances, Skills, and Investments," 2011, p. 63–64.

16. "This is beginning to change, thanks largely to the spread of mobile phones, which is allowing for new ways of lending cheaply. Take Letshego, a Botswana-based microlender with operations in nine other African countries. It signs up customers using their mobile phones and runs its entire operation from a data centre in South Africa, giving it a cost-to-income ratio (a standard measure of efficiency in banking) that is about half that of traditional banks." The Economist, 30 June 2016.
17. Sparkassenstiftung für internationale Kooperation, Annual Report 2016, International Cooperation, Projects and Partners, p. 19.
18. The World Bank paper "Financing Businesses in Africa: The Role of Microfinance" by Shilpa Aggarwal, Leora Klapper, and Dorothe Singer evaluates how microfinance performed in providing business financing in 27 sub-Saharan African countries. It shows that economic gains from microcredit have been more modest than what was once believed. Policy Research Working Papers, Washington, February 2012.
19. Ashish Thakkar, an African entrepreneur and philanthropist, says that shortages of electricity, potholed roads, and inefficient ports and railways hold back manufacturers. "If someone making shoes in Port Harcourt can't even get them to Lagos [both are cities in Nigeria] then forget about them going global." The Economist, 30 June 2016.
20. In Cameroon, for example, 40 percent of the annual production of plantain banana is lost due to the lack of adequate road infrastructure. http://ideas4development.org/en/processing-of-agricultural-raw-materials-in-africa-reaffirmed-as-a-priority/.
21. https://hbr.org/2017/02/3-things-driving-entrepreneurial-growth-in-africa.
22. IFAD—Investing in smallholders family farmers …. For the future we want, Rome 2014, p. 9.
23. Netherlands Environmental Assessment Agency—Micronutrients for agricultural intensification. Is Sub-Saharan Africa at Risk? Policy study by Ezra Berkhout, Mandy Malan and Tom Kram, Den Haag, 2017, http://www.pbl.nl/sites/default/files/cms/publicaties/pbl-2017-micronutrients-for-agricultural-intensification-1946.pdf.

24. Vice President Yemi Osinbajo acknowledged in the same announcement that this could only have a real impact if other policies are aligned: "You cannot have a policy of encouraging local production of food, while, on the other hand, you have a high tariff on agricultural imported equipment. There is no way that we can encourage local production when we allow unbridled importation of the same things that we are trying to produce… There is no way we can do the scale of agricultural production both for domestic consumption and export without ensuring improved local seedling development alongside those that we import and of course encouraging the work of the agencies of the Ministry of Science and Technology who have been making great breakthroughs in local development of agricultural equipment." Public address at the official launch of the Agriculture Promotion Policy (APP) tagged the "Green Alternative" in Abuja, 15 August 2016. http://nifaas.org.ng/2016/09/01/nigeria-to-employ-100000-extension-workers/.
25. https://kairosladiesnet.wordpress.com/page/2/.
26. African start-up mentor Michele Grosso noted that while African entrepreneurs have amazing drive and hardworking spirit that cannot be seen elsewhere, most of them lack the basic business skills that are expected from anyone that wants to start and run a business. "This is probably due in part to lack of proper business education; they don't have access to a wide international business community except at events like DEMO Africa which don't happen every day." http://ventureburn.com/2015/12/entrepreneurship-training-african-startups-stakeholders-disagree/.
27. http://ventureburn.com/2015/12/entrepreneurship-training-african-startups-stakeholders-disagree/.
28. GSMA—The Mobile Economy, Africa 2016, p. 3. https://www.gsmaintelligence.com/research/?file=3bc21ea879a5b217b64d62fa24c55bdf&download.
29. TradeMark East Africa, for example, an NGO funded largely by Western governments to encourage trade, reckons that improvements in Kenya's ports and roads have cut by about 60 percent the time it takes to ship a container from the port of Mombasa to Kampala, the capital of Uganda, lowering costs too. The Economist, 30 June 2016.
30. Parag Khanna—Connectography. Mapping the Future of Global Civilization, New York, 2016, p. 95.

7

Entrepreneurial Opportunities and Challenges for Retired Senior Military Officers in Nigeria

Nnamdi O. Madichie and Kaseem Ayasi

Introduction

Nigerians have witnessed economic challenges in the past decades that culminated in low capacity utilization, massive unemployment, poverty, infrastructural decay, macroeconomic instability, insecurity of life and property, which have a cumulative effect of corroding the quality of life of its citizenry. The country has also suffered from a loss of economic focus (Duru 2011) through combined effects of corruption and mismanagement that stifled its ability to develop into an advanced economy capable of transforming the living conditions of her citizenry (Katsina 2011; Madichie 2005). Preference for white-collar jobs became the major focus of Nigerian youth, as the government became the main employer

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of labour, as well as the easiest means of accumulating wealth. It is not surprising to note, therefore, that research interest on entrepreneurship in Nigeria has been primarily focussed (Ekpenyong 1982; Fatunla 1989; Kamata 2008; Aremu and Adeyemi 2011; Opafunso and Okhaukhuele 2014) without giving cognizance to the military. Increasingly, senior military officers retire young and are progressively taking recourse to the field of entrepreneurship; the attrition rate in terms of failure is suggestively alarming even though a dearth in statistical estimate allows only a speculative value. This study, therefore, seeks to fill this gap by examining the entrepreneurial opportunities for retired officers in Nigeria vis-à-vis the challenges faced by the ex-servicemen when they engage in entrepreneurship. The dominance of the military in the Nigerian political history from 1966 to 1999 led to the evolution of an elite corps within the military with sufficient funds to invest in the economic development of the nation. Despite the successes recorded in the Western world regarding the achievement of the retired military officers in entrepreneurship, the case in Nigeria reflects significant failure among businesses initiated by retired military officers. Apparently, the motivations behind such entrepreneurial projects are not clearly understandable even to the promoters nor are they linked to any visible personality traits. This research will unravel the factors that account for the hypothetical observation of failure and inability of most retired military officers to sustain the success of their business. Duru (2011) evaluated successive governments' resolve to address this economic malaise by developing policy measures that encourage private sector-led growth for job and wealth creation which is anchored on entrepreneurship, but such policies seem to have overriding focus on civilian entrepreneurship unlike in the USA where specialized agencies and institutions have been developed to assist retired military officers in their venture into entrepreneurship.

Given the diverse opportunities in Nigeria, the chapter would examine the possibility of a heightened interest in entrepreneurship in the Nigerian military through government initiatives by providing a conducive environment that would guarantee success in venture creation and management. The nexus of this chapter is the observation in the USA that military veterans stand a higher chance of succeeding as entrepreneurs than those without service training (SBA Report 2012; Gwen 2012).

Some of the skills and know-how inherent in military training include risk management, performance under pressure and leadership which are all essential to effective venture management; it is against this background that this study attempts to examine entrepreneurship among retired military officers in Nigeria and, specifically, to evaluate entrepreneurial opportunities and challenges in Nigeria. The study would attempt to examine their cognition of the entrepreneurial process as well as the factors that determine their choice of projects and entrepreneurship as a vocation.

Concept of Entrepreneurship and Entrepreneurs

The concept of entrepreneurship has been variously defined from a diverse perspective and academic pursuits. Accordingly, different fields of study, namely, sociology, psychology, developmental economics and business management have provided different angles to the subject matter. Conceptual definitions are frequently associated with the function of coordination of productive resources, uncertainty bearing, provision of investible capital and innovation of ideas for new businesses or products (Ebringa 2012; Abdullahi 2008; Riti and Miriam 2015). However, Akpan et al. (2012) provided an encompassing definition when they stated that entrepreneurship is a science of undertaking tasks with attendant risks and gains, while, they identified the entrepreneur as the organizer, innovator and risk bearer in any business undertaking. Meanwhile, there appears to be a contention in the definition of entrepreneurship (Burnett 2000), but there is however a common agreement in theory on the various activities that encompasses the definitions. The scope of entrepreneurship in Nigeria follows closely with the definition of Van Praag and Cramer (2001) who posited that an entrepreneur is someone who through activity and innovation introduces new ideas that change the direction and the rate at which the wheels of an enterprise go around.

However, the concept of entrepreneurship owes its premier attention through the works of Joseph Schumpeter (1885–1950). In his expositions, Schumpeter envisions an entrepreneur as a change agent who introduces new economic activity that brings about changes in the market. He highlighted that an entrepreneur is not necessarily the person who mobilizes capital for initiating a business or product but could be an idea generator (see Schumpeter 1980). The main distinguishing factor between an entrepreneur and business owner in this regard is that the entrepreneur creates business opportunities that have beneficial results to the society and not just to himself; however, the business owner's activities are driven by profit motive for himself. Accordingly, entrepreneurship is a process through which individuals identify opportunities, allocate resources and create value (Riti and Miriam 2015). Acs and Szerb (2007) contend that entrepreneurship revolves around the realization of the existence of opportunities and the resultant decision to commercialize them by starting a new firm. Similarly, Tijani-Alawiye (2004) defined entrepreneurship as a process of increasing the supply of entrepreneurs or stimulating the increase of small-, medium- and large-scale enterprises in a country.

These two perspectives to entrepreneurship birth the notion of the demand and supply perspectives as described by Thornton (1999). The definition provided by Tijani-Alawiye pinned the responsibility of entrepreneurship largely on government and willing non-governmental bodies as the primary initiator of the process that would promote the evolution of capable entrepreneurs who can successfully innovate and nurture enterprises that would impact positively on the economy of the country. Similarly, Morris, Kuratko and Covin (2008) posited that entrepreneurship includes the ability to build a team with complementary skills and talent, while also recognizing that it takes the knack for sensing opportunity where others see chaos, contradiction and confusion. Moreover, the role of entrepreneurship in inculcating enterprise culture capable of stimulating rapid economic development has been demonstrated in several research (Kazimoto 2014; Akwani 2007; Cogburn and Adeya 2000).

Entrepreneurship and Military Training

The military in their traditional role as specialists in the management of violence have been team builders and experts in dousing chaos—qualities that can be moderated and exploited as potent entrepreneurship skills.

The concept of military entrepreneurs can be traced back to the USA where there have been numerous studies on veterans taking up entrepreneurship post retirement. These individuals have often claimed that their military background has been the major force behind their success, they particularly adduced their success to the experience that manifest through determination and a commitment to creative problem solving. A study by the US Small Business Administration (SBA) in 2011, which reported that over 2.4 million small businesses are owned by retired military officers in the USA, also quoted that veteran entrepreneurs consistently cite a culture of determination and a level of comfort in dealing with risk as the particular military attribute that help them cope with the challenges of starting and growing their businesses. The military as an institution is globally recognized to instill core leadership values including Loyalty, Duty, Responsibility, Selfless Service, Honour, Integrity and Personal Courage. These core values as well as dedication to service which commonly constitutes one key criterion of the service esprit de corps are perhaps the main ingredients that account for success in entrepreneurship.

Initiating a business demands certain leadership skills and a marked ability to withstand stressful conditions to take logical decisions with attendant strategic implications; a recent study highlighted that military service equips individuals with the tools to be effective leaders, while observed military service helps the retirees to value teamwork. The hypothetical underpinning of the research presupposes that military entrepreneurship as an evolving concept bears certain unique differences from the mainstream entrepreneurship which emanates from personality, environment, training and experiences of the individuals involved in the process. The theme of the discussions therefore raises questions such as: Are the military qualities of boldness, risk taking and aggression consistent with a market strategy? Will the combatant qualities in the military coincide with seeking competitive advantage?

Smaliukiene (2013) in a comparative study of entrepreneurship opportunities after military career in the European Union employed the institutional survey method indicating that service in the military provides specific competencies that are transferable to entrepreneurship. The study suggested that development of entrepreneurship skills may prepare ex-service people for the new economic activities as well as create conditions for successful integration into the civil life. The Nigerian military has evolved over a long period in the history of the nation with the retired officers playing important roles in its political life; thus, an elite military with enough financial resources emerged before the attempt at professionalism in military training which just happened at the turn of the 1980s. With the resources and experience at their disposal, the retired military officers are well armed to engage in entrepreneurial ventures which have the potential of a significant economic impact on the fortune of the country. The military training they have acquired as officers could serve as an important asset in the development of their entrepreneurial quest, success and potential for job creation.

Retired Senior Military Personnel in Nigeria

The development of SMEs represents the most viable scope of operations for most retired military officers. This is because SMEs have been recognized as significant creators of wealth and employment in domestic economies. Moreover, an incremental growth strategy would be an easily manageable option from where the entrepreneur can grow into a larger corporation or extend its market beyond the local boundary. However, the study identifies that the growth recorded in the USA primarily came from advancement in entrepreneurship. In fact, evidence from extant literature indicated that the gap in economic growth between developing and developed economies can be significantly covered up through the encouragement of entrepreneurial activities (Galor and Stalios 2006), this against the backdrop of several projects initiated by veterans from the US military. This feat can be replicated in Nigeria when an enabling environment for the practice of entrepreneurship is given necessary governmental support.

Major factors that shape the growth of entrepreneurship in an economy are identified to include investment opportunities and the willingness of individuals to become entrepreneurs (Burnett 2000). While the latter factor is influenced by the resultant monetary or personal satisfaction rewards, the earlier is however motivated by the existence of opportunities and policy framework including deregulation, privatization, liberalization and access to finance. This is the point at which government policies could turn the interest of retiring military officers at entrepreneurship. The US government has recorded success in veteran entrepreneurship by providing an enabling policy framework that encourages the proliferation of entrepreneurs among veterans. Success of the vocation is built upon the evolution of strong and dependable institutions that provide all conceivable assistance to veterans considering entrepreneurship. The government must therefore take the initiative by creating institutional support to stimulate entrepreneurship among the retiring military officers. Specialized training institutions should be created to provide the types of training currently been given to veterans in the USA including 'boot camps' organized by the universities; as a matter of fact, Okaka (1990) submits that entrepreneurial effectiveness is dependent on the skill acquisition level and development acquired in addition to inherent unique capabilities of the officers.

Trends in the global environments portend opportunities for ex-servicemen transiting to entrepreneurship. Privatization and commercialization is a viable option for entrepreneurs. It is an economic model conceived to stimulate capacity development of Third World economies (Elkan 1988). The debottlenecking procedure entrenches a process improvement strategy that creates opportunity for entrepreneurship. The clear case in Nigeria was the reorganization of the Nigerian National Petroleum Corporation which created nine subsidiaries that were all strategic business units of the corporation. This created opportunity which a prospective military entrepreneur can engage for service or product delivery. Another potential entrepreneurial opportunity manifests in strategic alliances. The global market is estimated to consist of a population of six billion people which is expected to reach ten billion by 2050. To deal with the size of the global market, companies are consolidating through mergers, acquisitions and alliances to reach the scale considered necessary to compete in the global arena. Alliances provide economies of scale and scope; furthermore, it allows the local firms develop knowledge and experience that would impose a competitive advantage to leverage into the global marketplace. This business growth strategy is another viable vehicle of investment for retiring military veterans to owe and establish ventures within a short frame of time utilizing the experiences which the venture partners would have brought to the table.

A similar alternative for entrepreneurs exists through the mechanism of market convergence. The lowering of trade barriers was, to a large extent, in recognition of converging customer demands, taste and other variables; the consumers within geographical boundaries demand for similar goods and services; however, these converging market variables are even constricted across regions. This probably explains why most entrepreneurs focus their marketing strategy on their home market and gradually expand into neighbouring countries. Countries within the West African region, namely, Nigeria, Ghana, Benin, Niger, Sierra Leon and Liberia, frequently experience cross-border trading; these countries have similar levels of consumer sophistication and product standards (Ekeledo and Bewayo 2009). The military entrepreneurs therefore have a wider scope for their market as well as an opportunity of growth across regional market which could serve as experience to enter the global market.

Shapiro argued that the important factor for long-term resilience is to increase the supply of individuals who see themselves as potential entrepreneurs. Economic resilience arises from an environment which he described as nutrient-rich. He further highlighted that nutrients include social and cultural support, information and tacit knowledge, as well as more tangible resources. Regardless of the existing level of entrepreneurial activity, such 'seedbeds' establish fertile ground for potential entrepreneurs when and where they perceive a personally viable opportunity.

Entrepreneurship Challenges to Military Entrepreneurship

The military around the world are considered professionals in the management of violence. However, the concept of professionalism in the military created opportunity for the officer corps to pursue further learning in areas that would allow them to imbibe knowledge and training through formal educational curriculum; moreover, the training in military as opposed to academics imparts qualities that prepare them for entrepreneurship. There are, nonetheless, certain impediments which are documented in extant literature that pose entrepreneurship challenges for this group. These may be categorized into personal, institutional and systemic challenges. The *personal factors* are associated with individual characters and service experience. While the *institutional factors* are those impediments that are inherent in the socio-political administration of the national and the global economy, these comprise institutional support mechanisms and governmental policies. The *systemic factors* are those challenges that are inherent in the Nigerian military as an organization. These are now discussed in turn.

Personal Challenges to Military Entrepreneurship

The major challenge faced by ex-service personnel is the transition from the military life with its routine and combatant nature to a more stable life that is free from the dangers inherent in military service. Similarly, the adjustment of personal, family and career perspectives to a new environment is characterized by dynamism and influences from both political and social environments. Storlie characterized this challenge when he observed that retired officers would be faced with productively adapting skills acquired from a military culture that emphasizes directness, speed, assertiveness and violence of action into a civilian culture that emphasizes team decision making, methodical approaches to problems driven by data analysis and a more supportive, collaborative environment. It should be noted that entrepreneurship in every sphere possesses the ingredient of innovation which is adequately described in terms of ability to dream, create, explore, invent, pioneer and imagine, which are core entrepreneurial skills/traits whether in military or civilian parlance. However, the military vocation is suggestively observed to lack elements of innovation as characterized by the command structure of decision making.

One very important aspect of success is a clear understanding of a process which depends on an individual perception of the vocation; it is based on this that the research attempts to examine the world of perception of the entrepreneurial concept by the retired military officers against popular theories to have a clear understanding of what they attribute entrepreneurship to be and how this affects their performance. This thesis is premised on the fact that their conceptualization of entrepreneurship may have useful insight to an understanding of their performance in entrepreneurship. This is because, entrepreneurship is a process which if followed through could result into success rather than the perception of entrepreneurship as a mere vehicle for self-engagement. The basic conception of entrepreneurship among the retired military officers in Nigeria is a vehicle for continuous activities in the form of self-employment, without rigorous analysis before venturing into business. This is a challenge of lack of information provided by entrepreneurship development programmes (EDPs) of the government. The evolution of EDPs with specific mandates to enable retiring officers appreciate entrepreneurial processes would address this lacuna. Communication is a very vital aspect of business. Military training adopts vocabularies that are quite distinct from the civil life, for instance, in business, one needs to convince a customer for patronage; there is, however, no convincing in a unit being deployed. Moreover, the military vocation breaks them off from professional networking that would have given them time to develop certain business skills like financial planning.

Institutional Challenges to Military Entrepreneurship

A major institutional challenge that faces military entrepreneurship is the fundamental shift in the global economy which interconnects the world economies in an interdependent system. The advent of globalization eases trade interaction between nations through a breakdown of barriers to trading, tariffs and other impending structures to international trade. Accordingly, Afolayan (2003) conceives globalization as the intensification of global interconnectedness and interdependence which blurs national borders and policies in the shadow of global relations. The convergence of demand across global market is the result of brands of products from other nations in virtually every market on the globe. What this trend portends is that the entrepreneur no longer confines his market to the national boundary but the world in general; also, it means that competition is not only from local brands but also from internationally acclaimed brands. The imperfections created by the forces of globalization also allow labour movement from within the globe as well as production facilities to efficient economic zones where the efficiency of labour makes it cheaper to produce goods and services. It therefore means that the military entrepreneur must grapple with competition from cheaper substitutes from other nations.

The imperative of globalization in the face of military entrepreneurship in Nigeria is that it will present some threats to the practice in the form of heightened competition from foreign entrants, mostly from a cheaper better quality source. We are already experiencing the impact of cheaper quality products from the emerging economies of the BRICS (Brazil, Russia, India, China and South Africa) nations. The massive production capacity of entrepreneurs from these economies imposes a competitive advantage which allows them to outprice local substitutes through economies of scales. Moreover, the era of market protectionist measures is threatened with the collapse of trade barriers; this also portends that the military entrepreneur can aim at the international market from inception of business. To make the best of market reach, it is imperative that the entrepreneur should consider the regional markets and allow for learning economies to consolidate before launching into the international market.

Another institutional challenge to the military entrepreneur in Nigeria is the much-debated capital adequacy syndrome which has been the subject of many academic discussions on entrepreneurship. Despite the various agencies and policies enacted to assist entrepreneurs in Nigeria, many still complain of the paucity of funds to execute projects.

However, a handful of empirical evidence points to the fact that the problem of entrepreneurship in Nigeria is not the lack of capital but the dearth of ideas among the Nigerian elites. Indeed, in his study of SMEs in Nigeria, Mambula (2002) reported that 72 per cent of respondents adduced the lack of financial support as the main obstacle to executing their business.

Accordingly, small businesses are faced with cumbersome procedure for obtaining loans from the banks, while the banks on the other hand complain that most small businesses do not have comprehensive business plans as well as foolproof collateral, which are core requirements for assessing loan capital in the financial sector. Where these requirements are met, the entrepreneurs come short on the requisite experience for managing such ventures. To fulfil the funding requirements, therefore, the military entrepreneur must undergo training in the management of the chosen venture as well as recruit professionals to manage strategic aspects of the business. While, technology and business ideas incubation agencies are available in Nigeria, their impact on entrepreneurial success is not yet ascertained.

However, the Tony Elumelu Foundation provides assistance, funding and follow-up mentoring to entrepreneurs in Africa generally, and Nigeria in particular. This is the model in the USA where the SBA provides advice, training, funds and mentoring for entrepreneurs. Furthermore, the growing response of retired military officers to entrepreneurship in the USA has stimulated the evolution of several NGOs and governmental agencies that provide specialist assistance to veterans. This is a model that is worthy of emulation by the Nigerian government. A corollary to the funding options is that globalization also entails the opening up of the international financial market; the implication is that the entrepreneur can shop for funds in the global market and obtain finance from the cheapest source. The retired officers given their visibility in the Nigerian military with global recognition should have enough reach to source for funds from the global window.

A significant challenge to military entrepreneurship in Nigeria is the lack of basic physical infrastructure for economic development (Ekeledo and Bewayo 2009); where this infrastructure exists, they are mostly in a dilapidated and unserviceable condition. A good example of these is the deplorable condition of our feeder roads, telecommunication facilities, power supply, rail lines and so on. Transport facilities and power supply which constitute important variables in cost minimization are in a very sorry state in Nigeria; therefore, the entrepreneur has to provide alternatives to these services or acquire them at expensive rates which translate into prices of outputs and the consequent cost disadvantage when placed side by side with imported substitutes especially from the emerging economies which are able to leverage existing market imperfections for competitive advantage (Eun and Resnick 2001). Moreover, a World Bank survey in Nigeria ranked the greatest challenges to doing business in Nigeria as power, transportation and access to finance as the last on the list. The information and communication technology platform for business in Nigeria is also very weak. Telecommunication is a measure of development in the globalized economy (Cogburn and Adeya 2000); however, the advent of GSM has reduced the pervasiveness of the communication problem. A low level of computer and internet usage is observed in Nigeria (Ekeledo and Bewayo 2009); the place of the computer in modern days' business needs no re-emphasis, and the entrepreneur would improve his effectiveness in decision making when he deploys an appropriate level of IT that is commensurate with the level of business.

Another significant challenge to military entrepreneurship in Nigeria is the lack of coordinated assistance from the government. Efforts in the time past to evolve strong institutional arrangements for the support of entrepreneurship and specifically the small- and medium-scale industry have not yielded significant result. While a few agencies exist to assist and promote entrepreneurship, there are, however, no conceived institutional arrangements for the sustenance of military entrepreneurship in Nigeria. This is understandable as the concept itself is merely evolving in the USA where it started and recorded huge success. Extant literatures on African entrepreneurship have concluded that training programmes for entrepreneurs are few and far between (Wallace 1999); this situation when contrasted with the practice in Western world and the USA in particular shows a huge gap for entrepreneurial development in Nigeria.

In the USA, the SBA is responsible for entrepreneurial development; it provides financial aid, counselling and many other assistance to small businesses including mentoring and follow-ups. The only institution in Nigeria that follows this model is the Tony Elumelu foundation which is recent in origin. Otherwise, most government agencies in the country do not complete this cycle especially the much-needed counselling and mentoring. In the USA, a lot of NGOs and government agencies have been initiated to provide professional support and guidance to veterans who are interested in pursuing entrepreneurship. Priority attention is also given for the funding mechanism to ensure that veterans procure the necessary financial assistance for setting up their ventures. Even when the finance is given, they are not left alone as other supporting agencies provide continuous training and mentoring to sustain success of the venture.

Another challenge which is a fallout of the institutional processes is the cost of doing business in Nigeria. Globally, entrepreneurship is stimulated by the inherent profitability of doing business. However, when the cost of exploiting the opportunity becomes higher than the net harvest from the venture, it becomes a disincentive to the entrepreneur. A *Doing Business* Index ranking placed Nigeria 169 out of 190 countries covered by the survey (World Bank 2017).[1] Similarly, a transparency submission at the *Africa Competitiveness Report* identified access to finance, inadequate infrastructure and corruption as three top impediments to doing business in Nigeria (see Madichie 2017, 2005). Military entrepreneurs would find this situation in Nigeria, where the cost of doing business is considered among the highest in the world, particularly challenging. Tied to this challenge is the issue of multiple taxation in the Nigeria corporate environment. While Nigeria's Companies Income Tax Act (CITA) approved 39 taxes and levies, there are over 500 levies and taxes that have been imposed by state and local governments. This cost is transferred to product/service pricing which detracts from the ability of such firms' product/service to compete on prices with its close substitutes. Another item worthy of mention is the unbridled corrupt atmosphere of doing business, the collapsed infrastructural facilities (see Madichie and Madichie 2016), placing additional burden on the amount of capital requirements for facilitating the venture—not to mention having to deal with bribing government officials (Duru 2011).

Systemic Challenges to Military Entrepreneurship

Retirement is one period in the life of a worker that is looked upon with much expectation in a developed economy; this assertion is far from the reality in Nigeria. This is largely due to the difficulties retirees go through to obtain their benefits and pension. The pension reforms which were introduced to cushion the plight of the retiree are fraught with so many inconsistencies that many die while awaiting their pension. The travails of retirees exemplify why retirement is rebuffed and abhorred by lots of workers in Nigeria. Thus, many continue to falsify their age and even service records until they drop dead on the job. These benefits are the first seeds of a veteran's investment for entrepreneurship; in some other cases, they serve to sustain the military retiree from the period of retirement to when they would have ventured into businesses. The waiting period frequently leads to demoralization as the entrepreneurs' faith is weakened and sooner than later, the resolve to venture into self-employment is broken. In the Nigerian military, this is the major factor why most retired senior military officers seek contract employment shortly after retirement. The Nigerian military must restructure its pension reforms to enable would-be military entrepreneurs obtain their benefits as well as financial assistance to assist them to actualize the latent desire for entrepreneurship. The Nigerian business environment is saddled with problems of poor institutional network which have the overall objective of improving the conduct of business in the country. These institutions include security agencies, training/educational institutions, bureau of statistics, patent protection agencies and so on. The impact of these institutional weaknesses has created insecurity, poor planning data, low entrepreneurial awareness and so on. The combined effect of the above is that doing business in Nigeria has been bedevilled with bottlenecks.

Innovation is considered one of the prized qualities of the US army, by its orientation, innovation and adaptation to changing circumstances is its unique selling point which represents its greatest asymmetric advantages. However, the Nigerian military is fraught with bureaucracy that stifles the spirit of innovation. Creating an innovative culture is an overwhelming necessity if the nation must embrace the imperatives of change amidst declining fiscal resources and increasing global strategic uncertainty. The military must be reorganized, and the policy makers should provide the right social and environmental factors that would encourage entrepreneurship within the military; the organizational challenge to the military top hierarchy is how to make it sustainable—how to maintain the desired frequency and degree of entrepreneurship on a continuous basis. The politicization of the military has resulted into a situation where majority of the officers have lost allegiance to their primary duty of soldiering which they all swore on oath; the pursuit for wealth has become the major pre-occupation to the extent that a *Captain* can be wealthier than a *General* depending on the posting. This has created acrimony within the rank and file of the military as they jostle for juicy postings. The incentivization principle must be made to go across board and should be benefitting to all irrespective of religious, geographical or political sensitivity. This must recognize the fact that entrepreneurship can happen anytime and anywhere within the hierarchy of the institution. The military hierarchy must appreciate innovation even from the lower cadre of its officers and men. This would be from encouraging the service personnel to come up with innovative solutions to problems relating to the military core business. This factor if encouraged and hardwired within the military structure would amply benefit the retiree in engaging entrepreneurship. Interestingly, Oteh (2009) highlighted that the concept of innovation was added to entrepreneurship early in the century; she further added that both innovation and entrepreneurship can be engines of growth in a society.

Another institutional challenge is the prevailing characteristics of manpower and attitude towards work. Duru (2011) reiterated that the oil boom has destroyed and distorted the attitude towards work, orientating the psyche of the average Nigerian to that of quick money. He further observed the existence of an incentive structure that is generally tilted in favour of activities with relatively short transaction cycles and quick returns attitude to be inconsistent with the spirit of innovation and entrepreneurship. Post-Service Integration is another challenge to military entrepreneurs. While they are trained in a particular manner, there is a need to unlearn certain elements of the training to be able to deal with the civil populace. Servicemen are usually trained to communicate concisely and directly using some jargons which a typical civilian client might not be comfortable with. Closely associated with this is that significant experiential gaps exist in military training which become a major challenge in dealing with professional business people; this is reflected in little or no experience in financial management or sales. While, the power of persuasion is often required in closing a business transaction, there is no such convincing involved in deploying a military unit. This attitude can be imbibed into the severance training given to prepare the retiree for society/business life.

Lastly, the lack of professionalism is identified as another major systemic impediment to the thriving of entrepreneurship in the military. The entrepreneurial advancement recorded by veterans in the USA may not be unconnected with the depth of professionalism in its military. Professionalism is a measure of an advance military, in like manner; a discipline military with a good civil military relation has become an epitome of global military effectiveness and advancement. The USA has a vibrant economy that is driven by an equally active private sector that is sophisticated by all standards; therefore, it follows that entrepreneurial spirit in the civil society must have been unlatched on the military. It is based on this submission that this research hypothetically proposes that the closer the military is to the civil society, the more entrenched it is in the business that propels the economy. Similarly, based on the foregoing, the research is in tangent with the argument of General Sir John Hackett that every society gets the military it deserves; this implies that the military that exist in a society at any given point in time reflects what the society itself is. It follows that for military entrepreneurship to thrive in Nigeria there must be a national orientation that would ignite the latent interest for entrepreneurship in the military and the society at large.

Conclusions

Sustainable economic development is achieved when the private sector becomes the prime mover of the economy. The role of entrepreneurship in sustained economic development has been proved in the developed economies. To achieve development and provide employment for the teeming population, all sectors of the economy must be engaged to ensure that all opportunities are fully engaged. The military has been left out in the quest for entrepreneurship development especially in Nigeria and Africa. The rising numbers of military officers who frequently leave service at a younger age with enough capital and network necessitate both academic and policy attention to ensure their contribution to economic development through employment generation and value addition. To ensure success in venture creation and management, retired senior military officers must analyse entrepreneurial opportunities thoroughly before engagement and thereafter adopt a methodical approach towards engaging in entrepreneurship. The challenges faced by the entrepreneurs can be mitigated through entrepreneurship development programmes (EDPs) and policy approaches that are intended to create favourable outcomes by providing necessary information that would aid venture creation and entrepreneurial success. To encourage entrepreneurship, the role of government cannot be overemphasized, particularly in ensuring a level playing field for entrepreneurship.

Note

1. http://www.doingbusiness.org/data/exploreeconomies/nigeria.

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8

Income Diversification and Banks' Profitability from an African Market Perspective: A Relief for SMEs?

Isaac Boadi

Introduction

The last two decades have witnessed many firms particularly small and medium enterprises (SMEs) around the globe struggling for corporate business attention. Financial institutions and especially banks have instead increased business diversification. Initiatives considered to have contributed to this shift in business focus include the so-called Volcker rule in the United States, the proposals of the Vickers Commission in the United Kingdom and the European Commission's Liikanen Report. Draft legislation on structural bank regulation is underway in Germany and France (Gambacorta and van Rixtel 2013; Viñals et al. 2013), Glass-Steagall Act allowed US commercial banks to reduce business risk by diversifying into non-traditional financial services. The African continent has not been spared of this paradigm shift. In the early 1990s, many developing economies in an attempt to attain economic resilience have witnessed the gradual but noticeable liberalization of its financial sector.

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These financial reforms are assumed to have shifted the attention to the generation of non-traditional income in the form of fees, transaction fees, annual and monthly account service charges, inactivity fees, check and deposit slip fees and so on in many African countries. However, the empirical relevance of income diversification on banks' profitability in African market appears not only inadequate but mixed. The association between income diversification and banks' profitability is anchored in two important theories (strategic focus and conglomeration). Contenders of the strategic focus hypothesis maintain that firms can maximize value by focusing on core businesses and core competencies. In contrast, proponents of the conglomeration hypothesis argue that owning and operating a broad range of businesses can add value from exploiting cost scope economies by sharing inputs in joint production (e.g., Teece 1980) or taking advantage of revenue scope economies in providing "one-stop shopping" to consumers who are willing to pay for the extra convenience of financial super-markets (e.g., Herring and Santomero 1990; Gallo et al. 1996; Calomiris 1998). These contradictory theories seem to suggest that there is a non-linear relationship between income diversification and banks' profitability or performance. Extreme and excessive diversification may result in increased cost over and above any perceived benefits (Riordan and Williamson 1985; Grant et al. 1988; Berger and Ofek 1995; Jensen 1996).

The present chapter will not only attempt to estimate the impact of income diversification on banks' profitability with a special focus on African banking market but also tests the existence of non-linear relationship if any between income diversification and banks' profitability. If income diversification is found to be beneficial, will banks in Africa continue to generate income from traditional incomes by extending more credits to firms? Will this provide a relief for firms particularly SMEs. Categorically, this study extends and contributes to literature in four ways. First, Mercieca et al. (2007) examined the effect of non-interest income on profitability from a European perspective. A total number of 755 banks between 1997 and 2003 were employed. Contrary to related studies, the present study mimics the study of Mercieca et al. (2007) from an African perspective and covers about 584 banks and well-functioning internationally active banks with various specializations headquartered in 50 African countries spanning from 2001 to 2013. This allows better understanding of the channels by which increased non-interest income and diversification impact banks' profitability. Second, the study takes into account differences in macroeconomic significance, structural factors, sample split to take care of potential endogeneity between income diversification and banks' profitability. Third the study also estimates how banks' profitability responds to variations in income diversification under various changes of economic conditions: stable, improved economic conditions and worst financial crisis, that is, before and after recent global financial crisis (GFC). Finally, while majority of related studies focused on developed countries, few studies found in the subregion employ parametric measures to estimate cost and profit efficiency. The present study uses random effects technique and financial ratios as proxies for bank profitability.

The focus on Africa was unhurried. Developments in African banking industry provide an amazing background for such investigations for the following reasons. Nyantakyi et al. (2015) concur that in the mid-1980s, many African countries implemented financial sector reforms. These reforms were largely focused at restructuring and privatizing state controlled banks as part of the IMF and World Bank structural adjustment policies (SAP). Other auxiliary policies such as interest and capital controls targeted to overhaul the supervisory and regulatory frameworks in the banking sector were also introduced. Africa's banking environment is relatively shallow and less penetrated and more competitive as those in high-income regions. The continent has made improvements in banking technology and is well regulated (Nyantakyi et al. 2015). Table 8.1 presents revenue and profitability indicators in Africa's banking industry.

In Table 8.1, the industry strongly depends on revenue from traditional banking activities in lending. This suggests that as far as Africa's banking environment is concerned, a high percentage of banks' revenue is generated from interest income from loans and advances as compared to the revenue from non-traditional activities. From the study period, while the profit indicators particularly return on assets averaged 1.5 percent, return on equity averaged 10.28 percent between 2001 and 2013. Within the same period, the average banks' expenditure stood at 64.51 percent of the total bank income. The market concentration proxied by Herfindahl index of the banks' major balance sheet items in assets and loans is displayed in Table 8.1. The Herfindahl-Hirschman index (HHI)

Table 8.1 Structure of the banking industry

Revenue and profitability indicators	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Average
Return on assets	0.0134	0.0103	0.0123	0.0173	0.0164	0.0221	0.0181	0.0164	0.0091	0.0120	0.0130	0.0153	0.0166	1.4806
Return on equity	−0.0153	−0.1314	0.1413	0.1471	0.0903	0.1402	0.1436	0.2123	0.1010	0.1236	0.1198	0.1226	0.1422	10.2875
Cost to income ratio	0.6081	0.6752	0.5891	0.6156	0.6441	0.6306	0.6232	0.6384	0.6704	0.6926	0.6783	0.6998	0.6213	64.5131
Interest income	0.7121	0.7561	0.7601	0.7962	0.7763	0.8267	0.8164	0.8291	0.8164	0.8006	0.8632	0.7235	0.7782	78.8838
Non-interest income	0.2119	0.2011	0.1871	0.1871	0.1151	0.1762	0.1345	0.1352	0.1572	0.1796	0.2521	0.2153	0.2241	18.2808
Herfindahl index														
Loans	2230	2024	1935	4731	3676	3661	3824	3771	3798	4011	3506	3705	3316	
Assets	4405	4280	3898	8479	6568	6753	6970	7069	6725	7222	6468	6878	6296	
Deposit	3286	3184	3143	4286	6131	5255	5205	5402	4285	5049	4322	4574	3064	

Source: Author’s estimate (2017)

which is a commonly accepted measure of market concentration can range from 0 to 10,000. Studies have shown that an HHI of 2500 or greater is considered to be a highly concentrated marketplace. In Table 8.1, the African banking industry could be considered as a competitive financial sector.

The chapter is structured as follows: The next section provides an overview of the relevant empirical literature on income diversification and banks' profitability. Section "Methodology" discusses the methodology employed in the analysis. While section "Data" presents the data, section "Discussions of Empirical Results" presents the empirical results of the study. The final section covers the conclusion and policy recommendation from the findings of the study.

Literature Review

The empirical association between income diversification and banks' profitability is not only a topic of active research but debated in several developed markets with mixed findings. Among the identified benefits are economies of scope (e.g., Chandler 1977; Teece 1982), an improved resource allocation through internal capital markets (e.g., Williamson 1975; Stein 1997), a potentially lower tax burden due to higher financial leverage (e.g., Lewellen 1971) and the ability to use firm-specific resources to extend a competitive advantage from one market to another (e.g., Bodnar et al. 1997). Proponents of diversification further suggest that diversified banks can benefit from leveraging managerial skills and abilities across products and geographic regions (Iskandar-Datta and McLaughlin 2007). Baele et al. (2007) concur that a positive relationship exists between diversification and franchise value using a sample of 17 European countries. Chronopoulos et al. (2011) also examined the diversification-efficiency relationship for new member states admitted into the European Union between 2001 and 2007. The findings reveal a strong evidence to support the hypothesis that bank income diversification is efficiency enhancing. Lee et al. (2014) employ a panel data of banks in 29 Asia-Pacific countries from 1995 to 2009 to analyze the effect of bank income diversification on performance. Lee et al. (2014)

study confirms a positive impact of income diversification in respect of countries with bank-dominated financial systems. Depending on the degree of relatedness of a firm's diversification activities, diversification generates multiple outcomes (Palich et al. 2000; Qian 2002). Grossmann (2007) submits that diversification may be a means to expand the firm's boundaries in the presence of the internal coordination problems that naturally arise in large firms. Meslier et al. (2014) empirical investigation over the 1999–2005 period using a sample of 39 universal and commercial banks in the Philippines with a very detailed breakdown of annual data on income structure provided by the Central Bank of the Philippines. The study concludes that income diversification and a shift toward non-interest income has a positive influence on the profitability and risk-adjusted profitability of Philippine banks. This result is consistent with Sanya and Wolfe (2011) and Pennathur et al. (2012), who find revenue diversification to be beneficial to banks in emerging economies.

Having considered the positive impact of income diversification and banks' performance, other studies have also found evidence of a negative effect of diversification on bank performance. Diversified banks can suffer from diluting the comparative advantage of management by going beyond their existing expertise (Klein and Saidenberg 1998), diversification-inducing competition (Winton 1999) and increased agency costs resulting from value-decreasing activities of the managers who have lowered their personal risk (Amihud and Lev 1981; Laeven and Levine 2007; Deng and Elyasiani 2008). Cost may stem from agency problems afflicting diversifying investments (e.g., Jensen 1986; Meyer et al. 1992), inefficient internal resource allocation due to a malfunctioning of internal capital markets (e.g., Lamont 1997; Scharfstein 1998; Rajan et al. 2000), informational asymmetries between head office and divisional managers (e.g., Harris et al. 1992) and increased incentives for rent-seeking behavior by managers (e.g., Scharfstein and Stein 2000). Acharya et al. (2002) report that diversification of loans does not typically improve performance or reduce risk in Italian banks. Morgan and Katherine (2003) examine geographic diversification and find similarly negative results: diversification is not associated with greater returns (ROE or ROA) or reduced risk. Stiroh (2005) shows that increased exposure to non-interest income increases the volatility of equity market returns, but not the mean. Vennet (2002) employed stochastic frontier analysis (SFA) on a sample of European banks between 1995 and 1996 and found that specialized banks have high efficiency in cost and profit compared to diversified banks. Stiroh and Rumble (2006) report that increased reliance on non-interest income activities is associated with increased risk and lower return. According to Jones and Hill (1988), diversification beyond a certain degree raises internal governance and administration costs to the point that performance suffers. Elyasiani and Wang (2012) investigated the effect of income diversification on production efficiency of bank holding companies from 1997 to 2007 and established a statistically significant negative relationship with income diversification. Deng et al. (2007) also provided evidence on the negative effect of income diversification on firm performance by finding an inverse relationship between cost of debt and diversification activities of bank holding companies. The mixed results require further empirical work. Thus, the study hypothesizes the following relationship:

H1 *There is a negative relationship between income diversification and banks' profitability.*

The early industrial organization literature argued that no significant relationship exists between diversification and performance (see e.g., Arnould 1969; Markham 1973). Most studies find support in a curvilinear relationship between diversification and profitability (for a review, see Palich et al. 2000; see also Yigit and Berham 2013). Gambacorta et al. (2014) analyzed the non-linear relationship between income diversification and banks' profitability using an international sample of 98 banks from 27 countries over the period 1994–2012. The authors find evidence of an inverted U-shaped relationship. Specifically, the authors found that beyond 30 percent of diversification ratio, diversification become less profitable. Alhassan (2014) employs a stochastic frontier analysis (SFA) technique to examine 26 Ghanaian banks from 2003 to 2011 and establishes the non-linear relationship between income diversification and efficiency. The present study therefore hypothesizes as follows:

H2 *There is a non-linear relationship between income diversification and banks' profitability of banks in Africa.*

The reviewed literatures paint a mixed and inconclusive picture about income diversification and banks' profitability relationship. From the literature reviewed and the financial reforms initiated, it appears many banks in African countries have shifted focus to non-interest generating activities. Following the perceived shift in business model, it is essential that attention is paid to the effect of growing non-traditional banking activities on banks' profitability. This study makes several contributions to empirical literature and departs from the related studies as follows: first, most studies on income diversification and banks' profitability have focused on developed countries such as the United States and Europe, where the impact differs leaving relatively little empirical evidence on the African market. In Africa, studies that have come close to this present study or advanced knowledge on income diversification and banks' profitability nexus include Mlambo and Ncube (2011), Aboagye (2012), Saka et al. (2012), Isshaq and Bokpin (2012), Bokpin (2013) and Alhassan (2014). These studies have all yielded mixed and inconclusive evidence on the effects of income diversification. The present study adds to the call on income diversification and banks' profitability nexus using 584 large banks and well-functioning internationally active banks with various specializations headquartered in 50 African countries. Second, in terms of methodology, the studies have utilized several alternative measures to income diversification. Laeven and Levine (2007) apply a modification of the Lang and Stulz (1994) "chop shop" method to measure diversification effects on bank value. Gambacorta et al. (2014) analyze the non-linear link between income diversification and banks' performance using return on assets (ROA) as dependent variable. The present study does not only mimic the Gambacorta et al. (2014) empirical work but it includes additional explanatory variables in our regressions to avoid potentially omitted variable biases. Third, apart from inconclusive results in the literature, the empirical evidence documented in the banking literature is based mainly on linear models. The study under review further investigates the existence of non-linear relationship between income diversification and bank profitability in the African banking environment.

Finally, the focus on African banking industry is particularly interesting. This is because over the past two decades the African banking environment has experienced political and economic regime shifts which have influenced domestic policies and series of financial reforms.

Methodology

To investigate income diversification effects on banks' profitability, there is the need to have a consistent framework that ties banks' values to observable financial indicators. This section presents the framework that supports the empirical analysis.

Empirical Model

The study employs a multi-staged analysis. The first stage uses random effect estimation to estimate the impact of income diversification on banks' profitability. In the second stage analysis, the study explores the quadratic term of the non-linearity of the variable term test. Stated differently, the turning point of the relationship. Empirically, random effect estimation is used to explore the relationship between income diversification and banks' profitability. The empirical specification focuses on the reported profitability measured as return on assets (ROA) which is assumed to be a function of the desired various bank-specific characteristics and macroeconomic indicators as shown in Eq. (8.1):

$$ROA_{it} = F\left(X_{it} Y_{it} Z_{it} \varepsilon_{it}\right) \tag{8.1}$$

where ROA_{it} is the dependent variable, X_{it} is a vector of bank-specific variables which are the independent variables, Y_{it} is a vector of employment variables used as control variables in the second model and Z_{it} are macroeconomic variables which are also controlled in the first model. ε_{it} represents the residual term which includes all other market imperfections and regulatory restrictions which may affect ROA but not captured in our expression. The study employs a multi-staged analysis. The first stage uses the random effect to estimate the impact of income diversification on banks' profitability. Specifically, the study employed the following variables: dependent (Return on assets), independent variables (Pretax profit, Impairment charges, Equity to assets, Cost income, Diversification ratio, Gross loans, Loan to total assets), macroeconomic indicators (Inflation Exchange rate, Real interest rate) and a control variable (Specialization). A formal expression for the relationship to be estimated is given in Eq. (8.2):

$$\begin{aligned} ROA_{it} &= a_0 + \beta_1 DIV\_Ratio_{it} + \beta_2 \Pr txpr_{it} + \beta_3 Im\,paim_{it} \\ &+ \beta_4 GrL_{it} + \beta_5 Coin_{it} + \beta_6 Eq\_TAs_{it} + \beta_7 Lo\_TAs_{it} \\ &+ n_1 Spec\_t_{it} + \varphi_1 INF_{it} + \varphi_2 EX_{it} + \varphi_3 RINT_{it} + \varepsilon_{it} \end{aligned} \tag{8.2}$$

The second stage analysis attempts to test the existence of non-linearity relationship of these variables. The study explores the quadratic term of the non-linearity of the variable term. Stated differently, the turning point of the relationship. The quadratic equation is any equation having the form:

$$ax^2 + bx + c = 0 \tag{8.3}$$

where x represents an unknown and a, b and c represent known numbers such that a is not equal to 0. If $a = 0$, then the equation is linear, not quadratic. a, b and c are quadratic coefficient, the linear coefficient and the constant or free term, respectively. A formal expression for the relationship to be estimated is given in Eq. (8.2):

$$\begin{aligned} ROA_{it} &= a_0 + \beta_1 DIV\_Ratio_{it} + \beta_2 DIV\_Ratio_{it}^{\ 2} + \beta_3 \Pr txpr_{it} \\ &+ \beta_4 Impaim_{it} + \beta_5 GrL_{it} + \beta_6 Coin_{it} + \beta_7 Eq\_TAs_{it} + \beta_8 Lo\_TAs_{it} \\ &+ n_1 Spec\_t_{it} + \varphi_1 INF_{it} + \varphi_2 EX_{it} + \varphi_3 RINT_{it} + \varepsilon_{it} \end{aligned} \tag{8.4}$$

Data

The study carefully selected bank-specific data from the Bankscope database. Since Bankscope mostly covers all existing large banks, coverage for small banks is heterogenous across countries, space and time. To control the selection biases, the study focused on a criterial in selecting the total assets of the sampled banks. The final sample contains about 584 large banks and well-functioning internationally active banks with various specializations headquartered in 50 African countries spanning from 2001 to 2013. Besides banks with the history of merger and acquisitions were duly followed and considered. The 584 banks and well-functioning internationally active banks were grouped into the following: commercial banks, investment banks, Islamic banks, multilateral government banks, real estate and mortgage banks, cooperative banks and savings banks. The macroeconomic variables were the World Bank database between 2001 and 2013. Bank specialization was a dummy variable assuming the value 0 if the bank is predominantly for government and non-government controlled banks respectively and 1 if the bank is under government control.

Definition of Diversification and Measurements

Gambacorta et al. (2014) defined and measured diversification as non-interest income to total income. Various authors have applied a closely related approach (see, e.g., Comment and Jarrell 1995; Acharya et al. 2006; Stiroh and Rumble 2006) to measure income diversification. However, like other related studies such as Leaven and Levine (2007), Chronopoulos et al. (2011), Elyasiani and Wang (2012), Alhassan (2014), Morgan and Katherine (2003) and Stiroh (2004) and Thomas (2002), the present study uses the Herfindahl-Hirschman index (HHI) approach to measure bank income diversification expressed as:

$$DIV = 1 - \left(PROP^{2}{}_{\mathrm{non}} + PROP^{2}{}_{\mathrm{net}} \right) \tag{8.5}$$

where PRO^2_{non} is the proportion or share of net operating revenue from non-interest income sources and $PROP^2_{net}$is the proportion or share of net operating revenue from net interest sources.

$$
\begin{aligned}
PROP_{non} &= \frac{non}{net + non} \\
PROP_{net} &= \frac{net}{net + non}
\end{aligned}
\tag{8.6}
$$

DIV measures the degree of diversification. A higher value indicates a more diversified mix: 0.0 means that all revenue comes from a single source (complete concentration), while 0.5 is an even split between net interest income and non-interest income (complete diversification).

Definition of Other Variables

The study employs the following (annual) variables obtained from Bankscope and other sources for the banks in our sample over the period 2001–2013. The present study uses return on assets (ROA) and pretax profit as performance measure to capture the effects of bank-specific factors on banks' profitability. Keeton and Matsunaga (1985) argue that ROA is a superior indicator of calculating banks' profitability since it measures how profitably and efficiently management uses its assets. The following empirical studies have adopted ROA as an adequate indicator of measuring banks' profitability: Haron (2004), Hassan and Bashir (2003), Bashir (2001), Demirgüç-Kunt and Huizinga (1998), Naceur (2003), Alkassim (2005) and Alrashdan (2002). Other bank-specific measures include risk measures (impairment charges, equity to assets and cost income), size measures (gross loans and loans to total assets) and ownership measures (government and non-government shares). Mullineaux (1978) and Hester and Zoellner (1966) studies found that changes in balance sheet items affect banks' profitability significantly. Heggestad (1977) notes that liability items and assets items have an adverse and positive impact on profitability, respectively. While Emery (1971) finds a positive impact on profitabilit, Heggestad (1977), Smirlock (1985) and Kwast and Rose (1982) found no relationship between these indicators. For variables not under the management control, the study considered includes exchange rate, real interest and inflation. Inflation measured by the percentage increase in consumer price index. Haron and Azmi (2004) and Staikouras and Wood (2003) confirmed that inflation impacts positively on profitability. Bourke (1989) and Molyneux and Thornton (1992) empirically tested Revell's (1979) findings which suggested that banks' profitability responds positively to variations in inflation. Studies by Bourke (1989), Claeys and Vander (2008), Demirguc-Kunt and Huizinga (1998), Garcıa-Herrero et al. (2009) and Molyneux and Thornton (1992) also confirm the positive relationship of these variables. Avkiran (2009) notes that interest rates negatively affect commercial banks' profitability. Banks' specialization considered and used as a proxy banks' area of expertise is introduced as a dummy variable. The unit of analysis (Banks) is considered because banks dominate the financial industry in Africa and their importance has been enumerated in countless research works (see Edwards 1987; Levine 1997, 1999; Sinkey 1992). The sample chosen is a representative of the population and big enough to permit reasonable analysis of data. The banking industry was chosen due to its important and special role in every economy (Levine 1997).

Discussions of Empirical Results

Descriptive Statistics

The definition and summary statistics of the variables used in Eq. (8.2) are presented in Table 8.2. Generally, with an average observation of 4093, the study observes that there is no wide variation across the sample. This implies that most of the variables have their observations clustered around the means. This provides an indication that the sector is not widely spread and evenly distributed. Specifically, the average return on assets (ROA) for African banks records a mean value of 10.47 percent and a standard deviation of 4.16 percent with minimum and maximum values of −63.9730 and 103.4730, respectively. This seems to suggest that banks in African markets generate 10.47 percent returns between 2001 and 2013. In terms of independent indicators, the study finds less variation in all the variables. A key component of our analysis is that of income diversification (DIV_Ratio). The summary statistics as shown in Table 8.2 portrays a less variation across the periods under study. An average revenue diversification measure (DIV_Ratio) had a mean of 4.00 and standard deviation of 0.23. This indicates that the banking industry in Africa is able to attain only 4.00 percent of their potential non-interest revenue. Results obtained indicate that, indeed, the rest of independent variables i.e. Prtxpr, Impairm, Eq_TAs, Coin GrL, Lo_TAs, INF, EX, RINT and macroeconomic variables are not different in terms their means and spread. In the same period, the study found a similar result for the dummy variable (specialization). The study further carried out several specifications tests to give credence to the findings of the study. These include the auxiliary regressions, correlation matrix, eigenvalues and condition index. However, this study applies both the correlation matrix and variance inflation factor (VIF). Results of variance inflation factor (VIF), unit root tests and Hausman specification tests are presented in the Appendices 1, 2 and 3, respectively.

From the correlations matrix in Table 8.2, the result shows that the correlation between all independent variables was examined in order to determine the extent to which the independent variables are related to each other. When the correlation between any two independent variables is too high (±0.90 and above), it may result in multicollinearity. Using the threshold of 0.70 as suggested by Kennedy (2008), the estimation of the regression models would not be biased by multicollinearity. Clearly, it was found out that although some of the correlations are significant, none of the coefficients exceed 0.7, showing that all the explanatory variables can be used in the estimations. With an average total of 4093 observations, it is convenient to proceed with stationarity tests. Appendix 2 displays the results of the Fisher-type unit root test for stationarity. The four tests employed (inverse-chi-squared test (P), inverse normal (Z), inverse logit (L*) and modified inv.chi-squared (PM)) all rejected the null hypothesis of the presence of unit roots in all panels at least at 1 percent. All the variables used are therefore stationary and appropriate in carrying out the panel estimation.

Income Diversification and Banks' Profitability

The results of the study are displayed in Table 8.3. Econometrics theory has highly recommended random effect (RE) estimation technique for panel datasets that are not balanced since its results are more efficient than fixed effect (FE) estimates as confirmed by the Hausman test. Our primary goal is to investigate the impact of income diversification and banks' profitability. Estimates are done in two ways. The first stage uses Eq. (8.2) to estimate the impact of income diversification on banks' profitability. In the second stage, the study explores the quadratic term of the non-linearity of the variable term. Stated differently, the turning point of the relationship.

The first stage empirical results are presented in Table 8.3 (Model 1). Specifically, a negative relationship is found between income diversification and banks' profitability at 1 percent significant level. This implies that diversified banks in Africa are less profitable. This result is not consistent with conglomeration hypothesis which argues that owning and operating a broad range of businesses can add value from exploiting cost scope economies by sharing inputs in joint production (e.g., Teece 1980). Besides, this result invalidates the empirical works of Iskandar-Datta and McLaughlin (2007), Baele et al. (2007), Lee et al. (2014), Chandler (1977), Williamson (1975) and Stein (1997). All identified benefits in terms of economies of scope, an improved resource allocation through internal capital markets, a potentially lower tax burden due to higher financial leverage and the ability to use firm-specific resources to extend a competitive advantage from one market to another. However, the results support the proponents of the strategic focus hypothesis which argues that firms can maximize value by focusing on core businesses and core competencies. The result also finds support in the works of Acharya et al. (2002), Stiroh (2005), Vennet (2002) Stiroh and Rumble (2006), Hill and Snell (1988) and Elyasiani and Wang (2012). All these studies have shown that increased exposure to non-interest income increases the volatility of market returns.

In the second stage of the analysis, the Eq. (8.4) is applied to examine the non-linear relationship between income diversification and banks' profitability. The study introduces the quadratic term of diversification,

Table 8.2 Definition of variables, summary statistic and expected signs

	Proxy	Definition	Notation	ROA	Prtxpr	Impairm
Description statistics						
Mean				10.4726	38,520	11.7698
Standard dev.				4.1603	148,303	2.1362
Min				−63.9730	−3,299,997	1.1294
Max				103.4732	1,800,003	18.8802
Observation				4122	4122	4022
Expected sign					+	+
Correlation						
	Performance measures	Return on assets	*ROA*	1.0000		
		Pretax profit	*Prtxpr*	0.3399	1.0000	
				0.0000		
	Risk measures	Impairment charges	*Impairm*	−0.1452	0.5900	1.0000
				0.0000	0.0000	
		Equity to assets	*Eq_TAs*	0.3594	−0.1384	−0.2036
				0.0000	0.0000	0.0000
		Cost income	*Coin*	−0.2727	−0.3670	−0.1902
				0.0000	0.0000	0.0000
		Diversification ratio	*DIV_Ratio*	0.0063	0.4227	0.2843
				0.7066	0.0000	0.0000
	Size measures	Gross loans	*GrL*	−0.0783	0.4338	0.4120
				0.0000	0.0000	0.0000
		Loan to total assets	*Lo_TAs*	−0.0625	0.0702	0.1106
				0.0002	0.0000	0.0000
	Macro economic indicators	Inflation	*INF*	0.1562	−0.0436	−0.0870
				0.0000	0.0089	0.0000
		Exchange rate	*EX*	−0.0547	0.0713	0.0376
				0.0010	0.0000	0.0220
		Real interest rate	*RINT*	0.0221	−0.1663	−0.1208
				0.1813	0.0000	0.0000
	Control variable	Specialization	*Spec_t*	0.0064	−0.0953	−0.0298
				0.6981	0.0000	0.0697

Source: Author’s estimate (2017)

Eq_TAs	Coin	DIV_ Ratio	GrL	Lo_TAs	INF	EX	RINT	Spec_t
4.4473	5.0442	3.8999	13.9255	0.0810	7.8820	5.6776	7.3205	1.3236
0.6276	0.5016	0.2382	2.0691	0.7463	0.9216	0.2979	10.8304	0.9292
1.3461	0.0138	1	2.8517	−8.9075	1.5776	5.0567	−28.4016	1.0000
6.6035	7.8388	4.9890	20.1462	0.9535	12.5912	7.9327	252.1150	7.0000
4087	4122	4121	4022	4121	4014	4122	4122	4122
+	−	+	+	+	−	+	+	−
1.0000								
0.0224	1.0000							
0.1525								
−0.2011	−0.2247	1.0000						
0.0000	0.0000							
−0.1627	−0.0610	0.0979	1.0000					
0.0000	0.0001	0.0000						
−0.0729	−0.0160	0.1818	0.0788	1.0000				
0.0000	0.3039	0.0000	0.0000					
0.1204	0.0475	−0.0451	−0.0380	−0.1688	1.0000			
0.0000	0.0026	0.0047	0.0171	0.0000				
−0.0545	0.0043	0.0183	0.0190	−0.0354	0.1189	1.0000		
0.0005	0.5826	0.2458	0.2278	0.0230	0.0000			
0.0346	0.1005	−0.0682	−0.0540	−0.0780	0.0494	0.0043	1.0000	
0.0269	0.0000	0.0000	0.0006	0.0000	0.0017	0.5848		
0.1631	0.0139	−0.0186	−0.0475	−0.0139	0.0609	−0.0314	−0.0081	1.0000
0.0000	0.3734	0.2380	0.0025	0.3719	0.0001	0.0440	0.6022	

Table 8.3 Results of random effect estimation

Variable	Model 1 Linear model		Model 2 Quadratic model	
	Coefficient	Z-value	Coefficient	Z-value
DIV_Ratio	−0.7680*** (0.1462)	−5.2500	−2.0184*** (0.2371)	−8.5100
DIV_Ratio^2			−0.5840*** (0.1296)	−4.5100
Prtxpr	0.4380*** (0.0164)	26.7800	0.4736*** (0.0179)	26.4200
Impairm	−0.2293*** (0.0121)	−18.8900	−0.2192*** (0.0116)	−18.8500
GrL	−2.3000*** (2.3400)	−0.9829	−0.2640*** (0.0257)	−10.2724
Coin	−0.2315*** (0.0409)	−5.6600	−0.2080*** (0.0401)	−5.1800
Eq_TAs	0.4985*** (0.0266)	18.7800	0.4740*** (0.0264)	17.9800
Lo_TAs	0.0225 (0.0237)	0.9500	0.0322 (0.0235)	1.3700
INF	0.1412*** (0.0157)	8.9700	0.1403*** (0.0156)	8.9700
Spec_t	−0.0269* (0.0151)	−1.7800	−0.0261* (0.0145)	−1.8100
EX	−0.3072*** (0.0392)	−7.8400	−0.3013*** (0.0385)	−7.8200
RINT	0.0078*** (0.0015)	5.1200	0.0072*** (40.0016)	4.6000
Constant	−0.9610 (0.2957)	−3.2500	−1.4815 (0.3004)	−4.9300
Banks		584		584
Observations		4122		4122
Wald Chi 2(60)		1645		1835
Prob > chi2		0.0000		0.0000
R-sq		0.5525		0.5607

Source: Author's estimate (2017) using STATA 14
Note: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

DIV_Ratio^2 in the equation. The results are presented in Table 8.3 (Model 2). The study observes a negative and statistically significant relationship between the linear term *DIV_Ratio*, quadratic term *DIV_Ratio*^{2} and banks' profitability at 1 percent level. Unlike other related studies found in development markets, the present study documents that the link between income diversification and banks' profitability is linear and not curvilinear. The negative relationship established in Model 2 suggests that *DIV_Ratio*^{2} has a disparaging effect on banks' profitability. The result concludes that banks in Africa enjoy high levels of profits at lower levels of income diversification. Explicitly, over-diversification into non-interest-generating activities is not rewarding for banks in Africa.

In terms of other risk measures, the study considered includes impairment charges, equity to assets and cost income. Risk measure captured by *Impairm* is negatively related to banks' profitability at 1 percent. This suggests that banks with high provision for impairment charges affect banks' profitability. This result is consistent with Kosmidou (2008), Thakor (1987) and Miller and Noulas (1997). Equity to assets proxied by *Eq_TAs* represents the amount of assets on which shareholders have a residual claim exhibiting significant positive relationship at 1 percent with profitability. This implies that banks in Africa with equity to assets ratio positively affect banks' profitability. Consistent with the study's expected outcome, cost income proxied by *Coin* defined as company's costs in relation to its income confirms a negative relationship at 1 percent significant level with profit. This result suggests that the lower the ratio, the more profitable the banks in Africa. The result provides a good picture on how efficiently the banks are being run. Firm size is normally used as a proxy for competitive position and firms' advantage within an industry (Johnson et al. 1997). Bank size captured and measured in this study includes gross loans and loan to total assets as proxied by *GrL* and *Lo_TAs*. While an insignificant result is found for *Lo_TAs*, a negative impact is found for *GrL* at 1 percent significant level with profitability. Finally, the macroeconomic indicators which are considered not under the management control as represented by *INF*, *EX* and *RINT* are all significant in explaining banks' profitability at 1 percent significant level. While *INF* and *RINT* confirm a positive relation with banks' profitability at 1 percent significant level, *EX* exhibits a negative relation with profitability. The positive relationship between *INF* and profitability is consistent with related studies such as Haron and Azmi (2004) and Staikouras and Wood (2003), Bourke (1989) and Molyneux and Thornton (1992), Bourke (1989), Molyneux and Thornton (1992), Revell (1979) and Heggestad (1977), all confirmed that inflation impacts positively on banks' profitability. The result is however not consistent with the result of Heggestad (1977) who indicates that no relationship exists between inflation and a banks' profitability.

Income Diversification, Ownership Controls and Global Financial Crisis (GFC)

In Table 8.4, further estimations are conducted to provide a detailed picture of how diversification affects banks' profitability under ownership structures. When the results are decomposed into government (state) and non-government ownership structures interesting findings are revealed. The results reveal that a negative relation exists between income diversification and banks' profitability under both government-controlled (state banks) and non-government-controlled banks. This result implies that when African banking industry is split into ownership controls (government and non-government), a negative relationship is still established between income diversification and banks' profitability at 1 percent significant level. The industry was decomposed further into periods before and after the global financial meltdown. The global financial meltdown began in 2007 in the subprime mortgage market in the United States and developed into a full-blown international banking crisis. The result of the crisis further led to the collapse of the investment bank Lehman Brothers on September 15, 2008.[1] The relevance for this variable consideration stems from the fact that the crisis had led to some changes in management practices and policies. The result as presented in Table 8.5 reveals similar findings suggesting that banks' profitability responds negatively to income diversification before and after global financial crisis (GFC) at 1 percent significant level. This result is an indicative of the fact that in stable, improved economic conditions and worst financial crisis, banks' profitability responds negatively to income diversification.

Table 8.4 Random effect estimation according to ownership structure

	Government controls				Non-government controls			
Variable	Coefficient	Robust standard error	Z-value	Prob (P > |z|)	Coefficient	Robust standard error	Z-value	Prob (P > |z|)
DIV_Ratio	−0.6808	0.0770	−8.8400	0.0000	−0.8765	0.1628	−5.3800	0.0000
Prtxpr	0.4318	0.0106	40.7500	0.0000	0.4503	0.0259	17.3900	0.0000
Impairm	−0.2093	0.0083	−25.1900	0.0000	−0.2771	0.0193	−14.3600	0.0000
GrL	−2.1400	0.1990	−10.7538	0.0000	−0.0672	0.0994	−0.0677	0.0000
Coin	−0.1688	0.0339	−4.9800	0.0000	−0.5118	0.0796	−6.4300	0.0000
Eq_TAs	0.4551	0.0238	19.0800	0.0000	0.5583	0.0535	10.4400	0.0000
Lo_TAs	−0.0229	0.0209	−1.0900	0.2740	0.1783	0.0516	3.4500	0.0010
INF	0.1394	0.0154	9.0300	0.0000	0.1043	0.0341	3.0600	0.0020
Spec_t	−0.0050	0.0149	−0.3400	0.7370	−0.0882	0.0304	−2.9000	0.0359
EX	−0.3428	0.0434	−7.8900	0.0000	0.1203	0.1311	0.9200	0.0000
RINT	0.0061	0.0014	4.4300	0.0000	0.0149	0.0037	3.9800	0.0004
Constant	−1.0586	0.2750	−3.8500	0.0000	−1.5515	0.8071	−1.9200	0.0550
Observations				2402				652
Wald Chi 2(60)				3110				823
Prob > chi2				0.0000				0.0000
R − sq				0.5655				0.5625

Source: Author's estimate (2017) using STATA 14

Table 8.5 Random effect estimation before and after global financial crisis (GFC)

Variable	Before global financial crisis (GFC) Coefficient	Robust standard error	Z-value	Prob (P > |z|)	After global financial crisis (GFC) Coefficient	Robust standard error	Z-value	Prob (P > |z|)
DIV_Ratio	−0.5375	0.1078	−4.9900	0.0000	−1.0453	0.1016	−10.2900	0.0000
Prtxpr	0.5165	0.0205	25.2500	0.0000	0.4145	0.0116	35.6700	0.0000
Impairm	−0.3144	0.0158	−19.9300	0.0000	−0.1843	0.0086	−21.5000	0.0000
GrL	−0.3560	0.6120	−0.5820	0.0000	0.2330	0.0204	11.4216	0.0000
Coin	−0.2324	0.0571	−4.0700	0.0000	−0.2358	0.0387	−6.0900	0.0000
Eq_TAs	0.6163	0.0456	13.5100	0.0000	0.4336	0.0244	17.7500	0.0000
Lo_TAs	−0.0641	0.0382	−1.6800	0.0940	0.0850	0.0225	3.7700	0.0000
INF	0.0785	0.0243	3.2300	0.0010	0.2004	0.0179	11.1800	0.0000
Spec_t	−0.0660	0.0273	−2.4200	0.0150	−0.0171	0.0150	−1.1400	0.2530
EX	−0.3565	0.1529	−2.3300	0.0200	−0.2940	0.0417	−7.0500	0.0000
RINT	0.0063	0.0021	2.9900	0.0030	0.0081	0.0018	4.5300	0.0000
Constant	0.8431	0.8170	−1.0300	0.3020	−1.1034	0.2899	−3.8100	0.0000
Observations				965				2089
Wald Chi2(60)				1321				2607
Prob > chi2				0.0000				0.0000
R − sq				0.5813				0.5566

Source: Author's estimate (2017) using STATA 14

Conclusions and Policy Implications

In the early 1990s, many developing economies in an attempt to attain economic resilience have witnessed the gradual but noticeable liberalization of its financial sector. These financial reforms in many African countries are believed to have shifted the attention to the generation of non-traditional income in the form of fees, transaction fees, annual and monthly account service charges, inactivity fees, check and deposit slip fees and so on. The present study uses a panel data of 584 banks and well-functioning internationally active banks with various specializations headquartered in 50 African countries spanning from 2001 to 2013. Random effect technique was employed to estimate the impact of income diversification and banks' profitability. The study further attempted to investigate if any the existence of a non-linear relationship between income diversification and banks' profitability. Results from the study suggest that a negative relationship is found between income diversification and banks' profitability. This implies that diversified banks in Africa are less profitable. This seems to suggest that banks in Africa enjoy high levels of profits at lower levels of income diversification. This result is consistent with Jones and Hill (1988). Jones and Hill (1988) contend that diversification beyond a certain degree raises internal governance and administration costs to the point that performance suffers. Further, although the study invalidates a non-linear relationship between income diversification and banks' profitability, the findings indicate that income diversification has a diminishing marginal impact on banks' profitability. Again, balance sheet (pretax profit, impairment charges, equity to assets cost income, etc.) and economic indicators (inflation, exchange rate and real interest rates) do have a significant effect on banks' profitability, however diverse the impact. When results are segregated into ownership controls (government and non-government banks), the results revealed that a negative relationship exists between income diversification and banks' profitability under different controls. This implies that when African banking industry is split into ownership controls, a negative relationship is established between income diversification and banks' profitability. Finally, the African banking industry was decomposed further into periods before and after the global financial meltdown and full-blown international banking crisis. The result reveals similar findings suggesting that banks' profitability responds negatively to income diversification regardless of different economic recessions. This result is an indicative of the fact that in stable, improved economic conditions and worst financial crisis, banks' profitability responds negatively to income diversification. Overall, conversely to Western economy studies which have confirmed a positive relationship between income diversification and banks' profitability, the present study validates and confirms a negative relationship between these variables for banks in Africa. The results from this study provide the following recommendations: SMEs' lending implication and managerial and policy implications.

Implications for SMEs' Lending

Although data availability did not allow the study to provide a direct assessment of the effect of SME financing regulation on banks' diversification behavior, it's relevance for SMEs' operations cannot be underestimated. The Organisation for Economic Co-operation and Development (OECD) reports that more than 95 percent of enterprises in the OECD area are SMEs. These enterprises, accounting for almost 60 percent of private sector employment, make a large contribution to innovation and support regional development and social cohesion.[2] Brian Robertson who retired as Group Managing Director and Chief Executive of HSBC Bank plc and later become Chairman of HSBC Latin America and a Director of HSBC North America Holdings said in 2001, "SMEs are the very lifeblood of Hong Kong commerce, which makes them worthy of special consideration and deserving of their own 'niche' in banking terms …" (Chan and Dow Jones Newswires 2001). Lending to small firms traditionally has been a business served primarily by the banking industry. Among studies which have confirmed the great importance of bank credit to SMEs in developed countries include Ulrich and Casel (1975), and Blackwell and Winters (2000). In the Philippines, micro, small and medium enterprises account for 99 percent of the total number of firms and contribute to 60 percent of the total employment in the country (Meslier et al. 2014). An inclusive financial system is therefore vital to foster SME development, which boosts economic growth. Traditionally, banks accept deposit and create credits. Some governments have imposed a minimum amount of bank lending to SMEs. However, despite the mandated system of lending to SMEs, access to finance remains to be one of the key constraints in doing business in Africa (World Bank 2013). Results from the present study imply that diversified banks in Africa are less profitable. This result suggests that banks in Africa enjoy high levels of profits at lower levels of income diversification. Stated differently, a shift toward non-interest activities reduces banks' profits. Such a result seeks to provide some amount of relief to SMEs' sector perceived as risky sector. This is because commercial banks mostly overestimate the costs and underestimate the potential returns from this market segment (Young and Deborah 2005). As banks focus and stay within their core credit mandate, they are in a better position to allocate higher percentage of their loan portfolio to businesses including SMEs. This will increase sustainable access to external finance to SMEs. In the Philipines and other jurisdictions, studies have shown that a higher involvement in non-interest activities is only beneficial for banks with low exposures to SMEs (Meslier et al. 2014). In the sub regions for that Ghana, Boadi et al. (2017) employ the fixed effect model as the main regression tool to investigate the impact of SMEs financing on banks' profitability in Ghana. The result reveals that SMEs contribute significantly to banks' profitability in Ghana.

Managerial Implications

Recent economic conditions have drawn many commercial banks to seek out less risky and more liquid assets, such as the government's securities and a shift in revenue generation from interest income from loans and advances as compared to the revenue from non-traditional activities. The renewed debate among politicians, economists and researchers is that during unstable economic environment, banks do nothing but use treasury bills as a safe haven. For instance, in Ghana at a recent Facts-Behind-the-Figures series organized by the Ghana Stock Exchange, Owiredu (2015) noted "the challenging economy had made it riskier to lend to individuals and businesses, hence the refuge in government instruments such as the

Treasury Bill…so if government is borrowing at a handsome rate which is more secured, we will invest in such government papers." On the same platform, Adu (2015) added "The thing is, we will do less loans and buy more T-Bills. If the rate is 25 per cent and 26 per cent, what is the motivation to do more loans, which is riskier?" Several countries have passed some acts imposing restrictions on the quantum of money in respect of credit allowable to the government. Despite these imposed restrictions, banks specifically have not only been active and significant participants but also play a major role in the government securities business. The change in the banks' business strategy is largely influenced by nonperforming loans (NPL). The present study which suggests that more diversified banks in Africa are less profitable should help to change banks' business strategies. This stands to reason that management of banks should focus more on their core intermediary role. This result is an indicative of the fact that banks which have failed in providing credit to businesses as a result of recent economic conditions would go back on their decisions.

Policy Implications

The financial sector is one of the essential institutions in every economy. Schumpeter (1934), Gerschenkron (1964) and others have argued that as the financial sector develops, it trickles down to other sectors of the economy because the sector presents the most effective linkages with the other sources of the economy. These findings from the study provide useful insights for regulatory authorities in Africa. Studies have shown that access to finance remains to be one of the key constraints in doing business in Africa. Mandated credit programs and policies that help banks allocate a higher percentage of their loan portfolio to business should be pursued. As such regulations encouraging banks to lend to priority sectors, including SMEs, should be implemented in African countries. It is therefore recommended that central banks in Africa should strengthen the financial sector by pursuing anti-inflationary or economic stabilization policies since an unstable macroeconomy distorts business policies and decisions and further dips banks' profits.

Limitations and Future Research

Decomposing the non-interest income into various segments and testing for long-run effect are considered as limitations for this study. It is therefore recommended that a study into the long-run relationship of the income diversification-banks' profitability nexus deserves attention in future research.

Appendix 1: Variance Inflation Factor (VIF) for the Explanatory Variables

Variable	VIF	1/VIF
DIV_Ratio	1.36	0.73705
Prtxpr	2.33	0.42919
Impairm	1.73	0.57804
GrL	1.43	0.69723
Coin	1.22	0.82151
Eq_TAs	1.14	0.87783
Lo_TAs	1.09	0.9202
INF	1.06	0.94586
Spec_t	1.05	0.95459
EX	1.03	0.97015
RINT	1.02	0.97611
Mean VIF	1.31	

Note: The mean VIF was 1.31, which is much lower than the threshold of 10. The VIF for individual variables was also below 10. This indicates that the explanatory variables included in the model were not substantially correlated with each other, indicating an absence of multicollinearity between the variables

Appendix 2: Fisher Unit Root Test of Variables Based on Augmented Dickey-Fuller Test (ADF)

	Inverse chi sq.		Inverse normal		Inverse logit		Modified inv. chi sq.	
Variables	Statistic	Prob	Statistic	Prob	Statistic	Prob	Statistic	Prob
ROA	3357.9526	0.0000	−32.7407	0.0000	−45.0581	0.0000	65.1358	0.0000
DIV_Ratio	4419.1853	0.0000	−38.9748	0.0000	−57.6823	0.0000	87.7836	0.0000
Prtxpr	2519.3053	0.0000	−24.8063	0.0000	−31.9186	0.0000	43.5054	0.0000
Impairm	2923.6621	0.0000	−28.8038	0.0000	−37.1205	0.0000	51.9462	0.0000
GrL	2816.4375	0.0000	−25.6317	0.0000	−34.0667	0.0000	48.6475	0.0000
Coin	3849.0864	0.0000	−38.389	0.0000	−50.6791	0.0000	73.8247	0.0000
Eq_TAs	3568.5977	0.0000	−36.736	0.0000	−46.6997	0.0000	67.2162	0.0000
Lo_TAs	4484.1608	0.0000	−42.9688	0.0000	−59.4364	0.0000	89.3746	0.0000
INF	3984.4261	0.0000	−37.8152	0.0000	−52.1047	0.0000	77.1385	0.0000
Spec_t	2870.6609	0.0000	−35.7258	0.0000	−45.7547	0.0000	49.8679	0.0000
EX	4487.5738	0.0000	−33.0863	0.0000	−55.6801	0.0000	89.4581	0.0000
RINT	3931.6951	0.0000	−35.6641	0.0000	−49.2331	0.0000	75.8474	0.0000

Source: Author's estimate (2017) using STATA 14

Ho All panels contain unit roots, *Ha* At least one panel is stationary

Appendix 3: Hausman Specification Tests Between FE and RE Estimates

Variables	(b) fixed	(B) random	(b−B) difference	sqrt(diag(V_ b−V_B)) S.E.
DIV_Ratio	−0.7874	−0.7680	−0.0194	0.0264
Prtxpr	0.4421	0.4381	0.0040	0.0045
Impairm	−0.2312	−0.2293	−0.0019	0.0035
GrL	−0.0228	−0.023	0.0159	0.0954
Coin	−0.2482	−0.2316	−0.0166	0.0140
Eq_TAs	0.5122	0.4986	0.0136	0.0108
Lo_TAs	0.0289	0.0225	0.0065	0.0085
INF	0.1310	0.1412	−0.0102	0.0064
Spec_t	−0.0286	−0.0269	−0.0017	0.0061
EX	−0.3100	−0.3072	−0.0028	0.0193
RINT	0.0067	0.0078	−0.0010	0.0005

Source: Author's estimate (2017) using STATA 14

Note: Thus, the Hausman specification test is carried out to inform whether RE estimation gives more consistent results, given the data used for this study. When Prob > $X^2 = \alpha$, the null hypothesis is rejected. This reinforces the consistency of the RE in estimating the chosen model

Notes

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2. OECD SME and Entrepreneurship Outlook 2005 Edition.

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9

Entrepreneurship and SMEs' Productivity Challenges in Sub-Saharan Africa

Paul Agu Igwe, Adah Emmanuel Onjewu, and Simon Uguru Nwibo

Introduction

Africa remains the world's second fastest growing economy after East Asia (African Economic Outlook 2017). In 2015, Sub-Saharan Africa (excluding South Africa) grew faster than the continental average at 4.2%, with East Africa leading the way at 6.3% (ibid). In spite of this progress, the phenomenon of jobless growth combined with the world's youngest population threatens sustainability. On the whole, poverty in Africa has declined from 56% in 1990 to 43% in 2012 (African Economic Outlook 2017). However, over the same period, the number of the poor has

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increased from 280 million to 330 million people (ibid). There is a consensus that entrepreneurial activities have curbed the rate of poverty (United Nations 2008, 2009). Thus, the dynamic role of SMEs in enabling economic growth, poverty alleviation, employment and wealth creation for a more equitable distribution of income and increased productivity is widely recognised and cannot be overstated (IFAD 2012).

Furthermore, by 2040, it is estimated that Africa's young workforce will be the largest in the world, surpassing that of both China and India (GEM 2014). Thus, the lack of jobs for youths is an immense challenge but also the key to future prosperity according to international bodies including the African Development Bank (AfDB), the OECD's Centre for Development, the United Nations Economic Commission for Africa and the United Nations Development Programme (UNDP). Youth joblessness on the continent is at 60% with the 15–24 age bracket constituting more than half of this ratio of which the majority are women who eventually give up on finding work (African Economic Outlook 2012). Against this backdrop, we briefly assess recent programmes of Sub-Saharan governments to address poverty through sustainable entrepreneurship.

In Nigeria, Kenya and South Africa, the central governments have initiated funding programmes in order to stimulate the creation of new ventures among the youth and female population. Examples of entrepreneurship schemes in Nigeria include the 'YouWin Enterprise Initiative' of 2011–2014 and the Social Intervention Programme of the current administration for which approximately ₦500 billion was allocated in the 2016 budget. In South Africa, the key agency in charge of youth policy is the National Youth Development Agency (NYDA) created in 2009 by the amalgamation of the National Youth Commission (NYC) and the Umsobomvu Youth Fund (CDE 2012). Similarly, the government of Kenya has created both a youth entrepreneurship fund and a female entrepreneurship fund with the belief that this will ignite the creation of new businesses (Nafukho and Muyia 2010).

Going forward, the World Bank maintains that the most important driver of economic growth is a vibrant private sector where firms invest to improve productivity and create jobs in the process. The manufacturing sector in Sub-Saharan Africa is dominated by small and informal enterprises and the majority of them grow only in the initial phase of formation (Sonobe et al. 2009). In 2003, SMEs in Kenya employed 3.2 million people and accounted for 18% of the country's GDP (OECD 2005). Similarly, in Nigeria, SMEs produced 95% of formal manufacturing activity in the same year (ibid). In comparison, the newly industrialised countries of Southeast Asia [South Korea, Malaysia and Taiwan] have been empowered through entrepreneurship and the prosperity it confers (Nafukho and Muyia 2010). The importance of SMEs to economies at various stages of development is not in doubt. Rather, it is the scoping and scaling of initiatives for and in the Sub-Saharan environment that has been slow and often obscure. Some have observed that the lack of growth is a function of SMEs' reluctance to expand and therefore become subject to greater regulation (Sonobe et al. 2009).

A growing number of scholars have repeatedly highlighted the need for studies not based on Western conceptualisation of entrepreneurship (Ariyo et al. 2015; Jones 2017; Newbery et al. 2017; Thomas and Mueller 2000). Thus, the objective of this chapter is to explore the peculiarities of Sub-Saharan business environments. It seeks to understand how a new generation of African entrepreneurs are overcoming the challenges of a complex environment. The review of literature reflects on the African business environment, doing business, size and informality, start-up, survival and closure, firm growth and gender issues in African entrepreneurship. The data has been gathered from a World Bank Enterprise Surveys that explores issues on African education and labour, access to infrastructure and finance, firm size and other business climate variables. The last section of the chapter summarises the inherent findings and contemplates the implications for future research.

Literature Review

Africa has experienced economic expansion for more than a decade and remained resilient through the global recession of 2008–2010; this growth has created new opportunities for trade. Yet, this expansion has not constituted employment intensity; therefore, a stronger focus on job creation is necessary. The *African Economic Outlook* (2012) maintains that the employment gap is only set to widen as education forecasts predict that only 59% of 20–24-year-olds will have had secondary education by 2030 compared to the existing rate of 42%. To maintain current public sector employment levels, Africa would need to create 1.9 million public sector jobs annually until 2025 (African Economic Outlook 2012). Accordingly, policymakers and governments in the continent believe that promoting entrepreneurship and SMEs' activity will deliver better prospects for the teeming population. Table 9.1 shows the current unemployment rate of some Sub-Saharan African countries.

The *African Economic Outlook* described the situation in Africa as follows: Overall progress is hampered by inequality between countries, within countries and between male and female. The report notes that progress is held back by lack of opportunities for the youth, weak structural transformation, especially in sectors dominated by the marginalised groups (including agriculture and informal sectors), and weak investments in gender equality and women empowerment programmes beyond the political sphere. Human progress for rapidly expanding and increasingly mobile populations remains a considerable challenge as espoused in Agendas 2030 and 2063 (ibid). Africa's urbanisation contributes to human development gains but not for everyone. The Global Entrepreneurship Monitor (GEM) shows that the average rate of nascent entrepreneurship among efficiency-driven economies is 6.1%, while it is only 3.4% in innovation-driven economies, and only 17% of all start-ups

Table 9.1 Unemployment rate of Sub-Saharan African countries

Country/region	Total unemployment rate (%)
Angola	8.4
Botswana	18.4
Ghana	4.5
Malawi	7.6
Namibia	17.7
Nigeria	7.5
South Africa	25.3
Uganda	3.9
Zambia	13.3

Source: International Labour Organisation (2014) are driven by necessity in developed economies versus 32% in developing countries (Iakovleva et al. 2011).

The biggest challenge facing small-scale enterprises in Africa, according to the United Nations (2009), is the globalisation of value chains with the production of goods and services increasingly fragmented across enterprises and countries. In a study of two African countries (Egypt and South Africa), the majority of SMEs were not able to identify their competitive strengths within the value chain, and some explicitly pointed to the lack of time and resources to understand the evolving global context and operations (IFAD 2009). In Africa, majority of the small and micro-businesses are informal and operate mostly as family businesses. According to Khavul et al. (2009), most family businesses in Africa are informal microenterprises, and they have fewer than five employees, are unregistered, unlicensed and typically do not pay taxes.

The African Business Environment

The business environment refers to a set of factors, policies and institutions that shape the opportunities and incentives for firms to invest productively, create jobs and expand (Aterido et al. 2011; Herrera and Kouamé 2017; World Bank 2005; Igwe et al. 2017). Identified five major institutional barriers as follows: (1) an ineffective credit and financial system; (2) corruption, political instability and an inefficient legal system; (3) poor infrastructure; (4) lack of quality education; and (5) religion, traditions and customs. These obstacles add to the usual challenges that SMEs face such as insecurity, bribery, time lost in addressing government regulation, power shortages and the lack of market access.

In the World Bank Enterprise Surveys, business owners and managers were asked to identify their main business impediments and access to finance and electricity, corruption, tenuous tax rates, political instability and poor practices of the informal sector ranked highest for firms in Nigeria (see Fig. 9.1). The informal sector conjures images of illegality, exploitation, tax evasion and lawlessness (Khavul et al. 2009). Corruption in the public service creates an unfriendly business environment by undermining the operational efficiency of firms and raising the costs of

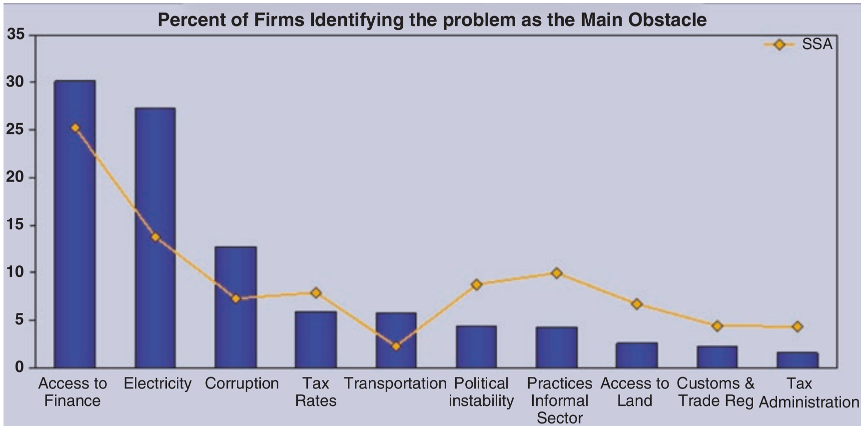

Fig. 9.1 Business obstacles in Sub-Saharan Africa. Source: World Bank Enterprise Surveys—Nigerian Country Profile (2014: 4)

doing business. Corruption constrains entrepreneurship by deterring entrepreneurs unwilling to engage in corrupt practices and encouraging unproductive forms of entrepreneurship (Igwe et al. 2017).

Africa's entrepreneurial failure can be attributed to factors such as the lack of sensitivity of raw agricultural products to international prices, poor infrastructure, lack of human and financial capital and government policies that are not entrepreneur-friendly (Kshetri 2011). A stable macroeconomic environment is regarded as being conducive to long-term economic development. A broad developmental approach requires that macroeconomic policies should be growth centred with full employment as the ultimate objective (Ocampo and Vos 2008). Cervantes-Godoy and Dewbre (2010) identify essential factors that influence economic growth such as access to raw materials and inputs and access to markets accommodated by a good transportation, marketing, processing and infrastructure, non-discriminatory tax and trade policy. Other primary factors are high rates of investment in agricultural research and extension, a system of ownership rights that encourages initiative, employment creating SMEs, well-functioning institutions, good governance and so on.

In Africa, both farm and non-farm activities provide important sources of employment and income. The World Bank (2008) maintains that making agriculture more effective in supporting sustainable growth and reducing poverty starts with a favourable socio-political climate, adequate governance and sound macroeconomic policies. Christiaensen and Todo (2008) observed that there are two phases as nations develop as follows: Firstly, their economies restructure away from agriculture into manufacturing and services. Secondly, the inhabitants migrate from rural to urban communities. Thus, according to the World Bank, the process for sustained agricultural development as a pathway out of poverty requires defining an agenda for each country type and the combination of four policy objectives in the diamond shown in Fig. 9.2.

Furthermore, Wallace (2000) contends that four macro-level instruments are essential for the development of African SMEs as follows: Firstly, SMEs need a stable economy with prudent fiscal management and low inflation, tax and financial sector reform and a stable foreign exchange. Secondly, they need a competitive economy, a regulatory framework favouring competition without unnecessary barriers to

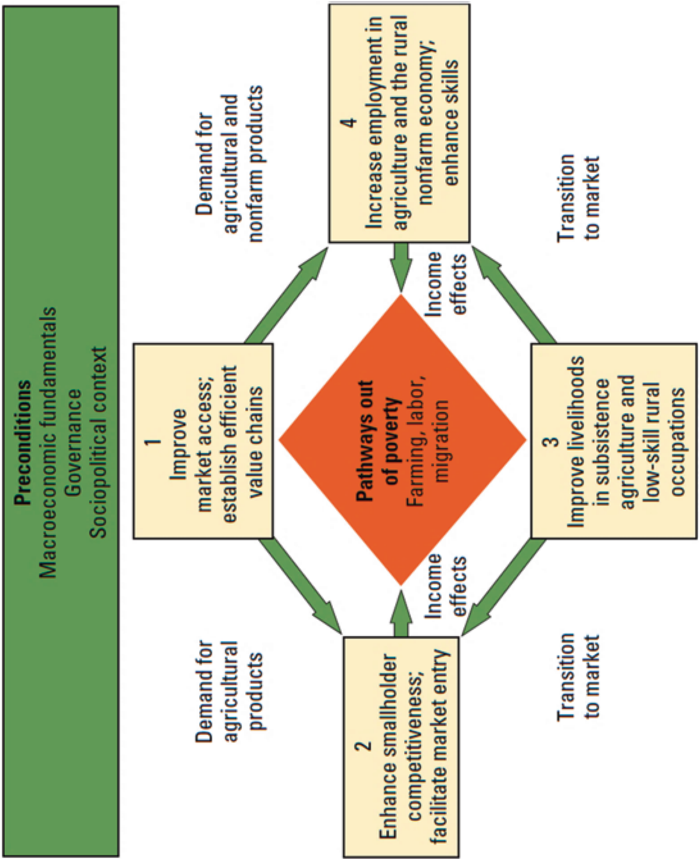

Fig. 9.2 The four policy objectives of the agriculture-for-development agenda—policy diamond. Source: World Bank (2008: 19)

market entry, legal and property rights that facilitate the enforcement of contracts and information and physical infrastructure (such as transport) that minimises transaction costs. Thirdly, they need global linkages based on openness to trade, investment, technology and ideas, low trade barriers, the relatively free movement of people and the encouragement of exports through a realistic exchange rate. Fourthly, they need investment in people with particular emphasis on primary education and preventive health care.

Doing Business in Africa

Economic reforms in Benin, Kenya, Mauritania, Senegal and Uganda have enabled Africa to comprise half of the world's top ten improvers (i.e. countries that implemented at least three fiscal reforms) and move up the global ranking for ease of doing business (World Bank 2015). Of the 189 countries sampled (see Table 9.2), South Africa fared best on the continent in 73 (although relegated from 69 in 2015), followed by Uganda at 122 (up from 135 in 2015), Burkina Faso at 143 (up from 149 in 2015), Nigeria at 169 (ranked 170 in 2015) and Angola at 181 (ranked 183 in 2015) as shown in Table 9.2. On the access to credit dimension, Uganda ranked highest in 42, followed by South Africa at 59, Nigeria at 60, Burkina Faso at 133 and Angola at 181. Nigeria's overall ranking has

Table 9.2 Doing business ranking of selected Sub-Saharan African countries

Indicator/ranking	Nigeria	Angola	Burkina Faso	Uganda	South Africa
GNI per capita (US$)	2950	5300	710	660	6800
Ease of doing business (1–189)	169	181	143	122	73
• Starting a business	139	141	78	168	120
• Time (days)	30.8	36	13	27	46
• Cost (% of income per capita)	31.7	22.5	43.5	39.7	0.3
Obtaining credit	60	181	133	42	59
Power supply	182	166	183	167	168
• Time (days)	181.2	145	158	86	226

Source: Igwe and Icha-Ituma (2016a: 13)

lowered by one or two notches for most indicators except for ease of obtaining credit where the country's ranking has improved significantly by 16 points from 60 in 2016 to 44 in 2017. To explain the shifts in these rankings, the World Bank (2015) provides a list of current reforms in Sub-Saharan Africa as follows:

- Out of 47 economies in Sub-Saharan Africa, 35 implemented at least one reform making it easier to do business in the past year.
- Sub-Saharan Africa accounted for 14 of the 32 reforms globally in obtaining credit. Of the 14 reforms, 12 focused on improving the availability of credit information—more than in any other region.
- The region accounts for five of the ten top improvers in 2015. These five are Benin, Kenya, Mauritania, Senegal and Uganda.
- Rwanda implemented the most reforms in Sub-Saharan Africa in 2014 (with 6 reforms), Kenya, Madagascar and Senegal followed (with 4 reforms each). These reforms include credit-scoring services, business pre-registration services and power connection process, reducing cost of security deposits and so on.
- Of the 17 economies, 14 implemented business regulation reforms in 2014 (29 reforms in total). Overall, 24 of these reforms reduced the complexity and cost of regulatory processes, while the other 5 strengthened legal institutions.

The Enterprise Surveys rankings capture the mean score of the respective economy's distance from ten dimensions included in the 2016 benchmarks. These measures show how close each economy is to global best practices in business regulation. A higher score indicates a more efficient business environment with stronger legal institutions. Table 9.3 shows the rankings data for Sub-Saharan Africa. The top five economies based on the rankings are Mauritius (32), Rwanda (62), Botswana (72), South Africa (73) and Seychelles (95).

Table 9.3 Doing Business 2016 in Sub-Saharan Africa

Rankings Data for Sub-Saharan Africa						
	Rank (1–189)		Distance to frontier score (0–100)		Reforms	
Economy	DB2015	DB2016	DB2015	DB2016	DB2015	DB2016
Angola	183	181	37.46	39.64	0	2
Benin	162	158	45.37	47.15	4	3
Botswana	72	72	64.42	64.98	0	1
Burkina Faso	149	143	48.97	50.81	1	1
Burundi	151	152	48.80	48.82	0	0
Cabo Verde	124	126	55.28	55.54	1	1
Cameroon	168	172	44.02	44.11	2	0
Central African Republic	185	185	36.15	36.26	1	0
Chad	182	183	37.83	38.22	1	1
Comoros	159	154	46.09	48.22	1	2
Congo, Dem. Rep.	187	184	34.79	38.14	5	2
Congo, Rep.	174	176	41.48	41.88	2	1
Côte d’Ivoire	145	142	49.71	50.93	5	3
Equatorial Guinea	178	180	40.06	40.03	1	0
Eritrea	189	189	27.40	27.61	0	0
Ethiopia	148	146	49.24	49.73	0	0
Gabon	156	162	46.59	45.99	2	2
Gambia, The	150	151	48.84	48.99	2	1
Ghana	112	114	57.65	57.69	2	1
Guinea	171	165	42.83	45.54	2	1
Guinea-Bissau	181	178	38.87	40.56	1	1
Kenya	129	108	53.60	58.24	1	4
Lesotho	110	114	57.67	57.69	0	1
Liberia	180	179	39.01	40.19	0	1

(*continued*)

Table 9.3 (continued)

Rankings Data for Sub-Saharan Africa						
	Rank (1–189)		Distance to frontier score (0–100)		Reforms	
Economy	DB2015	DB2016	DB2015	DB2016	DB2015	DB2016
Madagascar	166	164	44.28	45.68	1	4
Malawi	144	141	49.74	51.03	2	0
Mali	142	143	50.11	50.81	2	2
Mauritania	176	168	40.41	44.74	2	3
Mauritius	31	32	74.39	75.05	2	1
Mozambique	128	133	53.66	53.98	2	1
Namibia	101	101	59.72	60.17	0	1
Niger	164	160	44.65	46.37	1	3
Nigeria	170	169	43.56	44.69	0	2
Rwanda	55	62	68.88	68.12	3	6
São Tomé and Príncipe	163	166	45.22	45.50	1	0
Senegal	156	153	46.59	48.57	6	4
Seychelles	104	95	58.31	61.05	3	1
Sierra Leone	147	147	49.67	49.69	3	0
South Africa	69	73	64.93	64.89	1	0
South Sudan	186	187	35.56	34.78	0	0
Sudan	158	159	46.11	46.97	0	0
Swaziland	102	105	59.00	59.10	2	1
Tanzania	140	139	50.89	51.62	2	1
Togo	152	150	47.54	49.03	4	3
Uganda	135	122	51.80	56.64	2	3
Zambia	91	97	60.69	60.50	2	2
Zimbabwe	153	155	47.33	48.17	0	2

Source: World Bank (2016)

Size and Informality

The European Union (2007) defined microenterprises as firms which employ fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed 2 million EUR. It also defined a small enterprise as an organisation which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed 10 million EUR. Liedholm (2001) states that if one defines the SMEs as those firms with 1–50 workers, the upper end of the tail (those with 10–50 workers) constitutes less than 2% of businesses in Africa. Using data from the World Bank Enterprise Surveys, La Porta and Shleifer (2014: 113) provide a summary of characteristics that distinguish informal and formal businesses as follows:

- Informal businesses are much smaller than formal firms.
- On average formal firms employ 126 people, while informal firms employ only 4.
- Informal firms are much less productive, with productivity calculated as value added (sales net of expenditures on raw materials and energy) per employee.
- Informal firms add only 15% of the value per employee of formal firms, whereas the ratio of value added by informal firms to that by formal firms ranges from 1% in Congo to 70% in Cape Verde.
- There is a sharp productivity difference between informal firms and formal firms of the same size, whereas productivity increases with size within the formal sector.

Majority of businesses in Africa operate in the form of SMEs in the informal and formal sectors with the majority in the informal sector (Igwe et al. 2017). Some authors argue that market failures in insurance and credit markets are the causes of the size and informality (Collier and Gunning 1999). Khavul et al. (2009: 1221) defined economic informality as "all market-based legal production of goods and services that are deliberately concealed from public authorities for reasons of taxation, employment, and administrative regulation".

Moreover, productivity in the informal sector of typical African countries ranges from 29% of GDP in South Africa, 60% in Zimbabwe, 34% in Kenya and 43% in Uganda (Igwe et al. 2017). Nigeria tops the chart with the informal sector contributing 75% of overall GDP (Klapper et al. 2007). The World Bank (2013) asserts that the informal sector in any economy may be a source of unfair competition to formal firms and rob governments of potential tax revenues to the extent that it undermines capacity for regulatory oversight. With the majority of enterprises in Africa operating as one-person undertakings, it is not surprising that the largest employment category is working proprietors, a group that comprises more than 50% of the small-scale workforce in most countries (Liedholm 2001).

Start-Up Survival and Closure

The conditions in Sub-Saharan Africa suggest a business landscape primed for expansion. There is a vastly evident entrepreneurial culture, and the Global Entrepreneurship Monitor maintains that the formal sector is unable to meet the employment demands of the growing young population in Africa. For millions of young Africans, creating their own enterprises is the only firm possibility for employment (GEM 2014). Ownership in the form of informal family or private-owned business dominates African economies. Liedholm and Mead (1999) state that new start-up jobs are more likely to reflect primarily people seeking a way of sustaining themselves (survival motives), while expansion jobs are more likely to arise as entrepreneurs seek to respond to a growing demand for their products in expanding sectors (demand pull). Benzing and Chu (2009) suggest further influences as extrinsic motives (in response to competition) and intrinsic motives (related to self-fulfilment and growth).

GEM (2014) maintains that there is high intention among young people in Africa to start their own enterprises, and many youths consider running a business to be a desirable career choice, undaunted by any significant fear of failure. Liedholm (2001) reveals that the rate of SME start-ups in African and Latin American countries averages over 20% of new business formation, ranging from 19.3% in Zimbabwe, 21.2% in

Kenya, 21.7% in Malawi to 25.2% in Botswana. GEM (2014) reveals that youth economic activity in Sub-Saharan Africa is concentrated within a limited number of sectors, with 64% of youths involved in either the retail, hotel or food service trade. Almost all (97%) of youth businesses in the retail sector are low-growth businesses, 54% of which offer employment to only the business owner (GEM 2014).

In terms of firm survival, Liedholm and Mead (1999) state that firms that started smallest, other factors being constant, were more likely to survive than their larger start-up counterparts. Their study found a correlation between start-up and closure where more than 50% of business failure occurs within three years of formation. It has been suggested that businesses in Nigeria cease to trade within their first five years of existence; a smaller percentage goes into extinction between the sixth and tenth year, while only 5–10% survive, thrive and grow to maturity (Aremu and Adeyemi 2011). Agwu and Emeti (2014) identified many factors contributing to this premature death of SMEs as follows: insufficient capital, irregular power supply, infrastructural inadequacies (water, roads, etc.), lack of focus, inadequate market research, lack of succession plan, inexperience, lack of proper book keeping, inability to separate business and personal finances and so on.

Hence, to proceed, what are the characteristics of defunct small enterprises and how, if at all, do these differ from the characteristics of survivors? Liedholm (2001) employ 'hazard analysis' to ascertain the key factors that determine the closure and survival patterns of such enterprises. The dependent variable in their analysis is the 'hazard rate', which is the probability that a firm will close during the given year. The independent variables used to explain this rate are age, sector and location of the firm. Overall, many studies have shown that the growth of new enterprises depends upon the development of the knowledge base through research, technology and innovation (Ahmed and Hoffman 2007; Mayer 2010; Kshetri 2011). Liedholm (2001) stated that in addition to age, the past growth patterns, initial size, sector, location and gender of the owner are important determinants of survival.

Firm Expansion and Growth

Some studies have shown that SMEs that embark on growth are more likely to survive than those that maintain their size. Liedholm (2001) provides evidence from Zimbabwe suggesting that for every 1% increase in employment, SMEs reduced its likelihood of closing during the year by approximately 5%. Many studies have found significant negative relationship between firm growth and size (Goddard et al. 2002; Calvo 2006) and between the variability in growth and firm size (Goedhuys and Sleuwaegen 2010). Other studies indicate that firm growth is characterised by positive autocorrelation rates (Dunne and Hughes 1994) and others by negative autocorrelation (Goddard et al. 2002; Coad and Hölzl 2009). Goedhuys and Sleuwaegen (2010) provide evidence of positive interaction between firm size and age on the growth of Ivorian firms, implying that firms starting at a larger size tend to regress more slowly in terms of growth rate over time than smaller businesses.

Gender Issues

Gender issues in business have gained increasing attention over recent years in theory, practice and policy. Women make up an important segment of Sub-Saharan Africa's micro and small business sector (USAID 2010). A gender divide exists where aspiring women entrepreneurs feel excluded from economic activities (Woldie and Adersua 2004). There are significant gender differences in Africa when one considers the types of businesses they are engaged in, the sectors they operate in and their growth potential according to GEM (2014). More than 50% of young women operate in businesses in which no employment is created, and young female-owned businesses are 1.3 times more likely than businesses owned by their male counterparts to offer no employment other than to the owner (ibid). Igwe et al. (2017) provide a summary of the gender divide that exists in Nigeria including customs that exclude females from family inheritance. Other restrictions are female exclusion or prevention from public and night-time transportation, as well as prohibition from nocturnal economic activity. There is no doubt that these cultural constraints on mobility and access are particularly restrictive (Porter 2002, 2014).

Without these constraints, Pines et al. (2010) maintain that the diversity, equality and inclusion agenda in entrepreneurship can be a vehicle to assimilate women and other marginalised groups in low-income countries. As Jamali (2009) puts it, for many female entrepreneurs, the choice of self-employment may reflect the restricted structure of opportunities in the labour market, labour market discrimination or glass ceiling career problems, with self-employment often perceived as a survival strategy or as a means of providing flexibility in work scheduling and reconciling multiple roles. IFAD (2011) stresses that gender disparities in Africa are evident as women and young people are often marginalised and have minimal control over access to factors of production, impinging on their capacities to benefit fully from engaging in businesses.

Determinants of Productivity

Several studies have indicated that firm age is an important determinant of firm growth, with younger firms growing faster than older firms (Caves 1998; Coad and Rao 2008; Haltiwanger et al. 2013). Access to finance is one of the major business concerns and youth-specific obstacles in Africa (GEM 2014). Financial exclusion refers to a situation where the poor and other disadvantaged groups are unable to access formal financial services, owing to their perceived vulnerability (Mishra et al. 2014). Financial constraints are more pervasive in agriculture and related activities than in many other sectors, reflecting both the nature of agricultural sector and the average size of firms (World Bank 2008). In a survey of 6000 households in India, results showed that 87% of the marginal farmers surveyed had no access to formal credit, and 71% had no access to a savings account in a formal financial institution (World Bank 2008). Many studies support the idea that under the right conditions, infrastructure development plays a major role in promoting economic growth and poverty reduction (Ayogu 2007; DFID 2011, 2012; Dorosh et al. 2010; Dorward et al. 2004; Estache et al. 2002; Khander and Koolwall 2010; Krishna and Shariff 2011; NEPAD 2002; Reardon 2001; World Bank 2010).

Education is often the key determinant for the pursuit of opportunities in new business and employment (World Bank 2008). Based on findings from studies in Uganda and Russia, Aikaeli (2010) maintains that education allows people to adapt more easily to both social and technical changes in the economy and to changes in the demand for labour. Other business constraints that affect SMEs in Africa centre on the political, social and legal ground rules within which businesses operate, including stable government, duration of government procedures, property rights and taxation and so on. Also, regionalism, tribalism, sectionalism and ethnicity are other major problems (Ochulor 2011). Among the major institutional problems that have impeded sustainable development in Sub-Saharan Africa is corruption which appears embedded in the culture (Keeper 2012; Faleye 2013). Global Entrepreneurship Monitor's suggestions to policymakers in order to improve business environmental conditions in Sub-Saharan Africa include improvement in the physical infrastructure—power, transportation, water and broadband internet (especially in the more rural areas)—and a reduction in bureaucracy and red tape in starting a business.

Methods, Analysis and Results

Data Sample and Composition

This chapter utilises secondary data from the Enterprise Survey to explore challenges in the business environment and productivity issues in Sub-Saharan Africa. The World Bank's Enterprise Survey was preferred to ensure statistical representativeness of the sample population. It used standard survey instruments to collect firm-level data on the business environment from business owners and top managers in 189 countries. It focuses on the many positive and negative factors that shape the business landscape and influence economic growth. Table 9.4 presents the levels of location strata for surveys (i.e. the number of firms in each subnational location) in the Sub-Saharan Africa sample in the 2013 and 2014 period.

Table 9.5 summarises the Enterprise Survey sample structure by size of firms, ownership and trade in the 2013–2014 period. About 2676 firms were surveyed in Nigeria, 781 (Kenya), 601 (Senegal), 738 (South Sudan) and 813 (Tanzania). Figure 9.3 shows the number of firms in each country by business sector level.

Table 9.4 Sample size and locations

Countries	Locations and number of firms
Kenya	Central (98), Mombasa (144), Nairobi (349), Nakuru (92), Nyanza (98)
Nigeria	Abia (124), Abuja (151), Anambra (149), Cross River (136), Enugu (124), Gombe (126), Jigawa (123), Kaduna (138), Kano (200), Katsina (125), Kebbi (133), Kwara (124), Lagos (282), Nasarawa (130), Niger (124), Ogun (130), Oyo (119), Sokoto (115), Zamfara (123);
Senegal	Dakar (369), Kaolack (67), Saint-Louis (52), Thiès (113)
South Sudan	Juba (400), Nimule (103), Torit (43), Yei (192)
Tanzania	Arusha (127), Dar Es Salaam (386), Mbeya (87), Mwanza (85), Zanzibar (128).

Source: Extracted from the World Bank Enterprise Surveys

Table 9.5 Sample composition by firm size, ownership and trade

Data details	Nigeria	Kenya	Senegal	South Sudan	Tanzania
Size of firms					
• Micro/small (<20 employees)	1753	355	417	647	514
• Medium (20–99 employees)	734	267	137	81	219
• Large (100+ employees)	189	159	47	10	80
Ownership					
• Domestically owned	2162	679	529	438	721
• Foreign-owned	514	89	70	292	44
• Firms without female participation in ownership	2123	428	488	585	602
Trade orientation					
• Exporters	461	171	45	17	59
• Non-exporters	2215	588	554	716	622
Total number of firms	2676	781	601	738	813

Source: Extracted from the World Bank Enterprise Surveys

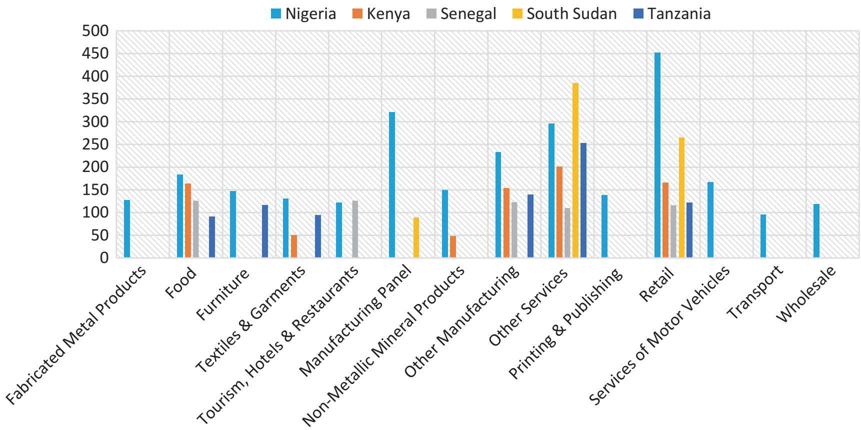

Fig. 9.3 Number of firms in each country by business sector. Source: Extracted from the World Bank Enterprise Surveys

Factors Affecting Productivity and Investment

Age of Firms

The age of firm indicator measures the number of years that a firm has been in operation. The effect the business environment has on business could depend on firms' experience and longevity. Age of firm and other indicators (as shown in Table 9.6) were employed to assess the effect of regulations on firms and their level of exposure to external factors. South Sudan had the lowest average age (4.2 years) and highest percentage of private foreign firms (32%) which was above the Sub-Saharan average of 13.3%. As for the gender classification of ownership, Kenya had the highest number of firms with female participation (49.2%), followed by Tanzania (24.0%) as shown in Table 9.6.

Coad (2014) maintains that older firms and young firms may differ in their ability to successfully adapt their strategies to changing business conditions. On one hand, the 'learning-by-doing model' (Arrow 1962) suggests that older firms may benefit from their greater business experience and therefore have a higher degree of growth persistence than younger firms. On the other hand, older firms might suffer from a 'liability of obsolescence' and a 'liability of senescence' (Coad 2014). Indeed, Coad (2014)

Table 9.6 Enterprise Surveys indicators—age of firms and ownership

	Nigeria	Kenya	Senegal	South Sudan	Tanzania	Sub-Saharan Africa
Age (years)	15.9	20.3	16.6	4.2	13.7	14.2
% of Firms with female top manager	13.9	13.4	14.1	9.5	14.0	15.3
% of firms with female participation in ownership	16.2	49.2	22.9	21.9	24.0	36.0
Private domestic (%)	70.2	89.2	87.0	66.6	95.3	78.4
Private foreign (%)	3.1	5.7	8.7	32.0	2.9	13.3
Government/state (%)	2.5	1.2	0.9	0.1	0.1	0.6
Other (%)	24.3	3.8	3.4	1.3	1.7	7.8

Source: Extracted from the World Bank Enterprise Surveys

suggests lower growth persistence for old firms, since they have problems adapting their strategies to changing business conditions.

Access to Finance

The Enterprise Surveys provide indicators of capital structure and the characteristics of financial transactions, which compare the relative use of various sources to finance. Lack of access to finance and credit opportunities make it difficult to meet short-term obligations and longer-term investments. The use of banks to finance investments is a basic indicator of access to credit. In Nigeria, about 65% of the economically active population are excluded from access to financial services (CBN 2005). Only 9.7% of firms in Sub-Saharan Africa have access to bank finance for investment (Table 9.7) with South Sudan and Nigeria as low as 2.4% and 3.4%, respectively.

Another set of indicators focuses on the use of bank loans and it quantifies the burden of set conditions in the level of collateral relative to loan value. As excessive demand for collateral constrains investment opportunities, households have traditionally patronised informal lenders for higher interest and short-term credit (Igwe and Icha-Ituma 2016b). The percentage of firms with bank loans per country are Kenya (35.9%) and Senegal (22.6%) atop the chart while firms in South Sudan (6.9%) and Nigeria (11.8%) are the least in obtaining bank credit (see Table 9.7).

Table 9.7 Enterprise Surveys indicators—access to finance

	Nigeria	Kenya	Senegal	South Sudan	Tanzania	Sub-Saharan Africa
% of firms identifying access/cost of finance as a major constraint	33.1	9.5	39.0	16.0	23.0	25.5
Internal finance for investment (%)	52.5	60.8	71.9	86.2	79.6	75.9
Bank finance for investment (%)	3.4	24.1	6.6	2.4	8.8	9.7
Other financing for investment (%)	24.0	2.0	11.3	5.5	5.0	4.6
% of firms with bank loans	11.8	35.9	22.6	6.9	16.6	21.9
Value of collateral needed for a loan (% of the Loan Amount)	227.7	187.7	271.7	183.8	240.2	207.4

Source: Extracted from the World Bank Enterprise Surveys

Access to Infrastructure

A strong infrastructure provides access to electricity, roads, railways, water, communication, technology and so on, which enhances the competitiveness of an economy and provides a conducive business environment. The Enterprise Surveys capture a set of indicators that evaluate the efficiency of infrastructure services by quantifying the delays in obtaining electricity, water and telephone connectivity. It notes that service delays impose additional costs on firms and may act as barriers to entry and investment. Unstable power supply can increase costs, disrupt production and reduce profitability.

Nigeria has the worst records for power outages in a typical month (an average of 32.8 times) as shown in Table 9.8. Delay in completing power connection is worst in Tanzania and Kenya with delays as much as 52.6 and 42.4 days, respectively. Improving the productivity, profitability and competitiveness of SMEs will require improvement and investment in public infrastructure such as roads, schools, hospitals, electricity, transportation and water (Igwe 2016). The World Bank (2010) contends that infrastructure increases productivity and promotes economic growth. It adds

Table 9.8 Access to infrastructure

	Nigeria	Kenya	Senegal	South Sudan	Tanzania	Sub-Saharan Africa
Number of power outages in a typical month	32.8	6.3	6.3	1.5	8.9	8.3
Value lost due to power outages (% of sales)	11.2	5.6	1.5	1.8	5.5	5.4
Delay in obtaining an electrical connection (days)	9.4	42.4	24.8	9.7	52.6	29.3
Delay in obtaining a water connection	12.4	29.3	14.9	4.2	31.9	32.2

Source: Extracted from the World Bank Enterprise Surveys

that poor road network limits the transport system and increases distribution cost leading to high prices, low demand and reduced profitability.

Education, Workforce and Innovation

Sub-Saharan Africa is noted for its poor quality of primary education as well as low levels of tertiary enrolment (Global Economic Monitor 2014). Fabusoro et al. (2010) believe that education increases skills, increases confidence, establishes useful networks, stimulates entrepreneurial activity and enhances productivity. There is no data on education and skill levels in the Enterprise Survey except for indicators exploring the composition of firm's workforce by type of contract and gender as well as the use of quality certification and information and communications technologies (ICT) in business transactions.

Tanzania has the highest number of full-time female workers (44%) compared to other countries, which is also higher than the Sub-Saharan African average of 29.3% (Table 9.9). Very few firms in Sub-Saharan Africa (15.1%) have an internationally recognised quality certification. South Sudan (2.6%) and Nigeria (7.1%) have the lowest figures compared to peers. Kenya has the highest percentage of firms using the web to communicate with clients/suppliers (46.1%) and firms using email to communicate with clients/suppliers (72.4%) as in Table 9.9.

Table 9.9 Workforce and innovation

	Nigeria	Kenya	Senegal	South Sudan	Tanzania	Sub-Saharan Africa
Average number of skilled production workers	NA	NA	NA	NA	NA	NA
Average number of temporary workers	1.6	15.4	3.5	2.8	4.9	6.4
Average number of permanent, full-time workers	15.8	41.8	37.5	11.0	18.1	30.9
% of full-time female workers	24.3	29.1	20.7	23.3	44.0	29.3
% of firms with internationally recognised quality certification	7.1	21.8	9.7	2.6	17.6	15.1
% of firms using the web to communicate with clients/suppliers	22.3	46.1	34.6	25.6	22.6	33.3
% of firms using email to communicate with clients/suppliers	23.5	72.4	64.7	51.2	30.0	60.5

Source: Extracted from the World Bank Enterprise Surveys

Other Business Environment Indicators

The Enterprise Surveys presents a snapshot of the biggest business environment obstacles or constraints as perceived by firms benchmarked against the regional average. Effective regulations and good economic governance in areas such as taxation, regulations and business licencing are fundamental pillars for the creation of a favourable business environment. Trade indicators present a set of dimensions on the efficiency of business licencing and permit services. South Sudan has the best records in terms of days required to obtaining import licencing (an average of 7.4 days) as shown in Table 9.10. Kenya has the highest number of exporting firms (31.6%) while Tanzania has the worst record in terms of the average time required to clear imports from Customs (31.5 days).

Table 9.10 Other business environment indicators

	Nigeria	Kenya	Senegal	South Sudan	Tanzania	Sub-Saharan Africa
Corruption indicators						
Incidence of Graft index	29.8	16.5	9.7	36.2	20.2	20.4
% of firms expected to give gifts in meetings with tax inspectors	25.9	17.4	7.3	30.6	14.6	17.4
% of firms expected to give gifts to secure a government contract	28.6	28.0	19.4	34.4	66.2	31.1
% of firms expected to give gifts to get a construction permit	24.4	32.9	16.0	46.1	31.4	27.5
% of firms expected to give gifts to get an import licence	40.7	17.6	0.0	38.9	5.1	18.1
% of firms expected to give gifts to get an operating licence	24.2	15.8	9.3	35.9	17.0	17.6
Tax, regulations and business licencing indicators						
Days to obtain import licence	18.8	15.9	15.0	7.4	24.2	14.7
Days to obtain operating licence	14.4	13.8	27.8	9.2	18.8	19.5
Days to obtain construction-related permit	16.5	41.7	66.3	16.4	41.3	47.3
Trade indicators						
% of exporter firms	22.6	31.6	14.8	5.0	14.2	13.8
% of firms that use material inputs and/or supplies of foreign origin	30.0	52.7	41.4	87.2	62.8	59.7
Average time to clear imports from customs (days)	8.6	21.2	17.9	14.4	31.5	16.8

(*continued*)

Table 9.10 (continued)

	Nigeria	Kenya	Senegal	South Sudan	Tanzania	Sub-Saharan Africa
Crime						
% of firms formally registered when started operations in the country	57.7	90.8	87.8	80.0	75.0	86.5
Security costs (% of sales)	4.1	3.6	1.5	1.9	2.9	2.8
Losses due to theft, robbery, vandalism, etc. against the firm (% of sales)	1.7	1.3	0.7	3.0	1.0	1.4

Source: Extracted from the World Bank Enterprise Surveys

Levels of corruption are presented in the composite Graft index that reflects the frequency by which firms were asked or expected to offer kickbacks when soliciting six different public services, permits or licences. Graft incidents are highest in South Sudan (36.2) and Nigeria (29.8), well above the Sub-Saharan average of 20.4 times. Once more, the indicators evaluate the delays faced when demanding essential services. Crime indicators measure the costs on firms when they are forced to divert resources from productive uses to cover security costs. There is also the relative use of different legal forms in the private sector (informality and formality). An economy with a large informal sector could pose serious consequences for the formal private sector. The percentage of firms formally registered on commencement of operations are highest in three countries—Kenya (90.8%), Senegal (87.8%) and South Sudan (80.0%) as shown in Table 9.10.

Conclusion and Implication for Future Studies

This chapter examined the factors affecting productivity, growth of SMEs and entrepreneurship in Sub-Saharan Africa. It explored literature on the business investment climate variables that include age and size of firms, access to finance, access to infrastructure, education of the labour force and business climate variables. It examined the effects of business constraints in the Sub-Saharan African countries of Nigeria, Kenya, Senegal, South Sudan and Tanzania. The chapter contributes to literature and knowledge on the business environmental issues and challenges in the Sub-Saharan context intended to support those involved in SMEs' promotion: policymakers who want to create the right conditions; non-governmental organisations who fund and support start-ups; academics and researchers exploring and applying the theories and paradigms that underpin SMEs, entrepreneurship and productivity.

A stable macroeconomic environment is regarded as being conducive to entrepreneurship and long-term economic development. In an attempt to accelerate growth rates in Africa, governments and international development agencies have promoted entrepreneurship as one solution to economic development in Africa and across the world. The attention that SMEs and entrepreneurship in Africa has received in recent years can be attributed to many reasons. First, rapid population growth requires investment to increase opportunities that relieve the high rate of unemployment in Africa. Second, increasing economic activities through promoting entrepreneurship increases income generation opportunities for poverty reduction—poverty incidence being the overwhelming disadvantage of the Sub-Saharan region.

By employing secondary data from the World Bank Enterprise Surveys, this chapter explored environmental challenges and productivity issues in the Sub-Saharan region. The enterprise data provides a description of firm-level statistics and estimates of how some of the attributes of the average firms are distributed across countries. Future research could focus on examining the determinants of firms' productivity through modelling firm growth (such as a stochastic process). The stochastic framework models the internal and external factors affecting the process of growth for the individual firm at the aggregate level. While some factors work to decrease productivity, others enable its increase. Future analysis will adopt the cross-sectional analysis of firm growth (see, e.g. Coad 2014). The analysis employs different measures of productivity: labour productivity per worker, value added per worker and total factor productivity (TFP).

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10

Entrepreneur-SME Manager Traits and Sources of Financing

Abiodun Anthony Eniola

Introduction

Small and medium-sized enterprises' (SMEs) successful outcome is the lifeblood of the economic system. Entrepreneurship is a necessity and is profitable in Nigeria. The importance and performance contribution of small and medium business as a creator of employment, in particular, for those with low skill level, is widely recognized. SME employs 87.9% of the workforce in the private sector (Eniola and Entebang 2014). Likewise, in the agriculture and manufacturing sectors, SMEs employ more than 80% of the total workforce. An increase in employment of SMEs in the last few years has exceeded the increase in their contribution to GDP, highlighting the employment creation potential of this sector of the economy. Nevertheless, despite their many performance contributions to Nigerian economy, SMEs are still beset by the high level of miscarriage and substandard performance. According to the report of the Vision

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2020 National Technical Working Group on SMEs (NPC 2009), the performance of SMEs in the term of contributions to the nation's export earnings is a dismal 2%. This depicts the lack of sustainability of Nigeria's SME sector in this regard. SMEs account for only 10% of our GDP. The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) announced that there are over 40 million Micro, Small and Medium Enterprises (MSMEs) in Indonesia, whose population is just a bit larger, compared to 17.8 million MSMEs in Nigeria (Okafor 2014). One of the reasons adduced for this disparity is the choice of financing decisions as ending institutions have been very reluctant to make loans to SMEs, which they regard as a high-risk sector. Hence, perceived financial constraints affect the demand for financing by SMEs.

The availability of financial sources can expand a firm's capacity to take up its innovative activities, whereas the lack of financial funds and sources may limit entrepreneur innovation activities and firm-level performance growth (Kostopoulos et al. 2002). Gitman and Zutter (2012) and Gitman (2003) in business management informed that finance is about choices and these choices embody, however, firms that raise capital in terms of debt and equity. Firms invest capital to find profits and the way they come to a stopping point whether or not to reinvest earnings or issue them to investors. The researchers further posited that entrepreneur who sees the financial decision-making process will be better capable of addressing financial concerns and will, therefore, more often get the resources they require to make their own ends. The theory of organizational capabilities (Chaston et al. 2001) suggested that small firm development depends on the abilities of the firm entrepreneur-managers and employees to plan for and adapt to the business environment in which they operate. One of the organizational strategies is that financial decision must be implemented through people. Organizational capability is based on the premise that organizations do not think, make decisions, or allocate resources; people do (Ulrich and Lake 1991). Thus, entrepreneur-managers are in charge of controlling and taking responsibility in any organization; their qualities, practices, aptitudes, and every one aspect associated with the disposition and cognitive intelligence will eventually decide the decision-making strategy. The capital structure is one of the vital measures of a firm's successful outcome. Different entrepreneurs have different idiosyncrasies and attributes that add to the firm's financing sources.

This study presents the findings of a survey conducted with the Nigerian entrepreneur-SME managers regarding their decisions towards sources of financing. Most of the work in the business literature concerning the decision and the decision-making process is confined to the large company (Ogarcă 2010). The SMEs are not quite the same as big firms in a variety of ways: the variations between large and small firms' financing decisions might be the immediate capacity of the owner-manager to determine and have attributes (Cassar and Holmes 2003), like experience, educational level, training, business ideas, and ability to manage change concerning financing sources. The presumption that has stayed insistent after some time is that owner characteristics don't make a difference in the financing decisions' choice of firms (Ang et al. 2010). This presumption, nevertheless, has been watered down. Studies show that there is a developing body of literature concentrating on the relationship between manager's characteristics and firm's successful outcome. Additionally, there are previous studies on entrepreneur-SME manager demographic characteristics that can better clarify choice of financing decisions (Ang et al. 2010; Åstebro and Bernhardt 2003; Borgia and Newman 2012; Bertrand and Schoar 2003; Gebru 2009; Isachenkova and Mickiewicz 2004; Ishikawa and Takahashi 2010; Mac an Bhaird 2010; Mohamed Zabri and Jonathan 2014; Neeley and Auken 2009; Rossi et al. 2016; Scott and Irwin 2007).

Borgia and Newman (2012), Ishikawa and Takahashi (2010), Mac an Bhaird (2010), and Rossi et al. (2016) asserted that qualification level, experience, age, and gender determine the entrepreneur's financing decisions. Earlier studies on this exploration have been principally from the developed context (Rossi et al. 2016; Mac an Bhaird 2010); fewer have applied owner-manager attributes within the developing and emerging economy (Borgia and Newman 2012; Gebru 2009; Mohamed Zabri and Jonathan 2014). Based on the research of Rossi et al. (2016) carried out in a developed country, the researchers found that the financial decisions are complex, but underestimated by entrepreneurs, considering the level of education, the business size, and business status as traits of decision-makers in financing decisions. The research was carried out in the developed country which may not be applicable to developing countries. Likewise, the research adopts largely conceptual analysis; thus, there is a need for empirical analysis and consideration of more variables. Hence, there's a need for empirical reviews conducted, primarily, on SME owner-manager. There is a lack of analytical studies, the prime motivator for the present study. Latent business sector establishments assist in increasing the degree of asymmetric information relationship between the organizations and external financiers and influence on the psychology of the owner-manager, making them more averse to risk and external control (Borgia and Newman 2012). Subsequently, absence of access and managerial characteristics are more liable to having a greater amount of an impact on financing source decisions in developing and emerging nations like Nigeria than in a developed environment where there is the lowest degree of asymmetric information relationship between the organizations and external financiers and more prominent access to formal sources of finance. Bertrand and Schoar (2003), Borgia and Newman (2012), Rossi et al. (2016), and Mac an Bhaird (2010) showed that managerial characteristics are also important factors of sources of financing decisions considering the fact that most empirical studies concentrate ordinarily on firm, industry, or market-level characteristics to elucidate company behaviour and performance, but however to a great extent overlook the conceivable part that individual managers might play in forming these results. Thus, this study concentrates on entrepreneur-SME manager's education level, religion, ownership status, gender, experience, and its impact on the choice of sources of financing. This is viewed as essential as strong and appropriate investment strategies like settling in financing for small and medium business can enhance local economic development consequently lessening neediness and unemployment and increasing productivity, innovation, and expansion of riches.

Moreover, just like the case in practically every developed and developing country, studies of Mac an Bhaird (2010) and McMahon et al. (1993) show that traditional financing theory forwarded to provide adequate guidance on financial structure decisions of firms in developed economies does not fully explain the financial behaviour of SMEs due to the weak model tested. This was affirmed by Newman et al. (2012) who indicate that traditional financing theory in the developed environment is not applicable in developing and emerging economies to explain the financial behaviour of SMEs. Thus, the study extending the organizational capability literature to address a key views within the entrepreneurial financing decision-making, specifically, looking at the part of the capabilities in decision-making practices. In like manner, utilizing the organizational capability approach as a part of an investigation of capital structure decision might consequently help entrepreneur-SME managers, practitioners, and policymakers in designing and delivering suitable financing and backings at applicable stages to the exceeding advancement of their firms. Likewise, it will assist owner-managers concerned to reduce and be able to solve the problem at a tolerable level. The remainder of this chapter has been organized as follows. Section "Theory and Hypotheses" describes theory and hypotheses development. Section "Conceptual Issue" provides research scope and methodology. In section "Methodology", the results are analysed. In section "Results", a discussion of the results is given. Section "Discussion" concludes the chapter.

Theory and Hypotheses

Researchers have opined that traditional finance theory does not provide adequate guidance on financial structure decisions in entrepreneur-SME (Mac an Bhaird 2010; McMahon et al. 1993). The assumptions associated with the traditional financial theories of the capital structure are based on the fact that the explanatory power of a number of tested models is rather weak and is not entirely relevant to SME financing. Likewise, they based the fact that on market conditions relevant to large public firms. SME financing is much more complex than the financial health, and survival of the firm is multifaceted, depending on entrepreneurial skills and management experience, financial management capabilities, financial advice and expertise employed, the personal wealth of the firm owner, and risk propensity. These issues are all interconnected with firm financing choice. Moreover, it is important to note, however, that these and other financial theories of the capital structure were developed within the context of large corporations in developed economies (Harris and Raviv 1991). For SMEs in emerging economies, this presumption does not hold; empirical tests of these theories for SMEs in emerging economies suggest that these theories do poorly in explaining capital structure decisions and financing behaviour. According to Kochhar (1997), management researchers have considered choices on capital structure emerging from the decisions of managers, the board of directors, expansion into new organizations and institutional investors. Whereas these reviews have certainly strengthened some comprehension of the connection between strategic management and capital structure, they have to a great extent overlooked some fundamental issues going up against, like researchers strategy and financing interaction. Decision-making in terms of financing decision is an important component of business strategy. Decision-making is a deliberative and definitive social activity, concerned with deciding what to do despite an issue (Ejimabo 2015). Accordingly, Eniola and Entebang (2017) noted that managers make many decisions as part of their everyday actions. They are expected to resolve a variety of issues, including those concerned with a firm's strategy, structures, quality-improvement systems, performance appraisal systems, and workflow, among many others. Contextually, making a decision on the sources of financing to a specific business speaks to one of the essential components in the financial decision-making process, a decision that can critically enhance their organization's capacity to respond to competitive challenges, undertake innovation, overcome financial setbacks, and, most importantly, create value (Eniola and Entebang 2017).

Eisenhardt and Martin (2000) applied the resource-based view (RBV) to bespeak the significance of SMEs' financial capital decision-making. The RBV concentrates on the understanding and managing of the firm's 'resources and capabilities' (Barney 1991). Capabilities also include decision-making practices (Orser et al. 2000), competencies (Julien and Ramangalahy 2003), and managerial capacity. According to Ismail et al. (2012), capabilities are conceptualized and classified and include, among other things, strategic decision-making, organizational skills and collective learning, core competencies, resource development competence, organizational integration, and alliance-building, product development, relationship-building, and informational and technological capabilities.

Organizational capabilities have been developed within the RBV (Barney 1991, 2001; Peteraf 1993; Wernerfelt 1984). The RBV expands Schumpeter (1934), Penrose (1959), and Scherer's (1980) work by theorizing that the firms compete through control of resources. In this perspective, the organizations' management has the independence to actuate its own strategies, subsequently lessening the effect of the competitive environment. Additionally contemplated, the environment is viewed as significantly more subsequently of the strategic choices organizations make inside an industry, in the light of resource heterogeneity (Eikelenboom 2005). The RVB expresses differently strategic management's exploration questions of exceeding the competition as the aftereffect of the fundamental competencies and capabilities (Scarbrough 1998). In this manner, the RBV has profoundly moved the terms of civil argument in the strategy area and has **altered** the model of discourse within the broad domain of organization theory. Therefore, this study adopted the managerial perspective of the resource-based view having moved away from an economic to a managerial theory of the firm (Eikelenboom 2005).

According to Chaston et al. (2001), the theory of organizational capabilities suggests that small firm development depends on the abilities of the firm owner-managers and employees to plan for, make a decision, and adapt to the business environment in which they operate. According to Ellis and Pecotich (2001) and Leonidou and Adams-Florou (1999), awareness of opportunities is commonly acquired through social contact linking decision-makers with others. Identification of a positive relationship between a homogeneous collection of organizational capabilities and small business performance, as well as a more heterogeneous set of practices, is associated with the average performance of small firms (Sadler-Smith et al. 2003). Organizational capabilities refer to the skills, experience, business ideas, and abilities of the individuals within an organization. A good organizational structure could enhance the manager's ability to manage change and team-working capacities, both of which are an important part of organizational resources. Another aspect of organizational capabilities that has been extensively researched is that of information usage and marketing research. Julien and Ramangalahy (2003) argued that successful small firms have been associated with greater skills in organizational learning and strategy development. Smallbone et al. (1995) documented an association of a homogeneous set of organizational competencies with small businesses that have achieved high growth rates.

Analysis of how a firm's internal system adapts to changing strategies for gaining sustained advantage must include the role of the people as organizations do not think or make decisions but people do. Organizational capabilities denote an organizational context for organization members that shape and explain organizational behaviour (Tomer 1995). However, the study of organizational behaviour has led to a number of useful models for decision-making in many businesses. Thus, decision-making is essential practically in all business management and is a significant factor of organizational capabilities. Central decisions in terms of organizational advancement and growth are made by their owner-manager in entrepreneurial firms (Kotey and Meredith 1997). One of the organizational strategies and capabilities is that they implement the financial decision-making (Ulrich and Lake 1991).

According to Tomer (1995), it is difficult to clarify the behaviour, personality, and motivation of an individual in a firm alone by the firm's tangible capital make-up of physical and financial resources and also the individual, human capital. Thereafter, to those tangible and individual attributes, behaviour and productivity are thought to be decided by organizational components consisting of the structure of the organization and the organization's socialization approaches. Kaplan and Norton (2004) aggregate up the organization's culture, its managerial leadership, how aligned its people are with its strategic goals, and employees' adeptness to a lot of knowledge as parts of organizational capabilities. Organizational capabilities have been the recognizing component of human capital and have been portrayed as a type of human capital just not vested in the people, but more rather in the elusive linkages between individuals. Hence, organizational capabilities are viewed as a type of human capital since its productive and innovative capacity is personified in humans.

Moreover, according to Leonard and Sensiper (1998), organizational capabilities refer to the efficiency of problem-solving procedures in specific areas of application; the ability to use and apply knowledge and to master innovation; as well as the intelligence of markets and demand. This concept implies that it is possible to identify a firm's capability that remains distinct from its members. The external sourcing of financing for innovation has also been prominent in the knowledge-based firm (Cohen and Levinthal 1990; Grant 1996; Leonard-Barton 1995). According to Ulrich and Lake (1991), organizational capabilities' development and business ownership involvement may facilitate firm restructuring and a shift in the mindset of owner-manager towards financing objectives in strengthening the firm. The theoretical implication of these approaches is that innovation depends on the leveraging of organizational capabilities and financial sources and resources (Chapman 2006; Mazzucato 2013; O'Sullivan 2005).

A firm uses both debt and equity financial assets to generate cash flow, and also provide collateral, with which to finance new innovation. Innovation is regarded as an organizational capability because it is an act that deploys resources with a new ability to create value (Yang et al. 2009). New innovation also needs the technical expertise of employees, whereas the assumed cash flow (source of financing) belonged to the SME in which the owner-manager could use it to grow and develop the organization. In the past, the complementarity between financial capital and human capital held the firm and performance growth together. This balance of power is reflected in the traditional view of the organization (Donaldson and Lorsch 1983). In Schumpeter's analysis, financing sources have been viewed as an important part of the innovation process (Mazzucato 2013; O'Sullivan 2005), while, according to Chapman (2006), innovations have a strong effect on financial success.

Conceptual Issue

SMEs and entrepreneurs, taking into account its multidisciplinary attributes, have for quite a while demonstrated a problematic and elusive conception to outline whether or not a plurality of characteristics, traits, and qualities ought to be utilized to characterize business enterprise (Darren and Conrad 2011; Williams 2008). SMEs are firms or organizations emerging subsequently of entrepreneurial activities of people. SME and entrepreneur goal closer to the similar objective; each is noted for innovation development, economic development, economic improvement, economic change, and application of possessed competencies. Additionally, assume a critical part in the socio-politico-economic transformation of the economy of the nation. This suggests that their prosperity or disappointment is being bent by some set of comparable elements. SMEs and entrepreneurs have on many events been utilized correspondently (Darren and Conrad 2011; Gilmore 2011); that is, each of these concepts has been used evenly. SMEs in Nigeria may in a roundabout way mirror the present advancement of business in the nation. In this review, the expression 'entrepreneur and SME manager' is utilized as a common term for the person who settles on financing decisions in developing firms.

According to Kuratko (2011) and Anderson and Gaddefors (2016), entrepreneurship is considerably more than just starting a new firm or significant creation of business. Entrepreneurs must possess unique competencies such as their obsession with entrepreneurial outcomes through decision-making instead of process. Entrepreneur, particularly, in Nigeria is usually restrained in resources with a view to helping them to develop a sustained advantage over their competitors. Most Nigerian entrepreneurs assume the positioning of or unnecessarily the usage of financial sources and resources inefficaciously that tends within the long term to have an effect on the Nigerian organization. Nigerian firms may additionally have firm-specific and valuable assets; however, unless it has the attributes and functionality to apply one's assets efficaciously, it cannot create a one-of-a-kind competency. A firm's goals and objectives should align with its resources and capabilities, leveraging and helping it achieve its strategic intent. There is a low level of financial awareness among those running small businesses in Nigeria. This encompasses both a lack of awareness of the range of options available and a lack of understanding of how those options work in practice, even after the business becomes aware of them. As soon as the intent has been coherent, the businesses should be able to analyse the resources and capabilities needed to shut the gap amid the strategic intent and also the current role.

Previous studies has indicated that small and medium business owner-managers' penchant and characteristic (Borgia and Newman 2012; Gebru 2009; Neeley and Auken 2009; Mac an Bhaird 2010) and the business's internal structural issues impact financial decisions, which incorporate the utilization of debt and equity (Neeley and Auken 2009). Andrews (1980) asserted that financing source decisions are reached taking into account managerial prospect on the worth of the organization in reference to internal and external business factors. Along the same lines, Malmendier et al. (2011) indicated that perceptible managerial characteristics have significant explanatory power for financing decisions past traditional capital structure determinants. Other studies confirmed that the firm's strategic choices, behaviours, and performance outcomes are to a large extent influenced by the entrepreneurial characteristics (Smith et al. 1994) and their decision-making styles (Eisenhardt 1989).

Penrose (1952, 1995) maintains that human capital, such as the entrepreneur's educational level, experience, and other personal characteristics, is the antecedent of key resource endowments. The converse assertion is that owner-managers of SMEs who had degrees generally have a competitive advantage and provide an entrepreneur with a greater mental ability to be an innovator, make a decision that would bring successful outcomes, and impact positively because he is able to satisfy the demands of a changing job environment. Mac an Bhaird (2010) outlined two procedures used in relation to owner characteristics which have been examined in the literature into the owners' personal characteristics (i.e., age, gender, race, education, and experience) and owners' choices, business outcomes, and motivations. Islam et al. (2011) noted that entrepreneurial characteristics encompass demographic characteristics (i.e., age, gender); individual characteristics (i.e., education, former work experience); personal traits (i.e., self-confidence, perseverance); entrepreneurial orientation (i.e., autonomy, innovativeness, risk-taking, proactiveness, competitiveness, aggressiveness, and motivation); and entrepreneur readiness (also known as self-efficacy). Organizational outcomes are directly impacted by the knowledge, experiences, and expertise of those individuals occupying prominent managerial roles in the organization (Hambrick 2015; Hambrick and Mason 1984). These authors introduced a model in which situations occurring in the context of organizational life are addressed by managers whereby strategic choices are made as a function of the unique characteristics these individuals exhibit. As a result of the choices made by these individuals, organizational success is argued to be directly impacted. Thus, focuses on examining demography to suggest that managerial characteristics are reasonable proxies for underlying differences in cognitions, values, and perceptions (Carpenter et al. 2004). Thus, variables such as business status and specific focus of work experience and educational background can be applied to predict the actions of an entrepreneur when faced with strategic decisions in organizations.

Gender

Research on the gender of the owner-manager tends to focus on the male owner-managers, as the proportion of firms owned by men exceeds that owned by women (Boyer and Blazy 2014; Osei-Assibey et al. 2012; Woldie et al. 2008). This is ascribed to a distinction between the risk perception and complication to funding sources for enterprise initiatives (Gicheva and Link 2013; Storey 2011; Boyer and Blazy 2014). Carpenter et al. (2004) and Hambrick and Mason (1984) applied upper echelon theory as embedded in the resource-based view theory and extended it to organizational capabilities and argued that gender, a demographic characteristic (Islam et al. 2011), can be utilized as surrogate for their archetype of knowledge and decision-making; therefore, the studies on gender, which opine that women have a distinctive management approach than men indicate that gender-differing qualities in the management of SMEs will absolutely strengthen the connection between organizational capabilities and firm success. Barney (1991), Barney (2001), and Barney and Hesterly (2015) posited that a unique set of different resources at the establishment is critical for new venture survival and economic success. Female entrepreneurs are somewhat disadvantaged when it comes to providing financial capital to their business than their male counterpart. Female entrepreneurs are reluctant to move around their commercial enterprises because they are at a resource disadvantage as a consequence of insufficient business experience, decision concerning the financial mix, lack of freedom for their domestic role, and less value for business expansion, and they are more vulnerable due to lower human capital and employment (Aterido et al. 2011; Caliendo and Kritikos 2010; Beck et al. 2011). Rosenbusch et al. (2009) indicated that women also make less use of external financing choice than males. Caliendo and Kritikos (2010) supported this, that because female entrepreneurs are faced with limited resources, they deliberately adopt a lower growth expectation. Morris et al. (2006) and Robinson and Finley (2007), however, do not observe a significant link between gender and firm success and have tended to conclude that the business owner-manager's gender is not a significant factor in explaining a small and medium firms' financing decision and growth behaviour. Crawford and Unger (2000) and Rosenbusch et al. (2009) posited that females can be required to act in ways similar to males if both have an equal sustained advantage in making the decisions via available and required resources, and the functioning of both genders may eventually result in similar issues. Low success expectation can lead to an inferior firm's success. Rosenbusch et al. (2009) demonstrated that the same economic outcome can be achieved with human capital that is useful for decision-making and in founding and running a business. Lenders substitute human capital with gender account of business owners when making decisions about providing financial capital. Women are disadvantaged regarding the accumulation of financial assets as well as the decisions concerning the financing mix and other resources; it is argued that many females are reluctant to transform their economic resources into empowering outcomes within the firms. This reluctance by females can result in differences in firm outcomes. Researchers have examined the effect of gender on the firm's success. Thus, gender is adopted as an antecedent to influence the owner-manager's choice of sources of financing.

H1 *There is a significant relationship between the gender and the choice of sources of SME financing.*

Education

The converse assertion is that SME owner-managers who had degrees generally have a competitive advantage and provide an entrepreneur with a greater mental ability to be an innovator, make a decision that would bring successful outcomes, and impact positively because he is able to satisfy the demands of a changing job environment. Mac an Bhaird (2010) argued that entrepreneurs with higher levels of education stand a better chance of networking as they are able to contact varied sources for information and other resources. Also, they are more likely to comprehend and exploit business opportunities (Srinivasan et al. 1994), have a higher ability to develop strategies, make sound decisions, and gain higher credit worthiness (Bates (Bates and Hally 1982; Bates 2014). Islam et al. (2011) noted that entrepreneurial characteristics such as education effect as one of the success factors in small business. The education level of the owner can spur the business to survive and manage a complex setting and keep the business choice of financing making and profitability. Studies confirmed that an owner-manager acquiring basic pecuniary, exponential, and literacy skills therefore increases the probability of survival (see Carter and Jones-Evans 2000; Osei-Assibey et al. 2012; Storey 1994). SME owner-managers' education indicates exceptional human capital and correlates more positively with the decision pertaining to the choice of sources of financing (Sara and Peter 1998; Cassar 2004). Osei-Assibey et al. (2012) in their study of firm choice of financing found that owner's education fulfilment is significantly related. This shows that the owners' level of education is a major antecedent of choice of financing. SME owners with less education rely more on their equity even if there are possibilities for debt financing, while more educated owners are found to make use of debt financing scheme even if equity sources are not exhausted (Mohamed Zabri and Jonathan 2014). SME owner-managers with any type of qualification are more likely to make a decision about choice of financing as well approach external funders than respondents without qualifications (Mohamed Zabri and Jonathan 2014). Hence, entrepreneurial education is adopted as a factor influencing the owner-manager's choice of sources of financing.

H2 *There is a significant relationship between the education and the choice of sources of SME financing.*

Religion

All religions are a part of the economic and business culture. A study has confirmed that the culture does influence capital structure (Mac an Bhaird and Lucey 2014). The resources of religious owner-managers pervade all aspects of human behaviour and have been distinguished as organizational capabilities and decision-making in the control of resources and interpersonal relationships (Seiple et al. 2012). The innovation capability can be genteel through organizations' religious values that are organizational innovation, networking capabilities, and expertise. Baxamusa and Jalal (2014) investigated the impact of the religious environment of the firms on their capital structures and found that increase in religiosity leads to a lower leverage and less frequent debt issuances. Paauwe (2004) affirmed that the manager makes rational choices bounded on uncertainty, information limitation, and heuristic biases. Pearce et al. (2010) combined rational choice theory from the sociology of religion, with the concept of entrepreneurial capabilities, and found that the religious organization benefited from the application of entrepreneurial orientation perception. Studies have examined the impact of religion on personal financial decisions (Hess 2012) and firm behaviour (Baxamusa and Jalal 2014). Financing choices of entrepreneurs in the SME sector are believed to be widely influenced by the religious orientation of the entrepreneur seeking funding (Ahmad and Seet 2009). However, there is a paucity of research in this area due to lack of vital information. Despite this, the research conducted by Othman and Owen (2001) showed that most people are influenced by their religious affiliation in choosing financing options. A subsequent survey by Zainuddin et al. (2004) concluded that people's religious motivation influenced decision-making in financing choices. Therefore, religion has a lot of influence on the relationship quality. Differences in religious affiliations cause variation in decisions for SME owner-managers (Khraim 2010). Religious beliefs and values influence SME owner-managers towards making value choices. Religion as a factor has a significant influence on the relationship in determining SME owners' financing choices.

H3 *There is a significant relationship between the religion and the choice of sources of SME financing.*

Business Status

According to Mac an Bhaird (2010), the SME owners' unwillingness to abdicate control of their business is entrenched in previous studies, and SME owners will pass up positive net present value projects rather than dilute ownership in terms of business status. The business status structure is another important antecedent of SME's firm choice of financing. It is negatively related to external equity and positively related to internal equity (Mohamed Zabri and Jonathan 2014). The concept of competitive advantage has been extended by scholars to explain ownership (Conner 1991; Prahalad and Hamel 2006). Business status in terms of ownership positively affects firm performance through the firm's new-found access to financial and/or non-financial resources and competencies. A key assumption in such arguments is that the generation of competitive advantage rests upon the primary motivation of business status of the organization in view of ownership. One of the disadvantages of closely held ownership, however, is the limited managerial knowledge, experience, and expertise available when making strategic, value-creating decisions. SME firms with a broad business status make-up, together with fewer constraints on important intangible resources, can have an eminence of the breadth of knowledge, skills, and expertise than closely held firms. Nevertheless, Cassar (2004) showed that the ownership provided no explanatory power concerning the proportion of leverage in the firm. Osei-Assibey et al. (2012) found that business status in terms of ownership is statistically significant in the future financing model indicating a relationship between determinants and firm's choice of financing. As the level of interference increases due to the ownership changes, firm's choice of financing also increases. Therefore, this suggests that business status is adopted as a factor influencing the owner-manager choice of sources of financing.

H4 *There is a significant relationship between the business status and the choice of sources of SME financing.*

Entrepreneurial Experience

Researchers argued that business experience will greatly affect firm success (See Storey 1994, 2011; Berrell et al. 2008). Bates and Hally (1982) and Bates (2014) asserted that experience is more important than education in determining firm success. Studies have generally shown that SME owner-manager with more managerial experience or prior SME experience as an owner-manager tends to correlate with greater outcomes. Barney (1991) indicated that human capital resources include the perspicacity, training, experience, and networking of individual managers in a firm. Mac an Bhaird (2010) confirmed that resources are directly related to the past activities of the firm, which is especially true in respect of managerial and organizational capabilities. Cassar's (2004) findings showed that the entrepreneurial experience increases firm's decision-making towards debt usage, where managers with a greater level of business experience are found to make a better decision towards the choice of financing. Borgia and Newman (2012) found that owner-managers' experiences are significantly and positively related to the level of firm leverage. As the SMEs typically grow from start-up or become developed by serial entrepreneurs, managerial experience accumulated in the entrepreneurial course is extremely valuable and forms the core of the SME literature on organizational experience. Furthermore, Mac an Bhaird (2010) implied that previous empirical studies of organizational and entrepreneurial knowledge indicated that investment decision-making in SMEs is based on experience, that is, on the basis of experiential learning, in preference to formalized methods. Experience is extremely important, as it provides time to recognize opportunities, develop networks, and learn how to access and to interact with funders, including bank managers and venture capitalists. Thus, a large part of entrepreneurial learning is based on experience. Hence, entrepreneurial experience is adopted as a factor influencing the owner-manager's choice of sources of financing.

H5 *There is a significant relationship between the experience and the choice of sources of SME financing.*

Methodology

There is no clear-cut definition of SMEs in Nigeria, but it varies over time from organization to organization. Various organizations or institutions in Nigeria have, at specific times, defined SMEs in different ways, but the definitions have as common measures fixed assets, gross output, and the number of employees (Eniola 2014). This study adopted the definition of SMEDAN/National Bureau of Statistics (NBS) (2010) with microenterprises defined as enterprises which employ fewer than ten persons and with asset value (excluding land and buildings) of less than N5 million or total annual turnover which does not exceed N10 million. Small enterprises are defined as enterprises which employ fewer than 50 persons and with asset value (excluding land and buildings) of less than N50 million or total annual turnover which does not exceed N100 million, and medium enterprises are defined as enterprises which employ fewer than 200 persons and with asset value (excluding land and buildings) of less than N500 million or total annual turnover which does not exceed N500 million.

The study was carried out among the MSMEs within the states located in the south-west region of Nigeria with the adopted questionnaire survey methodology. The questionnaire content was adapted from earlier studies (Allen 1991; Graham and Harvey 2001; Mac an Bhaird and Lucey 2011, 2010; Mac an Bhaird 2010; Michaelas et al. 1998; Pinegar and Wilbricht 1989). Questionnaire distribution posed to all respondents is uniformly phrased, so as to allow objective comparisons of results obtained. The questionnaire covers all aspects of the study and consists of mainly open-ended and closed-ended questions with the majority of items measured on a Likert scale. A total of 613 SMEs were contacted. In all, 504 SMEs replied, representing a response rate of 85.6%. While in conformation with the SMEDAN definition of SME, the study looks at enterprises that have been in existence for up to five years. Using stratified random sampling techniques, the sample was selected. A pilot test involving 50 owners of SMEs in the trade and commerce, agriculture, ICT, manufacturing, and service sectors in the south-west region of Nigeria was performed in order to evaluate the reliability of dependent and independent variables. The data preparation processes involve the data entry into a database, data filtering, and finding any missing responses.

In order to analyse the survey data, the logistic approach was adopted (Gebru 2009; Osei-Assibey et al. 2012). In logistic regression analysis, one dependent variable is explicated with the aid of several unbiased variables. More specifically, regression analysis helped us understand how the dependent variable changes when any one of the exogenous variables is varied, even as the other independent variables are held constant. The Statistical Package for Social Sciences (SPSS) version 21.0 was employed.

Results

From both theoretical and empirical points of view, the question of the motivations underlying the choice of mixed sources of finance is still widely debated, with no conclusive solution yet in sight (Brighi and Torluccio 2007). Kochhar (1997) found that the value created from unrelated acquisitions was directly proportional to the amount of debt utilization. The variable quantity is outlined because the modification within the level of the quantitative relation of equity to debt is used as a proportion of the capital structure emergent from stages to the present. This formulation of value is consistent with Mac an Bhaird (2010), who stated that value is determined endogenously by a resource. Additionally, employing this measure of both debt and equity is considered appropriate, as an increase in the amount of both debt and equity employed as a proportion of capital structure is the strategic goal of the majority of SME owners. Enterprises with better outcomes and performance growth prospects could increase their use of both debt and equity.

Data collection indicates that the empiric firms represent small and medium-sized enterprise in six states in Nigeria. Sixty per cent of the observed firms were with assets of more than N50 million. This suggests that most of them represent medium firms. Moreover, from a number of sales, the data indicate that 61% of them hold a sales turnover of less than N100 million, which suggests that the ascertained data comes from small firms. The demographic profile of the respondents is described. From the analysis, 298 respondents are males while 206 are females. Most respondents are men, which further confirm the fact that most of the entrepreneurs are male. A goodness of fit test with regard to gender yielded a chi value ($\chi 2 = 16.794$, df = 1, $p < 0.001$) which was significant. This implies that the gender proportions in the sample, as drawn, differed significantly from the population proportions, which were set at 50% (equal proportions of male and female as expected in the population). Thus, care will be exercised in attempting to generalize the findings of the study, especially for those which gender may be a determinant.

The study equally classified the respondents in terms of their level of educational qualifications because this affects the source of their financing and the management of their enterprises (Bates 2014). The survey revealed that among the male entrepreneurs operating small business, 1 (0.5%) had no formal education, 5 (2.4%) had completed basic primary education, 32 (15.1%) had completed secondary education, 65 (30.7%) had diploma/Nigeria Certificate in Education (NCE), 94 (44.3%) had first degree/Higher National Diploma (HND), 3 (1.4%) had a master's degree, and 12 (5.7%) had PhDs. Among the male entrepreneurs in medium business, 2 (2.3%) had no formal education, 8 (9.3%) had completed basic primary six-level education, 10 (11.6%) had completed secondary education, 21 (24.4%) had diploma/NCE certificate, 40 (46.5%) had a first degree/HND, 3 (3.5%) had a master's degree, and 2 (2.3%) had PhDs. Some of the respondents answered that they did not have the listed qualification levels, but had acquired other types of levels of education (Islamic and traditional). The relevance of this to the study is that the majority in the sample size is learned and has adequate knowledge, judging from their educational qualification, to be able to provide intelligent answers to questions requested of them. Likewise, they would be able to determine the right choice of financing.

Among female entrepreneurs that operate small business venture, 3 (1.9%) had no formal education, 5 (3.2%) had a basic primary education, 28 (17.9%) had completed secondary education, 54 (34.6%) had diploma/NCE certificate, 59 (37.8%) are first degree/HND holders, 3 (1.9%) had a master's degree, and 4 (2.6%) had PhDs. This dispels the belief that women are more educationally disadvantaged, as most of the women are learned and experienced. The table further reveals that among female entrepreneurs within the medium-scale business, 1 (2%) had no formal education, 3 (6%) had completed basic primary education, 5 (10%) had completed secondary education, 16 (32%) had diploma/ NCE certificate, 23 (46%) had first degree/HND, 1 (2%) had a master's degree, and 1 (2%) had a PhD.

The experience can be measured by the number of years a person had managed a business. Also, the number of years of experience help in getting and sourcing finance from different options. Among the male small business entrepreneurs, 160 (75.5%) had experience and had been managing a business for a period of 1–5 years, 32 (15.1%) had 6–10 years' experience in running a business, 6 (2.8%) had 11–15 years' experience, 10 (4.7%) had 16–20 years' experience, while 4 (1.9%) had 21 and above years' experience. Among the male medium business entrepreneurs, 70 (81.4%) had experience and had been managing a business for a period of 1–5 years, 10 (11.6%) had 6–10 years' experience in running a business, 2 (2.3%) had 11–15 years' experience, 3 (3.5%) had 16–20 years' experience, while 1 (1.2%) had 21 and above years' experience. Among the female small business entrepreneurs, 98 (62.8%) had experience and had been managing a business for a period of 1–5 years, 22 (14.1%) had 6–10 years' experience in running a business, 10 (6.4%) had 11–15 years' experience, 13 (8.3%) had 16–20 years' experience, while 13 (8.3%) had 21 and above years' experience. Among the female medium business entrepreneurs, 33 (66%) had experience and had been managing a business for a period of 1–5 years, 5 (10.1%) had 6–10 years' experience in running a business, 4 (8%) had 11–15 years' experience, 3 (6%) had 16–20 years' experience, while 5 (10%) had 21 and above years' experience.

For those who answered this question, 190 (89.6%) were male owners and 22 (10.4%) were chief executive officers (CEOs) of the small business, while 78 (90.7%) were male owners and 8 (9.3%) were CEOs of the medium business. This is advantageous, as having more owners will result in a higher level of validity of the information received as they are well versed with all the challenges that go with doing the business since its inception. Likewise, 146 (93.6%) were female owners and 10 (6.4%) were CEOs of the small business, while 44 (88%) were female owners and 6 (12%) were CEOs of the medium business.

Regression Analysis

The regression analysis assisted us to understand how the sources of financing change when any one of the firm-specific characteristic variables is varied. Before using the model, a multicollinearity test was conducted to see if the independent variables were correlated. The variance inflation factor (VIF) values and tolerance statistics (Table 10.1) indicated that there was no collinearity as the VIF values were all well below 10 and the tolerance statistics all well above 0.2. Therefore, it could safely be concluded that there was no collinearity within the data.

A test of the varied measure association of the variable indicated that a full model against a constant-only model was statistically significant, $\chi 2$ (df = 5, N = 504) = 62.508, $p < 0.000$. The model was able to correctly classify 42.4% of entrepreneurs who use debt as a source of financing and 85.0% who make use of equity as a source of financing for firm performance, for an overall success rate of 62.1%. Established on the value of Nagelkerke R^2, that provides an evidence of the variation amount in the dependent variable explained by the model from a minimum value of 0 to a maximum of approximately 1 (Pallant 2013). Nagelkerke R^2 of 0.156 indicates a weak relationship of 15.6% between the predictors and the prediction, but it is the norm in logistic regression (see Table. 10.2). The inferential goodness of fit test was conducted using the Hosmer-Lemeshow (H–L) test that yielded a $\chi 2$ (4) = 4.904 and was statistically insignificant ($p = 0.297$). For the Hosmer-Lemeshow test, the poor fit is indicated by a significant value of less than 0.05, and, therefore, to support the model, the value should be greater than 0.05 (Pallant 2013), indicating that the model was a good fit to the data. Thus, considering the null hypothesis, we fail to reject that there is no distinction in the middle of the observed and model-predicted values (see Table 10.2).

Table 10.1 Test of multicollinearity for entrepreneur-specific characteristics

Model		Unstandardized coefficients		Standardized coefficients	t	Sig.	Collinearity statistics	
		B	Std. error	Beta			Tolerance	VIF
1	(Constant)	2.203	0.255		8.651	0.000		
	GEN	0.054	0.055	0.043	0.997	0.319	0.978	1.022
	EDU	−0.228	0.063	−0.157	−3.590	0.000	0.96	1.042
	REL	−0.301	0.092	−0.142	−3.293	0.001	0.984	1.016
	BIZST	0.205	0.052	0.174	3.923	0.000	0.938	1.066
	EXP	0.001	0.054	0.001	0.021	0.984	0.987	1.013

Table 10.2 Logistic regression output for entrepreneur-specific characteristics

Case processing summary

Unweighted cases[a]		N	Per cent
Selected cases	Included in analysis	504	100.0
	Missing cases	0	00.0
	Total	504	100.0
Unselected cases		0	00.0
Total		504	504.0

[a]If weight is in effect, see classification table for the total number of cases

Dependent variable encoding

Original value	Internal value
Debt financing	0
Equity financing	1

Omnibus test of model coefficients

		Chi-square	df	Sig.
Step 1	Step	62.508	5	0.000
	Block	62.508	5	0.000
	Model	62.508	5	0.000

Model summary and Hosmer-Lemeshow test

Step	−2 Log likelihood	Cox & Snell R square	Nagelkerke R square	Chi-square	df	Sig.
1	633.317[a]	0.117	0.156	4.904	4	0.297

[a]Estimation terminated at iteration number 6 because parameter estimates changed by less than .001

Classification table[a]

Observed			Predicted: Sources of financing: Debt financing	Predicted: Sources of financing: Equity financing	Predicted: Percentage correct
Step 1	Sources of financing	Debt financing	115	156	42.4
		Equity financing	35	198	85.0
Overall percentage					62.1

[a]The cut value is 0.500

Table 10.3 Logistic regression of effects of entrepreneur-specific characteristics on the choice of sources of SME financing

Predictors	B	Wald $\chi 2$	P value	Odds ratio	Decision
GEN	−0.125	0.165	0.684	0.883	Not supported
EDU	3.522	11.396	0.001	33.85	Supported
REL	1.204	4.177	0.041	3.333	Supported
BIZST	−1.262	12.782	0.000	0.283	Supported
EXP	−0.453	2.112	0.046	0.635	Supported
Constant	−7.293	8.616	0.003	0.001	

Table 10.3 shows the logistic regression coefficient, Wald test, and odds ratio/Exp (B) for each of the predictors of education level (EDU) ($p = 0.001$), religion (REL) ($p = 0.041$), business status (BIZST) ($p = 0.001$), and (EXP) ($p = 0.046$) using a 0.05 criterion of statistical significance. Wald is to take the significance values, and if less than the criterion, the null hypothesis is rejected as the variable does make a significant contribution. The output also indicates that gender (GEN) ($p = 0.684$) made a non-significant contribution to the prediction. The non-significant contribution of gender to the prediction is in line with the quantitative method that says gender is not an influencing factor in decision-making concerning sources of financing. This does not agree with (Aterido et al. 2011; Beck et al. 2011), in the case of research, carried out in other developing countries, gender was identified as a factor considered by financiers when making a decision concerning financing a firm. Nevertheless, female gender is found to be disadvantaged in other areas, most especially female participation in the modern market economy, apart from the lower drive in the utilization of external financing.

Discussion

The odds ratio for GEN (0.883) shows that the entrepreneur was more likely to make use of external resources in terms of debt as a source of firm financing that would lead to sustainability and successful outcomes than making use of internal resources. This is not consistent with the research of Rosenbusch et al. (2009) that indicated that women make less use of external financing choice than males. However, the results are in line with Morris et al. (2006) and Robinson and Finley (2007) who do not observe a significant link between the gender and firm success and have tended to conclude that the business owner-manager's gender is not a significant factor in explaining a small and medium firms' financing decision and growth behaviour. Crawford and Unger (2000) and Rosenbusch et al. (2007) posited that females can be required to act in ways similar to males if both have an equal sustained advantage in making the decisions via available and required resources, and the functioning of both genders may eventually result in similar issues.

The implication is that the women with distinctive management approach are ready to ascribe to the risk perception and take initiatives in decision-making using their knowledge and strengthen the connection between organizational capabilities and firm success (Boyer and Blazy 2014; Storey 2011; Gicheva and Link 2013). Likewise, females have been acting in ways similar to males to have an equal sustained advantage in making the decisions via available and required resources, and the functioning of both genders may eventually result in similar issues. More so, the females have sufficient business experience, the financial decision mix knowledge and business expansion high value, hence, they are less vulnerable due to high human capital. Thus, H1 is not supported.

The odds ratio for EDU (33.85) indicates that the entrepreneur was more likely to make use of internal resources than external resources. This is consistent with Mac an Bhaird (2010) who argued that entrepreneurs with higher levels of education stand a better chance of networking as they are able to contact varied sources for information and other resources. This is in line with the organizational capability that says owner-manager efficiency of problem-solving procedures lies in the application and ability to use and apply knowledge and to master innovation as well as the intelligence of markets and demands (Leonard and Sensiper 1998). Likewise, it also found that the education of the entrepreneur has a positive correlation with business success (Mohamed Zabri and Jonathan 2014; Osei-Assibey et al. 2012). Due to wider social and business networks, these entrepreneurs are more aware of a greater range of sources of finance and how to access these sources.

The implication is that SME owner-managers who had degrees generally have sustained advantages and provide an entrepreneur with a greater mental ability to be an innovator, make a decision that would bring successful outcomes, and impact positively because he is able to satisfy the demands of a changing job environment. More so, higher levels of education stand a better chance of networking as they are able to contact varied sources for information and other resources. Thus, H2 is supported.

The odds ratio for REL (3.333) indicates that the entrepreneur was times more likely to make use of internal resources than external resources. This is consistent with the result of Baxamusa and Jalal (2014) who found that increase in religiosity leads to a lower leverage and less frequent debt issuances. Likewise, it shows that financing choices of owner-manager are widely influenced by the religious orientation of the entrepreneur seeking funding (Ahmad and Seet 2009; Khraim 2010) caused by differences in religious affiliations.

The implication is that SME owner-manager behaviour value can be distinguished for organizational capabilities in decision-making and in control of resources and interpersonal relationships. It shows that religious motivation influenced decision-making in financing choices. More so, it indicates the extensive use of religious metaphors in ascriptions of entrepreneurial intents, successes, and failures. Organizational capability can be genteel through organizations' religious values towards the choice of financing. Thus, H3 is supported.

The odds ratio for the business status (BIZST) (0.283) shows that the entrepreneur was times more likely to make use of external resources than internal resources. Organizational capabilities' development and ownership involvement may facilitate firm restructuring and a shift in the mindset of owner-manager towards financing decision and effect strategy in strengthening the firm as it seeks to reach its financial objectives (Ulrich and Lake 1991). This is line with Osei-Assibey et al. (2012) who found that business status in terms of ownership is statistically significant in the future financing model indicating a relationship between determinants and firm's choice of financing. Cassar (2004) pointed out that the lender may perceive incorporation as a good signal that portrays credibility and formality of operations.

The implication is that business status of the organization could affect the debt-equity decisions of entrepreneurs. The shareholders of corporations and limited companies have a limited liability against losses, whereas general partners and owners of sole proprietorships have unlimited liability. Thus, it is opined that commercial enterprises built by multiple owners are likely to rise quickly via strategic decision-making than those made by individuals working alone by relying on important intangible resources that can have an eminence of the breadth of knowledge, skills, and expertise than closely held firms. Likewise, the generation of sustained advantage rests upon the primary motivation of business status of the organization in view of ownership. Thus, H5 is supported.

The odds ratio shows that business owners with prior management experience have a greater possibility of obtaining external financing, EXP (0.635). This conforms with organizational capabilities than competencies (Chaston et al. 2001; Julien and Ramangalahy 2003), and experience of the firm development depends on the abilities of the firm owner-managers to plan for and adapt to the business environment in which they operate. This is consistent with Mac an Bhaird (2010) who opined that experience is greatly important, as it gives time to opportunity identification, networking and entrepreneur will learn how to make use of different financial decisions and to interact with lenders. Business owners with prior management experience are thought to be more likely to form faster-growing businesses than those established by individuals without that experience. It is noted that SME owner-manager with short experience at the start-up phase could have problems remaining financially and resourcefully sound with an increase in expenditure in relation to their net. Anis and Mohamed (2012) have found that owner-managers with experiences are more likely to access bank loan than those who lack the experiences.

The implication is that the level of entrepreneurial competencies and experience enhances sustained advantage and provides an entrepreneur with a greater mental ability to be an innovator because he is able to satisfy the demands of a changing job environment. Thus, H5 is supported.

Conclusion

Entrepreneur-managers are frequently seen as having their own styles when making financing and strategic choices, along these lines engraving their capabilities on the organizations they oversee. This chapter presents owner-manager antecedents in an empirical examination of small and medium-sized enterprise financing decisions. Attributes like gender, the level of education, religion, business status, and the experience of the owner-managers are found to be a significant influence on SMEs' sources of financing. This study has shown that the financial decision of SME owner-managers rely on the gender of the both men and women that have the capability to run business and experience at the same performance successful outcome level. This chapter has shown the fact that SME owners who started their business based on religiosity exhibit a strong tendency to use internal sources before looking for external sources of finance. The increase in religiosity leads to a lower leverage and less frequent debt issuances. Hence, SME entrepreneurs tend to operate at a financial sub-optimal level.

This chapter empirically underpinned on the relationship between business status and financing sources. There seems to be implied risk aversion behaviour of the SME owners that are established as sole proprietorships. To the contrary, with the presence of many intrusions, such as in ownership forms of partnership and companies, there tends to exist financing decision in favour of external sources even if internal sources are not exhaustively used.

Finally, this study has shown that for SME owner-managers, the financial decision relies on the experience, business status, religion, and level of education. That is, experienced SME owners are in a better position to understand the relationship between finance and firm value. Hence, SME owners with lower levels of experience are found to strictly follow the pecking order of adapting to the business environment, exhausting all internal financing source possibilities before going to external finance. On the other hand, SME owners with a higher level of experience have a higher probability of choosing external sources of fund, mainly debt, with the intention of optimizing firm value.

This conclusion has significant implications for financial and other related institutions that have stakes on SMEs. Possibly, SME owners could benefit from finance-related education and training. The conclusion could substantially benefit from further research with respect to the role of finance education and training on the financing of SME owners. The qualitative assessments of culture on the SME sources of financing with respect to the relationship between SMEs' ownership structure and financing sources and the risk-taking behaviour of SME owners could be further researched. The relationships among degree of intrusion, risk diffusion, and risk proclivity could also be further interests of research.

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11

Brokering: Africa's Unique Brand of Entrepreneurship

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Introduction

The aim of this chapter is to shed light on another form of entrepreneurship that has existed in practice over decades but has attracted little scholarly attention. The concept of entrepreneurship since its inception has largely been discussed in literature in a manner that connotes that only one form of entrepreneurship permeates business activities around the globe, notwithstanding the varied countries and cultures that dot the globe. The tremendous effort of entrepreneurs in powering economic growth in both developing and developed contexts is phenomenal (Albulescu et al. 2016; Cullen and Gordon 2007). Meanwhile, on one hand, the underlying understanding of entrepreneurship from literature is one that obligates the entrepreneur to be involved in some form of business activity. Thus the Schumpeterian school of thought describes an entrepreneur from the imposition of creativity on new production processes (Chiles et al. 2007).

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On the other hand, Kirznerian school of thought is of the view that entrepreneurship emerged from the alertness of new possibilities and believes that the entrepreneur seizes the imbalance and opportunities in the marketplace or space and exploits them for profit (Roininen and Ylinenpaa 2009; Kirzner 1973, 1996). Other scholars have argued that informal entrepreneurship is considered the dominant economic force in emerging markets (Chelekis and Mudambi 2010).

Leveraging on the Kirznerian school of thought has led to the resurgence of other forms of entrepreneurship such as social entrepreneurship (Najafizada and Cohen 2017; York and Venkataraman 2010; Zahra et al. 2009; Mair and Marti 2006; Dees 1998) which seeks to address complex and persistent economic and social ills, not on the basis of the architecture of their cause but rather to enhance and sustain the wellbeing of the marginalized in society (York and Venkataraman 2010). Another form of entrepreneurship that has responded to the call of Kirznerian school of thought is institutional entrepreneurship which attempts to explain how institutions arise or change (Fligstein 1997; DiMaggio 1998). Policy entrepreneurs also emerge to develop and present a ready package of problems and solutions to policy makers at the right time (Knaggard 2015). These forms of entrepreneurship have come to address the imbalance in the market place that hitherto was neglected by mainstream entrepreneurs. The proliferation of entrepreneurship confirms the argument put forward by Hjorth (2004) that entrepreneurship is a traveling concept, directing how it can be applied in and to varied activities. Acceding to the view of (Hjorth 2004; Kirzner 1996), other scholars have postulated that entrepreneurship can emerge from different levels and different ways (Anderson et al. 2012; Diochon and Anderson 2011).

While the entrepreneurial phenomena aimed at economic and social development have received increased scholarly attention in both developing and developed contexts (Najafizada and Cohen 2017; York and Venkataraman 2010; Zahra et al. 2009; Mair and Marti 2006), entrepreneurship as a process to foster connections between two parties has received sparse attention in academia. The act of connecting two parties using an informal network of ties is termed as brokering (Lomas 2007). These practices used by most individuals, which although have some of the trappings of conventional entrepreneurship, however, do not necessarily require the entrepreneur to either own or be involved in the operations of a business. For instance, Lomas (2007) asserts that the German synthetic dye industry was connected to academic partners in the 1800s through brokering which was based on an informal network of ties. Rogers (2003) argues that, in the USA, "country agents" were used to diffuse innovation to farmers. The act of the country agents in the context of Rogers was regarded as brokering.

Previous research in an attempt to understand the concept of brokering have focused on language and linguistic brokering (Kam et al. 2017; Eksner and Orellana 2012; Bauer 2012), knowledge brokering (Ward et al. 2009), literacy brokering (Perry 2009; Orellana and Reynolds 2008; Love and Buriel 2007) and brokering networks (Stea et al. 2016). All these studies where silent in operationalizing brokering as a form of entrepreneurship and also majority of the studies were conducted in the developed context with scant attention to the developing context. These have resulted in paucity of literature in this subject area which therefore calls for scholarly attention in this regard. Existing activities on brokering entrepreneurs from the African perspective specifically Ghana are based on anecdotal evidence encouraging the application of different models in achieving success.

While the view of brokering entrepreneurship put forward in this chapter is far from complete, the authors envisage it as an important first step to enhance our understanding of the phenomenon and facilitate future research.

The chapter is organized as follows: First, we examine the meaning of the terms "brokering" and "entrepreneurship" which constitute the relevance of the phenomenon under discussion. The authors offer a working definition of brokering entrepreneurship and elaborate on its distinctive characteristics. On the basis of clarity, the authors extend to explain the line between brokering entrepreneurship and corruption. In the next step, the authors looked at the theoretical underpinnings of the study. In other words the authors looked at how the structural holes theory may contribute to the understanding of brokering entrepreneurship. The study concludes with some pertinent areas for future research that could define the way forward in the brokering entrepreneurship arena.

Defining and Understanding Brokering Entrepreneurship

The Emergence of Brokering Entrepreneurship

The concept of brokering entrepreneurship is a new phenomenon, but its practice has existed for over decades. This is as a result of the fact that brokers have existed every day in our economic life where buying and selling or renting a house or offices exists (Benassi and DiMinin). However from the academic perspective, there is a more muted reception to brokering entrepreneurship. The concept of brokering entrepreneurship can be well explained by looking at fundamentally the two key words that constitute the concept, "brokering" and "entrepreneurship." The term brokering might mean different things to different people (Ward et al. 2009; Farmer 2000). As a result this study first explains who a broker is and further explains the substantive term "brokering."

With reference to the Oxford English Dictionary, brokers are middlemen, agents or intermediaries who serve as negotiators, interpreters, messengers or commissioners between different merchants and individuals (Ward et al. 2009). These people do not act with a skewed motive of favouring one party in the equation but traditionally act as a go-between serving the needs of both parties (Ward et al. 2009). Farmer (2000), in a study dubbed "Literacy Brokering: An Expanded Scope of Practice for SLPs," views brokers as "professionals who have developed usable knowledge and skills in areas of clinical services delivering" such as social workers or speech and language-learning disorders. Contrary to the view of Farmer (2000) who regards brokers as professionals, other scholars argue that brokering often occurs on a very informal basis in family and community settings taking advantage of the informal network of ties (Lomas 2007). Mazak (2006) cited an example that majority of people are given titles as brokers in Puerto Rico and that they may not necessarily possess special knowledge, skills or institutional connections in comparison with the person seeking help. Researches have shown that the merit of being a broker is premised on institutional, geographical, cultural and temporal contingencies (Vasudeva et al. 2013; Xiao and Tsui 2007; Burt et al. 2000).

The term "entrepreneurship" has been understood as prioritizing the nexus of enterprising individuals who capitalize on lucrative opportunities while focusing narrowly on the generations of financial returns and relegating the social structure, context and the remarkable heterogeneity of human desires (Baker and Welter 2017; Shane and Venkataraman 2000). Even though these entrepreneurs have varied reasons for their establishment, the most common among their intensions are to provide job opportunities for others, sustain the competitiveness of firms and whole economies and drive growth and innovation (Baker and Welter 2017).

Blending the two terms "brokering" and "entrepreneurship" to make up brokering entrepreneurship, this chapter sets out to elucidate the meaning of brokering entrepreneurship in order to facilitate further research in this area. Taking inspiration from established research in the area of brokering and entrepreneurship, we propose a working definition of the concept. We view brokering entrepreneurship as "a process where an individual with little or no knowledge or real experience to guide the implementation of a project, leverages on political, social, religious and family connections with the highest authority to act as a broker. Then on securing the contract outsources it to an established contractor with the requisite skills to execute the project, and negotiate some percentage of the total amount of the contract to himself/herself in the process." In simple terms, these individuals take advantage of their relational connections with one party to bridge the gap between two business parties who hitherto might not know each other or the existence of one another. Anecdotally, these business practices are dominant in the developing country context for which the Ghanaian context is no exception.

The working definition proposed in this chapter is based on certain assumptions. First, we regard brokering entrepreneurship as a process of creating value by taking advantage of the relational ties. Second, the broker should not be the one to execute or implement the contract because he/she might not have knowledge in the field of the project. Third, the business partners involved should not have prior knowledge about each other; thus there should be the presence of structural holes. Fourth, the intention of the broker as a go-between is to enjoy some percentage of the contract sum.

However, it appears that the perception of most people regarding brokering entrepreneurial activities is a packaged way of corrupt practices. In order to settle on the clarification, this chapter proceeds in the next section to elaborate on the differences that exist between brokering entrepreneurship and corruption.

Brokering Entrepreneurship and Bribery and Corruption

It must be noted that business contracts are awarded through various forms, some of which are competitive tendering and sole sourcing. In the brokering entrepreneurship arena, businesses are given on the bases of rational ties (Borgatti and Halgin 2011). Other scholars have argued that brokering serves as a catalyst that connects actors in order to expedite the access to varied resources, knowledge and information flow across gaps in the social structure (Sgourev 2015; Stovel and Shaw 2012).

Bribery and corruption on the other hand are the "abuse of public office for private gain," where the private gain may accrue either to the individual official or to groups or parties to which he/she belongs (Treisman 2007; Bardhan 1997). The quintessential corrupt transaction envisioned is the gift of a bribe by a private citizen to the public official in return for some services that the official should either provide for free or not provide at all (ibid).

The differences that existed between these two concepts are that, in terms of the brokering entrepreneurship, the broker acts as a go-between to bridge structural holes that exist between actors based on the relational ties rather than on the bases of financial commitment to induce the other party to consent to a transaction as it is characterized in the case of bribery and corruption. The relational ties were not built with the intention to influence business dealings because these relational ties pre-exist business dealings. Meanwhile, for corrupt practices, gifts are given with the intention to get something in return for some services that the official should either provide for free or not provide at all. The brokering entrepreneur may or may not have an office and can only make some money when the contracts he/she gets through their connection are approved and they make sure that the contracts are executed as agreed upon because their reputation is at stake. For further clarification in the brokering entrepreneurship arena, the next section establishes a case from the Ghanaian perspective to illustrate how brokering entrepreneurs operate.

Brokering Entrepreneurship from the Ghanaian Perspective

The study investigates a group of operators in Ghana, whose business defies the conventional notion of business in that they use networks/connections/relational ties, contacts or patronage to secure huge contracts—such as road construction—that they necessarily have no expertise nor working knowledge towards their implementation. The relational ties to high office holders become the defining reason for securing the contract as opposed to the principles of meritocracy. Thus a unique arrangement is established, whereby notwithstanding the fact that the road construction firm is a legitimate business entity (by regulations and requirements), it relies on the broker for projects to sustain its operations, as a result of lack of access to contacts, who have the ultimate say in assigning contracts.

Furthermore, unlike the road construction firm, whose expertise may be solely confined to road construction, the broker's contract securing ability on its part transcends road construction. As a result of the sweeping access that the broker has to the "centres of power," this person may secure contracts in diverse areas such as building schools and markets, procuring equipments, establishing school feeding projects and outsourcing to establish businesses in the respective fields of implementation.

Thus relationship rather than working capital underpins the operation of the broker, which makes it unique as opposed to the conventional entrepreneur who might need tangible working capital in the form of cash, loan from friends and family, credit facility from suppliers of goods or some sort of seed fund before the commencement of business. The discourse between this unique activity and the conventional notion of entrepreneurship makes it imperative to find a fitting label that describes this emerging form of Ghanaian entrepreneurship, thus aiding our understanding of its modus operandi. This study thus refers to this form of activity as brokering entrepreneurship. Veering from the operations of brokering entrepreneurs in the Ghanaian context, it would be appropriate to delineate the distinctive features of brokering entrepreneurship which is tackled in the next step.

Distinctive Characteristics of Brokering Entrepreneurship

Scholars have argued that the field of conventional entrepreneurship is already fragmented, which makes it difficult to delineate boundaries of the field (Dacin et al. 2011). For instance, these scholars opine that in addition to for-profit new venture creation, which constitutes the core of academic research on entrepreneurship, discussions and debates over plentiful forms of entrepreneurship (e.g., cultural, political, corporate, institutional, social, policy) appear in the literature (Dacin et al. 2011). For them, they do not see the relevance for an introduction of (yet another) type of entrepreneurship and its contribution to theoretical value (Dacin et al. 2011).

However, the business tycoon, Sir Richard Branson noted that "business opportunities are like buses, there is always another one coming" (Madhavan et al. 2008). We can apply this assertion to the study of entrepreneurship and argue that there is equal scope for emerging concepts of the discipline. This study is premised on the Kirznerian school of thought, and the words of the business magnate are a base to justify the need for research in this regard which makes entrepreneurs to be trend trackers and opportunity seekers to identify the imbalance and exploit it to their advantage. As such, there is a need to articulate the unique features of brokering entrepreneurship that differentiate them from other forms of entrepreneurship.

First, brokering entrepreneurs perform structural roles within a social network where they act as brokers to connect parties who hitherto were not connected to each other (Spiro et al. 2013). Second, their success is contingent on relational ties; therefore, commitment and trust inherent in the relationship play a pivotal role in the sustainability of their existence (Stovel and Shaw 2012; Burt 2000; Morgan and Hunt 1994).

Some of the relationships or connections could emanate from political connections, religious connections, social status connections, neighbourhood associations and cultural connections or affiliations.

Theoretical Underpinnings

This chapter is premised on the structural holes theory. This theory postulates that individuals are preview to certain positional advantage or disadvantages from how they are embedded in social structures (Burt 2000). The gap that exists between two unknown parties is what is termed as structural hole. Studies have shown that in an environment where structural holes exist, brokering activities play a significant role in business success (Carnovale et al. 2016; Burt 2015). For instance, Burt (2015) argues that if the contacts that exist in a network are widely disconnected, it eventually results in the creation of structural holes.

Applying the structural holes theory to the current study means that there is a huge gap or disconnection among institutions as a result of high rate of information asymmetry and cultural differences between firms (Carnovale et al. 2016; Kogut and Singh 1988). Therefore, the people who connect across the holes are called network brokers, connectors, hubs or entrepreneurs (Burt 2015). This study operationalized these people as "brokering entrepreneurs." Studies have shown that individuals with access to structural holes receive higher pay as compared to their counterparts who are deficient with access to structural holes (Burt et al. 2013; Burt 2005). Thus the applicability of the structural holes theory in this current study is relevant and timely.

Research Implications

The contributions made by this study to entrepreneurship literature are phenomenal. Firstly, it has introduced a new form of entrepreneurship, "brokering entrepreneurship," to the scholarly world to enrich existing literature in the entrepreneurship discipline. Secondly, from a practical perspective, individuals who previously could not use their connections for economic gains will henceforth leverage on their relational ties as revenue sources, which could possibly lead to an explosion in brokering entrepreneurship. Thirdly, the relevance of brokering entrepreneurship could be manifest during the early stage of companies doing business with each other, particularly considering that significant amount of trepidation exists on both sides at this stage, due to little prior relationship.

Conclusions, Limitations and Future Research Directions

The overarching premise guiding this study was that structural holes exist in the business environment that allows individuals who are well networked to exploit these holes through brokering.

It would be premature to generalize the acceptability of brokering entrepreneurship due to context heterogeneity regarding acceptable norms in business practices. For instance, while some might hail this concept as an emerging source of entrepreneurial activity, others might see it as an infringement on the norm of meritocracy in awarding business contract. This difference could be as a result of institutional diversity and polycentricism around the world. Future research could be extended to other geographic settings. The concept of brokering entrepreneurship in the scholarly arena from the developing context is still in its embryonic stage and as a result lacks an empirical underpinning. Future research in this regard should base their findings on data in order to establish an empirical backing in the subject area.

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12

South Africa's White Entrepreneurs: An Evolution from Opportunity to Necessity

Warren Lloyd

The term 'White Monopoly Capital' has become a highly topical statement in recent times within South Africa, almost always referring to land and asset ownership, but pertinently also points to the direct and indirect control over the Nations' resources and economy (van der Walt 2015: 9). The factual authenticity of this term has been questioned by many, theorized as non-existent by even some senior Black leaders such as Thabo Mbeki, speaking on a radio interview (Power 987 2017: 1). However, looking deeper than just tangible assets and control of national resources, the phrase may still provide some meaningful insight into the persistent advantage held by members of the White South Africa population in the current day. Personified even further by omitting the word 'Monopoly', leaving simply 'White Capital', which in its broadest sense

Preamble: The history of South Africa is dominated by its racial divisions and the impact of segregations imposed. It is therefore not possible when discussing topics related to the differences between the ethnic groups, to avoid naming categories for them, which predominantly includes 'Blacks', 'Whites', 'Coloureds' and 'Indians'. The use of these racial terms is not deliberately to reiterate these Apartheid classifications, but rather necessary to distinguish the history of inequality between the groups.

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encompasses both the tangible and intangible value held by that sector of the population. This includes land ownership and assets, access to finance and investment and, also importantly in the context of this chapter, cultural and social capital built up over multiple generations.

Although it can be said that a significant amount of the country's wealth has been redistributed, this has been largely through equity reallocation of formerly 'White' companies to Black Economic Empowerment (BEE) groups. This growth of Black ownership represents just one tangible indicator, ignorant of the vast other forms of capital, including cultural capital, that personifies the legacy of 'White Privilege'. Within the current day, what is commonly seen is that, in general, White individuals continue to be more skilled and attain higher education levels than their Black counterparts and therefore are more likely to seize business opportunities. In combination with this, they too enjoy better access to financial and other resources which enable a higher probability towards success. Valuable resources that the majority of the Black community still have limited access to and thus have a limited opportunity of successful business ventures.

Despite this persistence of 'White Privilege', the application of it in the South African entrepreneurial environment has gone through a drastic change over time, from what would be characterized as Opportunity Entrepreneurship in the decades preceding 1994 to what would be largely defined as Necessity Entrepreneurship since democracy prevailed in the country. This over-arching conceptualization of entrepreneurial motivation, discussed in Stephan et al. (2015: 1), differentiated into the above named necessity and opportunity entrepreneurship, is popularly referred to as the 'push' and 'pull' factors. Advocates of the 'Push' Theory argue that individuals are pushed into entrepreneurship by negative situational factors such as dissatisfaction with existing employment, loss of employment and career setback. The alternative 'Pull' Theory suggests that attractive, potentially profitable business opportunities attract individuals into entrepreneurial activities (Valdez et al. 2011: 145).

Through the time of White minority rule, and the Apartheid regime, members of the White population group were afforded preference to employment in both public and private sectors, which meant individuals, or nascent entrepreneurs, were less likely to be driven by necessity, but rather motivated largely by opportunity. The advent of democracy in

South Africa, and the subsequent 'reversal' of preferential employment to favour members of the Black population rather than Whites, meant that motivation towards employment by individuals, or nascent entrepreneurs, of the White population is likely to be characterized by necessity. This evolution has had a profound impact on current-day generations of White South Africans, many of whom, when faced with uncertainty, chose to emigrate. Others though, who chose to remain, continued to prosper, in large part thanks to sustained 'White Privilege", but too by a new, and demographically inclusive, outlook on the future that Nelson Mandela termed the 'Rainbow Nation' (Habib 1997: 15).

History

The history of South Africa is defined by racial division, highlighted by four main ethnic groups, defined under the *1950 Populations Registry Act* in South Africa as Blacks, comprising almost 80% of the population; Coloureds, comprising just below 9%; Indians, who represent over 2%; and Whites, at just over 9%, consisting of both English- and Afrikaans-speaking groups as descendants from European settlers (Adams et al. 2014: 1411; Fourie 2007: 1270). The origin of White settlers in South Africa dates back to the founding of Cape Town in 1652 as a way station between the Netherlands and the East Indies by the Dutch East India Company. Despite being the original settlers in South Africa, the Dutch, in combination with early German and French immigrants, later becoming known as the Afrikaners, were largely farming people right through until the beginning of the twentieth century (Kurtz 2010: 1).

It was rather the British settlers who were the first European entrepreneurs, during the eighteenth century, to generate trade and industry by taking hold of the opportunities mineral resource-rich South Africa offered. Along with this, the South African War, from 1899 to 1902, between the English and Afrikaans groups, was devastating to the Afrikaner economic advancement as they entered the twentieth century. Although from the first Afrikaner entrepreneurs in the early part of the century, through to the 1940s, Afrikaner enterprises grew, they remained the minor to the English-dominated private sector (Giliomee 2008: 765). The 1948 elections in

South Africa resulted in the Afrikaans National Party (NP) taking a shocking political victory over the United Party, who had led the country since its foundation in 1933 (SA History 2017: 1). This victory allowed D.F. Malan to set into motion the government approach of supporting Afrikaner empowerment, which, despite their Calvinistic Culture, had not developed into a prosperous capitalistic structure through the preceding 300 years. This benefit towards Afrikaners gained by massive government assistance, failed though to produce truly innovative entrepreneurs, but rather growth as farmers, financial capitalists and in mining sectors.

Key to the history of South African politics and the related economy was H.F. Verwoerd, who served as Prime Minister from 1958 to 1966 and is largely known as the 'Architect of Apartheid'. His concept, analysed in Venter (1999: 415), was one of separate development, which would further favour individuals of the Afrikaans ethnic origin, and was similar to the belief of many Europeans in the nineteenth and twentieth centuries that Western cultures possessed an inherent superiority. This meant that Verwoerd too extended the 'Volk' to include the English-speaking sector of the population so that all 'Whites' would become 'Volk', and although two languages, they would have one patriotism.

The holistic economic effect of this Apartheid meant not just residential racial segregation, but too the segregation in terms of interests in capital, both facilitating cheap labour for 'White' business and the acquisition and releasing of land for industrial purposes through a wide range of legislative measures. This enabled strong economic growth within the country, which was almost exclusively for the benefit of the White population group (Maylam 1995: 19). Continuation through the 1970s and 1980s produced a multitude of opportunities for White South Africans in business, with the policies not just for government positions and business but also for White private business to be advantaged over other population groups. Beyond the obvious advantage in the job market, many opportunities became available through economic development, which combined with government policies that specifically targeted entrepreneurial development, opened an almost plethora of prospects for White South African entrepreneurs.

White Opportunity

Embodied in the Theory of Social Reproduction, discussed in Goldthorpe (2007: 1), is the concept originally proposed by Karl Marx which refers to the emphasis on the structures and activities that transmit social inequality from one generation to the next. He indicates that children born of what are called the 'dominant class' would be crucially advantaged over children of subordinate classes, in that they enter education better prepared to succeed within the system. Supplementary to this, it is suggested that the dominant classes effectively appropriate and monopolize resources and use them for their own exclusive benefit, thereby preserving their position of dominance. Along these lines, the Apartheid era systematically restricted the vast majority of South Africans from any meaningful participation in the economy. In fact, it can be also said that the Apartheid past had a dramatic effect on reducing any potential culture of entrepreneurship that may have existed among the Black community. Growing up in poor households, without the advantage of business-minded family and friends to shape their understanding of business and market opportunities, or the ability to build access to networks and knowledge, likely created generations of disadvantaged individuals. And, despite the overwhelming majority of Blacks, and their cultural identity within South Africa, the Western values of the White group remain dominant in the business and economic environment. This can traditionally be characterized by its Individualistic nature, which contrasts the Black, Coloured and Indian cultures characterized as Collectivistic (Adams et al. 2014: 1411).

Business opportunities were then available almost solely for members of the White population group, not only through a government with policies directing business with Whites only, but also legislation was enabling elite access to land and other resources by White individuals. These factors, combined with cheap labour provided by poor Black communities desperate for any form of income, resulted in an almost 'foolproof' environment, with the less motivated Whites simply opting for gainful employment that was easily available to them. And those nascent White entrepreneurs that chose to embark on new enterprises gained strong support, not only from government policies but also by private sectors and banks, whose policies and processes were specifically in support of White individuals. Support was so strong that entrepreneurial failure was almost non-existent. And where new businesses created were not successful, the particular entrepreneurs were quick to find employment or support to secure alternative business opportunities.

Nattrass and Seekings (2010: 1) suggest that, even though South Africa operated as a free market economy, the Apartheid era restricting the vast majority of its population from economic opportunities and dominance of the White elite, meant it could rather be termed a 'Hierarchical Market Economy'. This term relates to the dominance of White business elite concentrated in corporate ownership and control, and exemplified by the Anglo-American Corporation that at one point controlled 44% of the capitalization of the Johannesburg Stock Exchange (JSE). Parallel to this, the Apartheid government created a vast amount of influence on the business environment by the creation of parastatals in the main sectors of the economy, including infrastructure, communications and resources. For entrepreneurs in this time, the opportunities presented, and the ease of setting up business with the major corporations and parastatals were so prolific that it contributed to the cultural *habitus* of the time. 'Habitus' is summarized by Light and Dana (2013: 1) as the cultural capital of a specific group that not only supports, but also identifies and promotes, careers that are appropriate for individuals of their cultural group. Dana (1997: 52) also emphasizes the forces influencing self-employment behaviour is highly determined by not only the individual's culture but also by the host society, making South Africa at the time a highly promising environment for potential White entrepreneurs.

Democracy and the New Environment

South Africa became a full democracy in 1994, with the African National Congress (ANC) policy at the time centred on poverty alleviation, housing for all and many services denied to Blacks under Apartheid. It is though rumoured that negotiations between the then President of the country, F.W. de Klerk, and Nelson Mandela resulted in an agreement that, while a constitutional settlement would need to meet the expectations of the Black majority, it would also have to protect the interests of the White minority. This specifically would assure White South Africans that they would not need to give up their property (Steingo 2005: 195). South Africa was also allowed re-entry into the world economy and is considered a free market system with a dual economy. This means it has a highly refined financial system, but a developing world social infrastructure, and just a few large enterprises dominate the main markets of the economy, specifically in Agriculture, Mining, Manufacturing or Services.

For some time it has been clear it requires both government and the private sector in rectifying the social and economic injustices of the past. And while the government has in large part formulated economic policies to foster economic growth and development for all, the private sector has been somewhat slow in executing these, as well as influencing the cultural dimensions vital to the long-term social needs of the entire nation. This is exemplified in the disparity of often White executive pay, versus numerous entrenchments seen in the poor working class, which demotivates and aggravates the poor of the nation (Nienaber 2007: 72). Alongside this, poverty and unemployment rates continue to rise since 1994. Peberdy (2009: 1), in her synthesis report, discussed how larger cities in South Africa have shown momentous development since 1994, highlighted by remarkable changes in social, cultural and economic life. However, they also display the desperate inequality and special divide that resulted from the Apartheid legacy. The majority of poor and working-class Blacks remain living in poorly serviced, economically and geographically marginalized areas. In parallel to this, education, through South Africa's two-tier private-public system, results in unequal opportunities due to the differing quality of education.

The minority of White children attending private schools continue to benefit from better education and subsequently can be seen as enjoying more opportunities for entrepreneurship, as it is known there is a strong correlation between education and entrepreneurship (von Broembsen et al. 2005: 1). Although Broad-Based Black Empowerment (BBBE) assists previously disadvantaged individuals in getting access to the economy, it cannot fulfil the absence of cultural capital that their White counterparts have bred into their culture for decades. Access to financial resources for investment and start-up capital continues to benefit White entrepreneurs, who have better access through family wealth and networks, along with increased support from educated family members and relationships with various industry connections. Increased exposure, through interacting and increased travel around the world, continues to provide more educated and wealthier White nascent entrepreneurs far more potential opportunities than the Black majority, who are likely to have stayed in the same area their entire lives, where even travel from townships to urban areas may be unaffordable or impractical (Adam 2000: 48).

This too restricts the development of networks that White individuals are exposed to from an early age. Social gatherings in the White communities, known as 'Braai's', are commonly characterized by discussions around business and the economic environment, which children are constantly privy to and learn from, and are not the known norms in Black communities. It can almost be said that entrepreneurship is inbred into White children from a very young age. Even current-day events held around entrepreneurship are typically more catered to White South Africans who most often come from middle- to upper-class families and are focused on investment and high-skill requirement opportunities. Seldom are they adapted to young Black South Africans who largely came from townships and very poor families, resulting in them not being able to benefit from this, while their White counterparts gain stronger advantage.

Turn to Necessity

The question can be plainly put, 'How do Whites maintain their privilege in a state where Blacks have legally and legitimately realized political control?' In Post-Apartheid Era South Africa, the 1994 Employment Equity legislation favouring employment of Black (including Coloureds and Indians) groups over the White population group is commonly known as Affirmative Action (AA). This extended to Black Economic Empowerment (BEE) legislation that for government tenders and business favoured Black ownership, employment, training and programmes that empowered Black individuals. The legislation created barriers for White job seekers and budding entrepreneurs, many of whom chose emigration due to this, with more than a million South Africans emigrating in the decade that followed (Steyn and Foster 2008: 25). Luiz and Mariotti (2011: 47) noted in their report on South African entrepreneurs that respondents agreed there remained many entrepreneurial ideas and opportunities, and, in general, they were positive about their ability to start a business. However, they also noted that in the pool of respondents, Whites were lower in their thinking due to perceptions regarding BEE, AA and the like. Decades after the end of the National Party's domination, members of the White population group are left to contend with feelings of isolation and alienation with regard to their position in the country, with White South Africans able and capable to likely leave for countries they believe they can achieve a 'better life'. Contingents of British descent are said to tend to hold on to their European identities, while quite conversely South Africans of Dutch descent prefer to be associated with the African continent and are less likely to depart (Kropp and Lindsay 2001: 23)

Those of the population that stayed felt large-scale impacts through the first decade of democracy, such as the South African government purchasing large portions of land from White owners in order to transfer this back to Black South Africans, which opened a significant amount of liquid Capital for alternative investment. Another widespread impact was the implementation of BEE Policy, which in practice saw Black investors buy discounted stakes in companies, but typically only benefitted a small number of Black political and economic elite, not the wider population. This policy and government tenders that favoured Black business, the vast 'White' Capital from land sales and the access to Capital many others from the White population continued to enjoy were unused by some degree of confusion and even investment paralysis. Along with this, the labour legislation of the new government offered increased protection for workers, establishing strict controls over hiring and firing, therefore unsustainably increasing the cost of employing labour for entrepreneurs. Through this time, South Africa was not able to fully take advantage of the Commodities boom throughout the globe in the early 2000s, with potential investors remaining uncertain of policy and rising costs.

Entrepreneurs were resultantly highly dissuaded then by the high crime rate, complex and unsupportive regulatory environment, and increased costs of labour. But, what the potential entrepreneurs did see was increased spending power by a growing Black 'Middle Class', as well as an increasing amount of Blacks with added Disposable income as a result of Government Grant expansions. This saw many White South Africans, with available Capital, or the ability to more easily access Capital, and somewhat excluded from opportunities in the job market, start to focus their efforts on business opportunities towards the new Black spending class. Very frequently this saw many partnerships and joint ventures between Black and White individuals, resounding the thoughts of Nelson Mandela's 'Rainbow Nation'.

The Future

South Africa, a country defined by its history of struggle against racism and discrimination under the oppressive Apartheid government, in the current day has one of the most progressive constitutions in the world, with a strong commitment to human rights and respect for diversity. Unfortunately, as this translates to individuals within its society, one of the highest inequalities persists alongside one of the highest unemployment rates internationally. This means more needs to be done in order to bring more South Africans into the economic mainstream, but with the inability of the corporate sector to absorb the surplus labour, the focus turns to growth of entrepreneurs as the foundation for this economic development (Luiz and Mariotti 2011: 47). Currently though, South Africa, with possibly the lowest entrepreneurial activity rate of all developing countries, desperately needs an emerging pool of potential entrepreneurs with the motivation and capability to identify business opportunities and bring them to life. However, with the lack of preparation provided through the education system to the vast majority of individuals in the country, many of whom have not completed secondary school; it requires added efforts and programmes to help provide nascent entrepreneurs with the necessary skills to start a business (von Broembsen et al. 2005: 1).

South Africa needs increased transfer of skills and knowledge from the privileged communities, predominantly still White, to the poorer majority, largely Black communities. Muhanna (2007: 95) indicates that studies reveal that the availability of role models and development of social networks is a major driving solution for entrepreneurship in South Africa. Then, perhaps a fortunate consequence of the recent Global Financial Crisis, which not only saw a reduction in the emigration of educated Whites, but too the increase in many previous emigrants returning to the country, may provide some benefit in this regard.

In combination with organizational and institutional support, these returning individuals may not only provide capital but also may engage in the transfer of skills through mentorships, recruitment, development and strategy to not only increase employment, but also foster the development of the 'Entrepreneurial Spirit' that may be ready to be unleashed within the Black communities.

Many examples of this potential for entrepreneurship in the Black communities exist, such as in tourism, with large parts of the Soweto Township near Johannesburg seeing many budding and successful enterprises, many of whom took advantage of the Soccer World Cup in 2010. In fact, also within the tourism sector, many of the Fair Trade Tourism South Africa (FTTSA)-certified businesses that are White entrepreneur established create an enabling environment for community-based tourism, in an open attempt to alleviate inequality and poverty in the country. The FTTSA is dedicated to not only increase national tourism but to additionally create business and employment opportunities to benefit disadvantaged communities (Boluk 2011: 199).

Numerous examples exist of initiatives where White business has promoted Black-owned entrepreneurship, such as an initiative by Spier Wine Estate in the Western Cape, who supported the successful launch of a Black-owned laundry business that created a number of employment opportunities (Spier Wine Estate 2017: 1). This reflects not only the necessity of adherence to legislation and calls from political parties, but also the social obligation to the poor communities that many White South Africans subscribe to, aware of the macroeconomic discourses that the historical behaviour of White people created. If South Africa is to really become an inclusive society for all, it will need to strengthen its democracy with a government that is accountable to its voters, by instituting the right reforms, which will over the long term ensure increased economic growth and stability.

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13

Entrepreneurship Policy for the Health Sector in Rwanda: A Quest for Contextual Social Inclusion

Marcela Ramírez Pasillas, Hans Lundberg, and Sabine Umuhire

Introduction

Entrepreneurship policy assumes that venture creation is important due to its contribution to the economy through innovations, employment and investments (Gilbert et al. 2004). Such a policy shapes the institutional environment in which entrepreneurs take their decisions and start their ventures (Hart 2003). However, the question of if and how entrepreneurship policy influences entrepreneurial activity positively is far

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from being answered (Minniti 2008). This question becomes more relevant when entrepreneurship policy is evaluated from the perspective of specific industries and countries. Entrepreneurship policy works when governments understand that one-size efforts do not fit all when they take on the important role of fostering environments conducive to entrepreneurship (Audretsch et al. 2007; Minniti 2008).

Since the late 1990s, the Government of Rwanda has been working to identify entrepreneurship potential in different sectors in the country. It recently specifically identified investment opportunities for the health sector including in health facilities, pharmaceutical plants, distribution networks for pharmaceutical products, training of health professionals and health training schools. The underlying assumption behind these efforts is that the health sector needs to increase the involvement of the private sector to improve efficiency and sustainability in the provision of healthcare services. The policymakers' role is to ensure that strong and adequate regulatory frameworks are in place to control and avoid fraudulent activities, especially given the very sensitive social but also private good that the health sector domain represents for people and for any country. These regulatory frameworks are then translated into entrepreneurship policies which provide guidance, rules and regulations on investments in different sectors through tax regulations, trading regulations and regulating entry.

This chapter conducts a content analysis of entrepreneurship policies for the health sector in Rwanda. It specifically looks at the discourses linked to an entrepreneur and business-enabling environment and analyzes how they contribute in promoting entrepreneurship in the health sector in Rwanda from a contextual perspective (Welter 2011). The focus of the chapter is on entrepreneurship in the health sector for three main reasons: (1) As in any other country, the health sector is a major concern in Rwanda and the need to improve its functioning is a key objective. This is why there is so much hope in entrepreneurship being a force of renewal of the sector. (2) Rwanda has a demography which has more young citizens than what is considered normal and much hope is assigned to educating and training young citizens for a more entrepreneurial mentality and then directing this spirit towards entrepreneurial opportunities in the health sector (among other key sectors). (3) The need for improving and greater availability of good quality healthcare is of course a concern for all Rwandans, but given Rwanda's recent history (the genocide in 1994), this concern is accentuated in relation to the big share of young Rwandan citizens as it is important to provide hope and an improved life situation to encourage youngsters to stay in the country.

The rest of the chapter is organized as follows. The next section provides a short overview of major themes in literature on the decontextualized public entrepreneurship policy. We want to emphasize 'short' and 'decontextualized' here: Given our methodology (conventional content analysis), we follow its inductive logic that states that with "a conventional approach to content analysis, relevant theories or other research findings are addressed in the discussion section of the study […] The discussion would include a summary of how the findings from her study contribute to knowledge in the area of interest" (Hsieh and Shannon 2005: 1279). Section "Research Methodology" describes this research methodology in detail and section "Findings" gives the findings. Section "Discussion" provides a reflexive discussion based on the analysis and interpretations. Finally, section "Conclusion" gives the conclusions of the study.

Decontextualized Entrepreneurship Policy and Its Implications

The role of policy has been central in the development of entrepreneurship research (Oborn et al. 2011). Entrepreneurship policy has emerged as an important element in the new industrial policy which is featured by a shift in emphasis from declining industries to policy measures focusing on research and development, regions and regulatory frameworks (Hölzl 2010; Gilbert et al. 2004). National and regional governments have implemented new programs and regulatory frameworks for fostering business growth (Hölzl 2010). In Europe, there is an emphasis on promoting competitiveness and innovation in the economic policy discourse which has led to an industrial policy that favors adjusting industries to competitive challenges. Indonesia is an example of a single-case country where government interventions have focused on supporting venture capital, entrepreneurship education, entrepreneurship culture, entrepreneurship infrastructure and training of trainers (Mirzanti et al. 2015).

However, the concern in Western-world-dominated literature on entrepreneurship policy is that Western policies do not provide solutions to market issues but instead encourage those who are already intent on becoming entrepreneurs and mostly generate one-employee businesses with low-growth intentions and a lack of interest in innovating (Henrekson and Stenkula 2009; Acs et al. 2016). Further, little or contradictory evidence can be found that policy actually leads to successful firms (Norrman and Bager-Sjögren 2010). This opens up the area for more contextual approaches to studies on entrepreneurship policy (see, e.g. Pierre 2013; Pollitt 2013a, 2013b) and also explains why we position our study therein. Entrepreneurship meets dramatic situations and a lack of resources to create opportunities in developing countries (Bruton et al. 2013). In general, entrepreneurship is linked to out-of-the-box thinking for creating opportunities in situations where there are scarce resources and the circumstances are challenging (Welter and Smallbone 2011). Studying these generic processes in developing countries is of great importance (Ramírez Pasillas et al. 2017; Umuhire 2016) as this enables us to explore the multiplicity of contexts and their impact on entrepreneurship (Zahra et al. 2014; Welter 2011; Zahra 2007), which will advance our understanding of entrepreneurship.

The institutional context is central to contextualizing entrepreneurship research (Welter 2011) and is shaped by formal and informal institutions (North 1990). In relation to entrepreneurship, Welter (2011) specifies that formal institutions have rules which generate or hinder business opportunities for entrepreneurship, for example, laws and regulations for market entry and exit such as export and import regulations. Further, informal institutions form a society's norms, values and attitudes and influence access to scarce resources and opportunity formation and exploitation.

Developing countries are often characterized by high institutional uncertainties due to poverty, rapid growth in populations, lack of access to education and medical health programs, government corruption, natural catastrophes and civil conflicts (Bruton et al. 2010).

In places influenced by such factors whether to a larger or a smaller degree, entrepreneurship materializes by means of activities, practices and processes that differ from those in other countries where there is institutional certainty. Entrepreneurship studies need to take these fundamental contextual differences into account (Ramírez Pasillas et al. 2017) and this chapter takes on this challenge.

Research Methodology

We perform a conventional content analysis (Hsieh and Shannon 2005), a method used within the context in question (health research), that in summary includes the following steps:

(1) Deriving *codes* by highlighting the exact words and formulations that capture key thoughts or concepts from the text that is the subject of analysis.
(2) The codes are then sorted into *categories* based on how different codes are related and linked.
(3) These emergent categories are used to organize and group codes into meaningful *clusters*.
(4) *Examples* for each code and category are identified from the data to prepare for reporting the findings.

Conventional content analysis is a suitable method for studying policy documents mainly because of the far-from-perfect practical impact of policy documents on lived realities. Policy documents are directive, normative and aspirational in nature and it is important to choose methods that neither overstate nor understate their importance. Policy documents exist for a reason and have a role in the fabric of social and economic development. They are limited in practice as the method we have matched it with: "The conventional approach to content analysis is limited in both theory development and description of the lived experience, because both sampling and analysis procedures make the theoretical relationship between concepts difficult to infer from findings. At most, the result of a conventional content analysis is concept development or model building" (Hsieh and Shannon 2005: 1281).

Since the focus of this chapter is on concept development, we repeatedly read the policy documents to understand them better and to build a

Table 13.1 Data for the study: seven policy documents

Policy document	Published	Aim
The Republic of Rwanda Policy on Science, Technology and Innovation (UNU-IAS and the Republic of Rwanda's Ministry of Science, Technology and Scientific Research)	2006	To integrate Science, Technology, Scientific Research and Innovation in a framework that shall include capability building, technical transfer initiatives, and the promotion of innovation, in the context of the issues facing Rwanda.
Rwanda Competition and Consumer Protection Policy (Ministry of Trade and Industry, MINICOM)	2010	To promote fair competition by ensuring that consumers are adequately protected from firms, whether large or small, which engage in collusion that is designed to prevent competition.
Small and Medium Enterprises (SMEs) Development Policy (Ministry of Trade and Industry, MINICOM)	2010	To create an enabling environment for the growth of the SME sector in Rwanda by addressing the SME landscape and unlock the underlying potential of SMEs in national development.
National Industrial Policy (Ministry of Trade and Industry, MINICOM)	2011	To foster growth, value addition and dynamic expansion into new areas of comparative advantage where market failures would otherwise prevent or slow development.
Health Financing Sustainability Policy (Ministry of Health)	2015	To strengthen current health financing systems and guide the development of new initiatives and strategies to improve financial accessibility and resourcing towards a sustainable Rwandan health sector.
Health Sector Policy (Ministry of Health)	2015	To ensure universal accessibility of equitable and affordable quality health services for all Rwandans. It sets the health sector's objectives, identifies the priority health interventions for meeting these objectives, outlines the role of each level in the health system, and provides guidelines for improved planning and evaluation of activities in the health sector.
National Pharmacy Policy (Ministry of Health)	2016	To provide and continually improve upon the equitable availability of essential and affordable medications, health commodities and technologies that are of high quality and effective for patients.

Source: Authors' creation

sense of the whole. We identified codes that captured key thoughts or concepts. We sorted the codes in categories and then organized them into clusters of meaning informed by entrepreneurship theory.

Our findings show whether Rwanda's policymaking is strong/weak, focused/fragmented and which topics are in focus/out of focus. Seven public policy documents constitute our data sample (see Table 13.1).

Findings

This section describes the extraordinary contexts that the health sector in Rwanda constitutes after the genocide in 1994. This is followed by an analysis of the policy documents in thematic tables. Technical comments on each table on how the codes were worked out from the categories and how we arrived at clusters of meaning are also discussed.

Contextualizing the Health Sector in Rwanda

After the genocide in 1994, the country faced a multitude of enormous problems that were and are health-related as captured by Umuhire (2016). A large number of healthcare providers (i.e. nurses, psychiatrists and surgeons) were killed, many health facilities were destroyed and most supply chains for drugs and consumables collapsed. These and many other devastating consequences of the genocide extensively limited Rwanda's capacity to provide the right treatment and care to the people in need. To numerically illustrate the scale and scope of the problems: About 250,000 women were raped in the genocide, leading to a considerate increase of HIV. During five years after the genocide, Rwanda's child mortality rate was the highest in the world. Cholera and malaria, for example, were common causes of mortality among the population and less than one out of four children were fully vaccinated against polio and measles.

Since these, the darkest days, Rwanda has achieved significant results in providing better services and access to health. For instance, the immunization coverage for measles and rubella has reached 97% and acute malnourishment has decreased from 5% to 3% contributing to a reduction in child and mother mortality (National Institute of

Statistics of Rwanda 2010). The increase in the number of HIV clinics between 2004 and 2014 combined with HIV prevention initiatives has contributed to maintaining HIV prevalence at 3%. The prevalence of malaria among children decreased from 2.6% in 2008 to 1.4% in 2010. Among pregnant women, it decreased from 1.4% in 2008 to 0.7% in 2010 (Ministry of Health 2012). There was also an increase in health facilities from 816 in 2013 to 1161 (including private health facilities) by the end of 2014 (Ministry of Health 2014). This was possible because of a high level of external funding, community health initiatives such as health insurance and reliance on community health workers for community healthcare. However, health development in the country is still far from ensuring universal health coverage and equity in healthcare provision.

The health sector has several challenges such as shortage and turnover of qualified healthcare providers, lack of staff with knowledge about maintenance, lack of medical equipment, limited availability of drugs and consumables and high service costs (Ministry of Health 2015b). These challenges call for the health sector to revise the way in which health services are provided (Ministry of Health 2012). The main ways of providing health services are through promoting entrepreneurship, promoting public-private partnerships for the provision of health services and above all involving the private sector considerably more in the health sector. Overall, the 'Rwanda Vision 2020' aims at increasing private sector investments in the health sector from 10% to 70% during 2000–20 (Ministry of Finance and Economic Planning 2000). If this happens, it will mean development from very low levels. The current private health sector in Rwanda is at an embryonic stage and is also not well structured. It includes private facilities, hospitals, polyclinics, clinics, dispensaries, health posts, pharmacies, pharmaceutical wholesalers, private health insurance companies, private professional associations and private medical training institutions (Ministry of Health 2015b). Some other actors such as development partners (DPs), faith-based organizations (FBOs), non-governmental organizations (NGOs), professional associations and regulatory bodies too impact Rwandan people's health either directly or indirectly. The Rwandan health system is developed in a pyramidal structure made of five levels, from the umudugudu (village) level up to the national level (see Table 13.2).

Table 13.2 Governance structure in the health sector

Levels	Administrative structures	Implementing agencies
National	Parliament/Government	Ministry of Health
Province	Governors	Provincial Hospital
District	District Councils/Executive Committee/District Health Unit	District Hospital/Hospital Board
Sector/ Umurenge	Elected Councils/Executive Secretary and Staff	Health Center/Health Center Committee
Cell/Akagari	Elected Councils/Executive Secretary and Staff	Health Post/Community Health Worker
Village/ Umudugudu	Village Council/Village Coordinator and Staff	Community Health Worker

Source: Ministry of Health (2012)

Entrepreneurship Policy as Outlined in the Seven Policy Documents

We group our main findings under five major areas and outline various details within each area. Overall we identified that entrepreneurship policy in the health sector in Rwanda fosters entrepreneurship by (1) *pushing* entrepreneurship in a strategic manner in the health sector, (2) creating *inclusiveness* through entrepreneurship in the health sector, (3) *enabling* an environment for entrepreneurship in the health sector, (4) *stimulating* and simultaneously matching supply and demand in the health sector and (5) *institutionalizing* social inclusion through entrepreneurship and management education.

Pushing Entrepreneurship in a Strategic Manner in the Health Sector

The Government of Rwanda portrays entrepreneurship in a strategic manner as a *business opportunity for various stakeholders* (Category 1.1 in Table 13.3) and focuses its efforts on *key areas of the health sector* (Category 1.2 in Table 13.3).

Category 1.1: The Government of Rwanda recognizes that economic growth depends on business development across sectors, including the health sector. It also believes that the economic and social conditions in the country are favorable enough to strategically promote investments in new

Table 13.3 Excerpts on pushing entrepreneurship in a strategic manner in the health sector

Policy document	Code	Category	Cluster
The Republic of Rwanda Policy on Science, Technology and Innovation	• The challenge for companies is to bring to the market a stream of new and improved, added-value, products and services that enable the business to achieve higher margins to re-invest in the business (p. 10). • Innovation is the successful exploitation of new ideas. Incorporating new technologies, design and best practice is the key business process that enables businesses to compete effectively in the global environment (p. 18).	1.1 Entrepreneurship as business opportunities for varied stakeholders	1 Pushing entrepreneurship in a strategic manner in the health sector
SMEs Development Policy	• SMEs also represent a potential source of tax revenue (p. 5). • RDB's vision to transform Rwanda into a dynamic global hub for business investment and innovation focuses on the macro situation in Rwanda (p. 9).		
National Industrial Policy	• Rwanda in particular needs a mixed approach to boost exports—adopting financing schemes to continuously push incremental gains as well as venture financing to support non-collateralised opportunities (e.g. commercialising research) (p. 18).		
Health Financing Sustainability Policy	• There is much opportunity to improve health service delivery efficiencies at all levels of the health sector (p. 7). • Improve mobilization of private (households and enterprises) resources in the health sector through prepayment mechanisms (p. 23).		
Health Sector Policy	• Availability of high quality health services, as an important element of the service sector, contributing to the generation of collective wealth and is crucial to attracting investors and tourist (p. 3). • In the context of decreasing external support *(i.e. foreign investment)*, the health system develops self-reliance of organizations and individuals by mobilizing domestic resources, advocating for greater financial ownership by the public sector and promoting investment and involvement by the private sector and civil society (p. 14).		

The Republic of Rwanda Policy on Science, Technology and Innovation	• The National Innovation Framework incorporates: […] development of entrepreneurship and the private sector (p. 8).	1.2	Entrepreneurship in key areas of the health sector
Health Sector Policy	• Regulation and procedures will be revised to enhance involvement of private sector in training, service provision and management of health services (including supervision and mentorship) (p. 17). • Private investors and community initiatives will join with public leadership and resources to scale up this new level of health facility (p. 24).		
Health Financing Sustainability Policy	• Examine which elements of the health budget can be used to purchase outputs instead of inputs (p. 10). • The private sector will also be encouraged to invest in hotel health services including medical tourism. This will be promoted by creating an enabling environment (establish PPP framework under the RBC Business development unit, and jointly with RDB, determine incentives for private investment in the health sector, etc.), designing proposals/cases to interest the private sector to invest in health and creating new opportunities for partnerships (p. 13).		
National Pharmacy Policy	• To promote investments in local manufacturing of health commodities and technologies (p. 9). • Encourage the private sector to avail essential health commodities and technologies in the country (p. 12, 20).		

and existing businesses even if the conditions still need to be improved. This is an important position as communicating that crucial macroeconomic variables are robust enough for investors to consider investing while still admitting that things are not yet perfect is a delicate matter. For instance, the National Pharmacy Policy (2016: 5) states, "In Rwanda Health commodities and technologies are financed through […] [the] private sector." The policy documents seek to strengthen the role of entrepreneurship and the private sector in the health sector (the Republic of Rwanda Policy on Science, Technology and Innovation 2006). For example, the Health Financing Sustainability Policy (2015a: 13) says that the Government of Rwanda engages "with the private sector in order to increase investment in health." Such an investment is perceived as an "opportunity to leverage the private sector in ways that improve risk pooling, access and increase the financing and quality of health care goods and services" (Health Financing Sustainability Policy 2015a: 6). The private sector is not the only one included though as various policy documents acknowledge that business opportunities are available to a broad range of stakeholders including the government, the private sector, international investors and civil society.

Category 1.2: The Government of Rwanda focuses on key areas of the health sector. Entrepreneurial activities are supported in specific types of health businesses, health offerings and the overall health sector. For example, the Health Sector Policy (2015a: iii) states "…the health sector has to support the increasing role of… the private sector that need to be enhanced in a manner that ensures increased accessibility and quality of health services." In addition, government efforts target local providers of health services, commodities and technologies and also the creation of businesses that can improve, upgrade and position the Rwandan health sector domestically and internationally. For instance, the National Pharmacy Policy (2016: 12) seeks to, "Attract global pharmaceutical companies to establish pharmaceutical manufacturing facilities in Rwanda or invest in joint ventures with local investors." The policy documents go so far as to define the specific interventions that are needed. For example, the Health Sector Policy (2015a: 11) states, "the investment in preventive interventions will be strengthened, especially for some costly health services like HIV/AIDS, Malaria and communicable diseases. It will be a priority of public financing as well as private investment" (Table 13.3 gives additional excerpts on pushing entrepreneurship in a strategic manner).

Creating Inclusiveness Through Entrepreneurship in the Health Sector

The Government of Rwanda emphasizes that creating inclusiveness in the health sector can be achieved by economic inclusion (Category 2.1 in Table 13.4) and that economic progress of individuals and organizations is related with SME development, development of the private sector and the development of home-based industries. The view adopted here is *entrepreneurship as a mean towards these ends* (Category 2.2 in Table 13.4).

Category 2.1: The Government of Rwanda's emphasis on social inclusion through economic inclusion corresponds to the inclusion of indigenous persons, youth and women in start-ups which stimulates social inclusion. Social inclusion corresponds to the process of improving the conditions in which individuals and groups take part in society (or not). Agendas of social inclusion aim at improving the abilities, opportunities and dignity of people, disadvantaged on the basis of their identity, to take part in society (The World Bank 2013a: xiv, 2013b). The Rwandan policy documents analyzed in this chapter include the inclusion of indigenous people, youth and women (SMEs Development Policy 2010b: 36) as well as civil society as entrepreneurs and/or employees of enterprises and community-based organizations (Health Sector Policy 2015a: 7). These forms of socializing and attempts to discursively signalize social inclusion via economic inclusion are founded on crucial values such as equality, fairness, unity and reconciliation.

The policy documents have one thing in common—they emphasize the central role that SMEs play not only in improving an economy's trajectory but also in promoting social inclusion. For example, the Republic of Rwanda Policy on Science, Technology and Innovation (2006: 9) states, "Micro, small and medium scale enterprises are of particular interest for employment creation to develop indigenous entrepreneurs and advance inter-sectorial linkages. Private sector entities undertaking activities in these areas shall be supported by scientific, teaching and research institutes." Social inclusion also relates to the availability of health services in varied geographical areas. For instance, the National Pharmacy Policy (2016: 11) states that the government will "Encourage the equitable distribution of pharmacy services both in rural and urban services."

Table 13.4 Excerpts on creating inclusiveness through entrepreneurship in the health sector

Policy document	Code	Category	Cluster
The Republic of Rwanda Policy on Science, Technology and Innovation	• Indigenous small and medium enterprises shall be advanced to the extent possible, including the encouragement of traditional and home grown technologies (p. 9).	2.1 Social inclusion through economic inclusion	2. Creating inclusiveness by means of entrepreneurship in the health sector
SMEs Development Policy	• Gender and youth are imperative to the growth of SMEs in Rwanda due to the sheer size of the population and the untapped potential they hold as entrepreneurs (p. 36). • There are over 72,000 SMEs operating in Rwanda, while only 25,000 of them are formally registered. This study found most small enterprises in Rwanda start off as micro businesses and grew into small businesses or they are formed to supplement the income of middle to upper income households (p. 15).		
Rwanda Competition and Consumer Protection policy	• By offering economic agents the same conditions or a level playing field for business, unity and reconciliation can follow so long as the implementation of policy is efficient and effective (pp. 14–15).		
National Industrial Policy	• The industrial sector especially SMEs has also been supported by international NGOs including Netherlands Development Agency (SNV), UNIDO and USAID which have implemented industry support projects especially in support of rural small-scale enterprises (p. 9).		
Health Financing Sustainability Policy	• Civil society organization have regrouped themselves under umbrella organizations that play the role of coordination of community-based organizations (CBOs) health interventions and advocacy for improvements of health care services at central and decentralized levels (p. 7).		

Health Sector Policy	• The initiation and implementation of community health services has increased outreach and brought health services closer to the people they serve (p. 11).		
The Republic of Rwanda Policy on Science, Technology and Innovation	• The Public and Private sector have different strengths such as the research skills of the public institution and the entrepreneurial, marketing and business skills of the private enterprise (p. 10).	2.2	Entrepreneurship as a mean towards ends
SMEs Development Policy	• Most micro and small enterprises employ up to four people (p. 5). • The SME sector, including formal and informal businesses, comprises 98% of the businesses in Rwanda and 41% of all private sector employment—though the formalized sector has much growth potential with only 300,000 currently employed (p. 5).		
Rwanda Competition and Consumer Protection Policy	• The Competition and Consumer Protection policy has the following specific objectives: […] To ensure that small and medium-sized enterprises have an equitable opportunity to participate in the economy and to promote a greater spread of ownership (p. 5).		
National Industrial Policy	• Rwanda can escape the commodity trap by diversifying its exports into targeted products and services, innovating, increasing productivity, and serving higher margin, niche markets. The global market is becoming increasingly complex, with value chains stretching across continents. By moving downstream, closer to end consumers, Rwandan firms can capture larger product margins and learn better from customers (pp. 12–13).		

However, the policy documents lack a discussion on which specific approaches to follow while working with identified individuals and targeted groups.

Category 2.2: The Government of Rwanda advocates entrepreneurship as a mean towards an end (economic progress of individuals and organizations as ways of increasing social inclusion) rather than the dominant Western view on entrepreneurship as self-actualization, 'follow-your-dreams,' 'bringer of glorious things' and strict economic phenomena only. Emphasizing an integrated view on entrepreneurship as intimately related to social, economic and societal inclusion is in line with the Rwandan context. It is refreshing that the Government of Rwanda refrains from importing some of the more bombastic self-actualization discourses on entrepreneurship from Western discourses. We only found one exception to this: The Republic of Rwanda Policy on Science, Technology and Innovation Policy (2006: 10) that has imported Western flaws when it states that private sector business enterprises' primary focus is to "maximise value for shareholders, understand consumer needs, compete in the market place to increase customer base." When entrepreneurship is narrowly linked to economic progress, there is a lack of connection to societal development and social inclusion.

The policy documents agree that the involvement of the private sector is central for reducing foreign support and instead mobilizing domestic resources and encouraging investments and involvement of the private sector. For instance, the Republic of Rwanda Policy on Science, Technology and Innovation Policy (2006: 9) states, "Small and medium enterprises shall be advanced to the extent possible, including the encouragement of traditional and home grown technologies." The Health Sector Policy (2015a) states, "The private sector, which is identified as a growing source of investment for health, has not been sufficiently involved until now" (p. 10) (Table 13.4 gives additional excerpts from policy documents linked to creating inclusiveness through entrepreneurship in the health sector).

Enabling an Environment for Entrepreneurship in the Health Sector

The Government of Rwanda focuses on enabling an environment for entrepreneurship in the health sector by developing *institutions* favoring entrepreneurship (Category 3.1 in Table 13.5), on building an *integrated* view on entrepreneurship as a social, societal and economic phenomenon (Category 3.2 in Table 13.5) and on overcoming the challenges of scale and size by means of *collaborations and clusters* (Category 3.3 in Table 13.5).

Category 3.1: Enabling an environment for entrepreneurship in the health sector by developing institutions favoring entrepreneurship means that the Government of Rwanda's aim is to create and change regulations, procedures, processes and systems to foster local and international investments in the industry in general and in the health sector in particular. The Government of Rwanda recognizes that the existing regulatory environment favors large companies and disfavors the growth of SMEs (SMEs Development Policy 2010b) and overall lacks arenas for dialogue and inclusion of the corporate world no matter the size of the company. For instance, the Health Sector Policy (2015a: 8) says, "The conditions for the desired increase in private sector involvement in decision making and provision of health services need to be put in place (participation in establishment of regulations governing the health sector, conducive environment to provision of quality private health services)" in order to "strengthen policies, resources and mechanism of health service delivery systems" (p. 23). Other enabling activities focus on affordability and attitudes. For example, the National Pharmacy Policy (2016: 11) states that the government will, "Establish mechanisms to ensure that the health commodities and technologies are affordably." Such focused efforts include the development of an "entrepreneurial mindset" (SMEs Development Policy 2010b: 19).

Category 3.2: Enabling an environment for entrepreneurship in the health sector by building an integrated view means that the government creates awareness about various needs and actively works to meet such needs in an integrated manner. For instance, the SMEs Development Policy (2010b: 11) states, "It is clear that a focused coherent policy and

Table 13.5 Creating an enabling environment for entrepreneurship in the health sector

Policy document	Code	Category	Cluster
SMEs Development Policy	• The financial sector is working to support Rwandan SMEs through financing mechanisms (p. 9). • It is clear that a focused coherent policy and integrated approach is necessary to create an enabling environment for SMEs. This will require a concerted effort to develop human capacity at the national and local level (p. 11). • Government-supported SMEs financing facilities need to be consolidated in a fund that has the capacity to provide seamless service to access financing facilities (p. 11). • Develop an appropriate institutional framework for SMEs development. Currently, the SME landscape in Rwanda is scattered with institutions offering services to SMEs (p. 31). • Considerations to implement a flat tax maximizing government tax revenue collection while keeping rates low enough to allow taxpayers an acceptable return for their effort and entrepreneurship (p. 30). • Building an entrepreneurial mindset, developing a skilled population, creating an enabling regulatory environment and giving access to finance and targeted opportunities and incentives, will support the development of a business cycle, from start-up to scale-up (p. 19). • Simplify the fiscal and regulatory framework for SMEs growth (p. 14). • However, there is no institution fully dedicated to SMEs nor is there one body responsible for overseeing a comprehensive SME intervention (p. 31).	3.1 Developing institutions favoring entrepreneurship	3. Enabling an environment for entrepreneurship in the health sector

National Industrial Policy	• The GoR (Government of Rwanda) is currently implementing land registration in order to streamline land registration processes (p. 20). • Through the Rwanda Investment Climate Project (RICP), GoR aims to build capacity within the national land registration office, convert land titles to the new system under the new Organic Land Law and develop a strategy to support and promote the mortgage industry in Rwanda (p. 20).
Rwanda Competition and Consumer Protection policy	• Reduce barriers to entry into any sector of the economy or to any form of economic activity (p. 6). • Promoting competition at home in Rwanda is therefore the best long-term strategy to promoting Rwandan firms abroad (p. 4). • The Act aims at encouraging competition in the Rwandan economy by prohibiting anti-competitive trade practices; and regulating and monitoring monopolies and concentrations of economic power in order to strengthen the efficiency of production and distribution of goods and services in Rwanda (p. 12).
Health Sector Policy	• All health product supply establishments in the private sector shall have to comply with all the rules and prescribed requirements of registration, licensing, import, transport, storage and distribution (p. 20).
Health Financing Sustainability Policy	• The Government will ensure that all health insurance institutions (private, public, or community based) are managed professionally, in respect with all governance and financial standards, especially standards related to ensuring solvency and sustainability (p. 25). • The Performance based financing (PBF), that purchases outputs and outcomes, has been a key factor in supporting improved efficient utilization of scarce financial resources for health and progress rapidly toward the health Millennium Development Goals (p. 11).
National Pharmacy Policy	• Streamline procurement processes to provide timely, responsible and efficient procurement services while complying with applicable regulation and guidelines (p. 11).

(*continued*)

Table 13.5 (Continued)

Policy document	Code	Category	Cluster
The Republic of Rwanda Policy on Science, Technology and Innovation	• Equipment and material imported for R&D activities shall be exempted from all taxes. In addition, tax incentives shall be provided for the resources committed by the private sector to S&T development, and in particular R&D (pp. 9–10).	3.2 Building an integrated view	
Rwanda Competition and Consumer Protection policy	• System and procedures have been developed for […] coordinated procurement and distribution, district level of pharmaceutical services; adaptation of legislation for trips implementation, and […] other regulation of medicines in East African Community (p. 8).		
Health Sector Policy	• The health sector also has an influence on the enabling environment for economic and social transformation…aiming to contribute, among other to the reduction in the fertility rate, which help ease the demographic pressure into the country (p. 2).		
National Pharmacy Policy	• The Health Sector comprises a public, private and traditional Health System, which are supported by the Government, Development Partners, Non Governmental Organisations and Civil Society (p. 11).		
The Republic of Rwanda Policy on Science, Technology and Innovation	• The development of Science and Technology shall be in partnership with the growth of an innovative, modern and competitive Private Sector geared towards revival of industry and the service sector (p. 3).	3.3 Overcoming size and scale challenges by means of collaboration and clusters	
SMEs Development Policy	• There have been several recent policies developed by the GoR that focus on cluster development (p. 6).		

National Industrial Policy	• Competing with imports requires significant investment and technological upgrading for Rwandan firms, with specific cluster focus required, particularly in advanced industries such as pharmaceuticals or building material (p. 11). • The industrial sector especially SMEs has also been supported by international NGOs including Netherlands Development Agency (SNV), UNIDO and USAID which have implemented industry support projects especially in support of rural small-scale enterprises (p. 9).
Health Sector Policy	• Collaboration is based on (1) private sector investment for improved health services, (2) encouragement of private sector investment in medical services for promotion of medical tourism, (3) a greater participation of the private sector in the previous of services to the entire population, (4) improved accessibility of the private sector to facilitates offered by the Ministry of health and establishment of multidisciplinary medical centers for private practitioners providing comprehensive medical services to the population, (5) improved participation of private health care providers in planning and organization of training supervision activities (p. 32).
Health Financing Sustainability Policy	• Public and private partnerships (PPP) will be developed for different projects involving the health sector. These include medical infrastructures and leasing of equipment, maintenance of medical equipment, private management of health facilities and services, creation of private entity that will help the sector to leverage the available expertise, contribute to the global solidarity and proper management of health programs (p. 13).

integrated approach is necessary to create an enabling environment for SMEs. This will require a concerted effort to develop human capacity at the national and local level." The policy documents identify the relevant stakeholders for building an integrated view. For instance, the Rwanda Competition and Consumer Protection Policy (2010a: 5) states, "The vision of this Competition Policy is to: incorporate the interests of consumers, emerging entrepreneurs, and existing firms, through the promotion of free and active competition in Rwandan markets." However, sometimes these policy documents lack the incorporation of the interests and needs of particular sectors. For example, the Health Sector Policy (2015a: 14) is very sweeping and general in this respect: "All sectors of the Rwandan population are actively involved (in integrated services), including the private sector and civil society." The Health Sector Policy (2015a: 17) is also very normative when it says, "…private sector and other non-health sectors must be strengthened for integrated interventions (in service delivery)" without saying anything specific about how this will be done.

Category 3.3: Enabling an environment for entrepreneurship in the health sector by overcoming the challenges of scale and size through collaborations and clusters refers to the government's approach to building public-private-community partnerships between public offices, businesses and the local community. In particular, the Health Sector Policy (2015a) specifies that cross-sector collaborations are required. Specifically, this policy document highlights that such collaborations will "tackle multi-factorial determinants affecting the health of the population (poverty reduction, nutrition and food security, water and sanitation, human rights, education and social protection, empowerment of youth and vulnerable populations" (p. 8). With this, the Government of Rwanda is aiming for a positive reception of the private sector in creating medical services for promoting medical tourism, increasing existing services, creating multidisciplinary private medical centers and private healthcare providers for planning and organizing training supervision activities. Such an approach is in line with the aspirations of the SMEs Development Policy (2010b) and the National Industrial Policy (2011) which aim to develop clusters with a specific focus (Table 13.5 gives additional excerpts from policy documents on enabling an environment for entrepreneurship in the health sector).

Stimulating and Simultaneously Matching Demand and Supply in the Health Sector

The Government of Rwanda's aim is a delicate balancing act when stimulating *demand* for health services and activating the *supply* side of the health sector (more entrepreneurs and higher involvement of the private sector, Category 4.1 in Table 13.6). It also simultaneously aims at *matching* supply and demand (Category 4.2 in Table 13.6). This is an ambitious and complex task.

Category 4.1: Creating and responding to demand for health services implies that the Government of Rwanda intends to take care of basic health problems by providing health services and access to services in an equitable, effective and efficient manner. According to the Health Sector Policy (2015a: 14), "The first principle is that the health system ensures universal demand and access to affordable quality services." To improve demand, access and quality of service packages, the government has created specific programs for "maternal, neonatal and child health; family planning and reproductive health; nutrition services; communicable diseases, infectious diseases surveillance and research and disaster preparedness and response; non-communicable diseases; health promotion" (Health Sector Policy 2015a: 15). While the Government of Rwanda aims at advances in this regard, there is still a key health challenge—the increasing demand for services for addressing non-communicable diseases that are associated with high costs of care (Health Financing Sustainability Policy 2015a). This also underscores that there is an emerging demand for health services from neighboring countries: "In addition, there is a demand from other countries for Rwanda to share its success and achievement in health. However, there is not a legal framework or formal systems in place to foster this new market niche" (Health Financing Sustainability Policy 2015a: 6–7).

Category 4.2: Matching supply and demand in the health sector implies that the Government of Rwanda's aim is to promote start-ups wherever they are needed in the health sector. Creating supply through entrepreneurship is important for developing the industry in general and the health sector in particular. The Republic of Rwanda Policy on Science, Technology and

Table 13.6 Stimulating and simultaneously matching demand and supply in the health sector

Policy document	Code	Category	Cluster
Health Sector Policy	• The geographic distribution of health facilities is planned according to comparative needs of rural and urban communities, with the target of ensuring that all people living in Rwanda have access to a health facility within 5 km distance from their home (p. 21). • People-centred services (p. 14). • Increase the demand and use of health services for infectious diseases (p. 17). • The government is facilitating this by supporting community lead initiatives, such as the creation of community demanded health posts through Public-Private-Community Partnership (PPCP) (p. 21).	4.1 Creating and responding to demand on health services	4. Stimulating and simultaneously matching demand and supply in the health sector
Health Financing Sustainability Policy	• However, there is a critical need for more resources and innovative strategies to sustain achievements met and to maintain a comprehensive package of essential health services that is accessible to all Rwandans (p. 6).		
The Republic of Rwanda Policy on Science, Technology and Innovation	• Promotion of Innovation and Entrepreneurship […] The details are as follows: – The competition shall be announced in a high-visibility event; – There shall be clear, results-oriented criteria for selection of winners; – The submissions shall be in the form of business proposals; – The awards shall be in the form of support (e.g. equity grant, start-up loan program, etc.) for the business venture. • Links shall be set up with the Diaspora; Subcategories shall be included such as ICT, agriculture, rural, women, etc. (p. 10). • It is important to recognize and reinforce these complementary strengths and ensure a link to bridge the gap between the public research institution and private enterprise through the engagement in scientific research and development specific to fulfil the needs of the private enterprise (p. 10).	4.2 Matching demand and supply for entrepreneurship	

SMEs Development Policy	• Establish a national Young Enterprise Scheme with annual competitions; this is a nation-wide program that offers teams of young people over the age of 14 (in selected educational institutions) the opportunity to run a business for an academic year; teams select a board of directors; choose a product or service; market and sell their product; manage the company and gain real experience of running a business; they are mentored by a local businessman and at the end of the project are entered into a national competition, the winner receiving the "Young Enterprise of the Year Award" (p. 21).
Health Sector Policy	• An important aspect for improvement of accessibility is the increased role of the private sector for investment and provision of health services to complement government effort (p. 21). • The private sector will be encouraged to be involved in both supply of health services (including development hospital, clinics, diagnostic centers, education institutions, medical tourism etc.) and demand for health services, essentially through the health insurance system (p. 22). • A network of specialized health services providing high level of quality tertiary care will be promoted and strengthened with the aim to offer attractive services targeting medical tourism for patients coming from foreign countries and looking for quality specialized services (p. 27).

(*continued*)

Table 13.6 (Continued)

Health Financing Sustainability Policy	• …urgent requirement to mobilize new domestic resources with a focus on the private sector (p. 6). • Innovative options will be developed for raising domestic resources to cover a larger part of health resources (p. 12). • Key initiatives that will be pursued include: – Establishment of social markets for health products like mosquito nets; – Cost recovery and cost saving plans for health products, including blood products; – Monetizing accreditation of private health facilities; – Establishment of new revenue generating projects across all levels of the health system including public hospitals to set up semi-private wings to increase their revenues under the policy for promoting hospital auto-financing. – Promoting Public Private Community Partnership (p. 12).
National Pharmacy Policy	• Ensure that the private sector is part of national supply chain system to provide health product of assured quality and within price control framework (p. 20).

Innovation (2006: 10) highlights this: "In order to provide incentive schemes for the promotion of innovative, entrepreneurial activities, with special emphasis on the rural areas, a national competition shall be set up to link rural entrepreneurs with counterparts in the Diaspora." Such entrepreneurial endeavors are intended to guarantee supply. For example, the National Industrial Policy (2011: 20) states, "For a sector to be profitable domestically and competitive internationally, the supply of affordable raw materials and inputs must be ensured." These efforts are also made for developing science and knowledge in the country. For example, the Republic of Rwanda Policy on Science, Technology and Innovation (2006: 10) underscores the importance and need to, "recognize and reinforce these complementary strengths and ensure a link to bridge the gap between the public research institution and private enterprise." In the health sector in particular, matching supply and demand includes the increased importance of the businesses that complement government efforts. The Health Sector Policy (2015a: 22) states: "The private sector will be encouraged to be involved in both supply of health services (including development hospital, clinics, diagnostic centers, education institutions, medical tourism etc.) and demand for health services, essentially through the health insurance system." Such efforts raise awareness about the types of businesses that are needed along the supply chain: "Ensure that the private sector is part of national supply chain system to provide health product of assured quality" (National Pharmacy Policy 2016: 20). To complement government efforts, specific initiatives will be launched for creating social markets for health products, promoting cost-saving plans for health products and fostering semi-private hospitals (Health Sector Policy (2015a: 12) (Table 13.6 gives additional excerpts from policy documents on entrepreneurship linked to stimulating and simultaneously matching demand and supply in the health sector).

Institutionalizing Social Inclusion by Means of Entrepreneurship and Management Education

The Government of Rwanda's aim is to *institutionalize* social inclusion with entrepreneurship as a means towards this end via capacity building in *entrepreneurship education* (Category 5.1 in Table 13.7) and in *management training* (Category 5.2 in Table 13.7).

Table 13.7 Institutionalizing social inclusion by means of entrepreneurship and management education

Policy document	Code	Category	Cluster
The Republic of Rwanda Policy on Science, Technology and Innovation	• Again the Technical Schools shall include business enterprise units to develop entrepreneurship and innovation skills, match the students of the school with employment opportunities (p. 11).	5.1 Building capacity by means of entrepreneurship education	5. Institutionalizing social inclusion by means of entrepreneurship and management education
SMEs Development Policy	• TVET (Technical and Vocational Education and Training) policy designed to build a skilled workforce and provide job opportunities for youth (p. 7). • Whilst entrepreneurship has been introduced into the curriculum of numerous institutions, there is often not yet a practical element. Introduce a youth entrepreneurship course for existing associations of out-of-school or vulnerable youth interested in starting their own business (p. 21).		
SMEs Development Policy	• Overcome the lack of technical and business skills in areas including ICT, technical and industrial knowledge, finance, accounting and management (p. 18). • Many SMEs suffer from lack of technical and business skills. SMEs themselves identify a variety of skills gaps in areas including ICT, technical and industrial knowledge, finance, accounting and management (p. 18). • SMEs have inadequate access to market information that could benefit their businesses as well as inadequate knowledge about marketing their products both nationally and internationally (p. 19).	5.2 Building capacity by means of management training	

National Industrial Policy	• WDA in partnership with the World Bank created a Skills Development Fund accessible by the private sector and exporters that demonstrate export potential and alignment of their training needs with the industrial policy (p. 16). • With many young people not enrolled in secondary education, there are a large number of students who could potentially benefit from technical and vocational education and training (TVET) in Rwanda. At present, TVET schools only have about 40,000 students 20 while 170,000 young people are estimated to leave the school system every year without any vocational training (p. 16).
Health Sector Policy	• Collaborations are based on […] improved participation of private health care providers in planning and organization of training and supervision activities (p. 32).
National Pharmacy Policy	• Develop and implement a national pharmaceutical human resources development plan to train, attract and retain personnel, as integral part of the overall national human resources for health development plan (p. 12). • Encourage and support review, harmonization and regulation of pharmaceutical personnel in the context of regional integration and international cooperation (p. 13).

Category 5.1: Building capacity through entrepreneurship education corresponds to the perception that entrepreneurship courses are a tool for developing entrepreneurial skills and matching students with future job opportunities or helping them create their own ventures. For example, the SMEs Development Policy (2010b: 21) states that the objective is to, "Introduce a component of entrepreneurship training into school and TVET curriculums (Technical and Vocational Education and Training), both focusing on risk and innovation and also business skills such as financial management and marketing." This policy document further indicates that there is a need to add the practical component of starting a company: "By offering practical opportunities for young people interested *in business to engage in entrepreneurship, they are more likely to engage in entrepreneurial activities*" (p. 20). The government hopes to build an entrepreneurial mindset with this approach.

Category 5.2: Building capacity through management training refers to identifying management skills to effective administration, increasing service quality and improving efficiency in the management of scarce resources. The National Industrial Policy (2011: 16) indicates this when it emphasizes, "In addition, there is a need to strengthen the overall management skills of businesses and entrepreneurs in Rwanda". Besides creating general awareness about the need for improving management skills, the National Industrial Policy also highlights creating awareness about improving skills according to the needs of specific industries: "For new industrial sectors to develop in Rwanda human capital must be developed beyond the current scope of skills available" (p. 16).The Health Sector Policy (2015a: 19) further states, "The capacity of teaching institutions (TI) is being strengthened to augment human resources for health (HRH) production and identify specialized training needs which cannot be offered locally to be considered abroad." This implies that there is an aspiration to improve competencies in the health sector through education. Collaboration is important for achieving this: "Strengthen collaboration with training institutions in the training of sufficient competent professionals" (National Pharmacy Policy 2016: 13) (Table 13.7 gives additional excerpts from policy documents on institutionalizing the link between economic and social inclusion with entrepreneurship as a means towards this end).

Discussion

Our analysis of entrepreneurship policy in the health sector in Rwanda yields several outcomes when looked at from the perspective of contextualizing entrepreneurship (Welter 2011; Zahra 2007). Welter (2011) argues that entrepreneurship as a process of social change relies on the recursive links between context and entrepreneurship. Entrepreneurship is embedded in temporal and spatial places (Johannisson et al. 2002). Hence, theorizing about the context of an entrepreneurship policy is about identifying theories in context (Whetten 2009). The importance of the institutional context in entrepreneurship policy cannot be ignored (Welter 2011; Welter and Smallbone 2011).

Figure 13.1 gives our model for constructing the institutional context for entrepreneurship policy in the health sector in Rwanda. We organize our five clusters (a–e) in three top-down processes: (1) raising awareness about the need for entrepreneurship (cluster a), (2) shaping the institutional context (clusters b–d) and (3) generating aspirations with the proposed institutional context (cluster e). The three processes are *topically oriented* in relation to the five clusters that they address

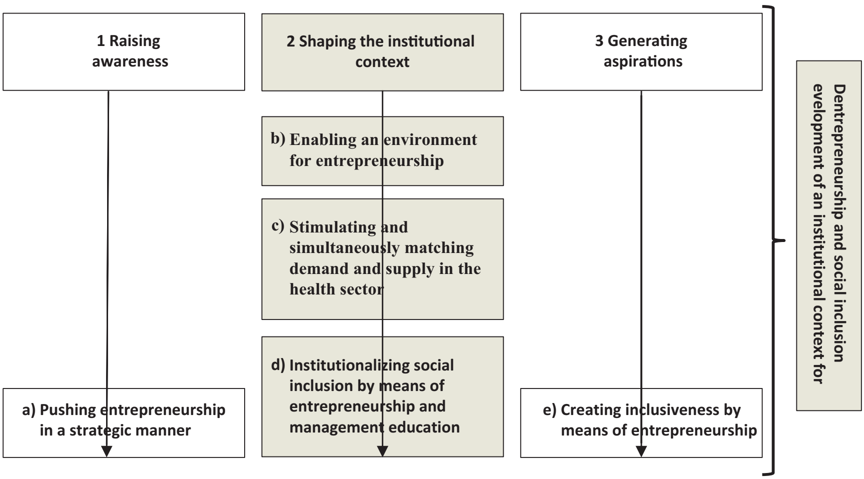

Fig. 13.1 Development of an institutional context for entrepreneurship and social inclusion. Source: Authors' creation

while *temporally oriented* in relation to each other (in practice, 1 normally happens before 2 which is followed by 3, while in the world of policy these can be developed simultaneously).

Literature on entrepreneurship agrees that the role of policy within an entrepreneurial economy is promoting ease of starting and growing a business, rewarding for productive entrepreneurial activities, establishing disincentives for unproductive activities and providing incentives for sustaining long-term productive entrepreneurship (Henrekson and Stenkula 2009; Gilbert et al. 2004). When we relate our five clusters to the three top-down processes for generating an institutional context that favors entrepreneurship in the health sector in Rwanda, we observe that each cluster has a specific role in discursive policymaking.

By *pushing entrepreneurship in a strategic manner* (a), the Government of Rwanda aspires to raise awareness about entrepreneurship as a business opportunity in strategic areas relevant for the health sector and thus relevant for the country as a whole. By *enabling an environment for entrepreneurship in the health sector* (b), *stimulating and simultaneously matching demand and supply in the health sector* (c) and *institutionalizing social inclusion through entrepreneurship and management education* (d), the Government of Rwanda aspires not only to shape opportunities, interactions and collaborations in the health sector but also to undertake the difficult task of matching these macro-variables reasonably well in relation to each other. By *creating inclusiveness by means of entrepreneurship* (e), the Government of Rwanda aims to generate and influence stakeholders' aspirations in the health sector. Various policies aspire to create social inclusion and are themselves a quest for social inclusion which makes social inclusion both a means to an end and also an end as such.

In sum, the institutional context of the health sector in Rwanda is influenced by the government's prioritizing the delivery of quality health services because of a sense of urgency and the need for social inclusion at a societal level. Such an institutional context is also affected by the dominant perception of a non-entrepreneurial mindset in all the involved stakeholders, pervading high costs of starting and running a venture, the prevailing low tolerance to business failure (SME Development Policy 2010b), the burden of compliance with new regulations and resource scarcity (Health Sector Policy 2015a).

Conclusion

This chapter aims to conduct a content analysis of the entrepreneurship policy for the health sector in Rwanda from a contextualizing perspective (Zahra et al. 2014; Welter 2011; Zahra 2007). Our research highlights that we can understand the role of policy in stimulating entrepreneurship better by focusing our analytical efforts on generating and shaping an institutional context (in our case the health sector in Rwanda). While previous literature indicates the importance of context in public management research (Pierre 2013; Pollitt 2013a, 2013b), our analysis shows how policy discourses are concretely put to use within any given context. In our case this is via pushing entrepreneurship in a strategic manner, enabling an environment for entrepreneurship, stimulating and simultaneously matching demand and supply, institutionalizing social inclusion by means of entrepreneurship and management education and creating economic and social inclusiveness by means of entrepreneurship. These policy discourses are expected to enable an institutional context that will lead to positive behavior and aspirations among the involved stakeholders.

Welter (2011) called for research that identifies top-down processes influencing the entrepreneurship context. Accordingly, we proposed three top-down processes—raising awareness about the need for entrepreneurship, shaping the institutional context and generating aspirations within the proposed institutional context. These top-down processes support the population's economic and social inclusion. Our study contributes theoretically to research on contextualizing entrepreneurship and research on entrepreneurship policy in two ways: First, by undertaking an empirical study on entrepreneurship policy in a developing country rather than applying Western policymaking to developing countries. Second, by focusing on a case where the entrepreneurship policy aims at the bettering of society and social relations "by raising awareness of alternative entrepreneurship (*that is*, for society)" (Ramírez Pasillas et al. 2017: 9).

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[1] Note: Page numbers followed by 'n' refer to notes.

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