

14136
July 1988

ENTREPRENEURS AND ENTREPRENEURSHIP IN AFRICA

Walter Elkan

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Much that has been written about entrepreneurship in Africa makes gloomy reading. It stresses the difficulties that Africans have sometimes experienced in running large businesses. This article argues that part of the gloom results from viewing entrepreneurship in the wrong context. In a less restrictive economic environment, entrepreneurship is not likely to prove the bottleneck that is often feared. In particular, African entrepreneurship is more likely to succeed in relatively small businesses than in the large undertakings that have been mistakenly favored by policies of import-substituting industrialization. Many of these large businesses have not been profitable except as a result of substantial subsidies, protection, and other government assistance. Reducing such assistance will not reduce the rate of economic growth and will give greater opportunities to smaller businesses run by Africans.

An initial upsurge of development has often been attributable to the enterprise of a minority group: Chinese in Southeast Asia; "Levantine" in West Africa; Asians in East Africa; Parsees in India; Samurai in nineteenth-century Japan; and Non-Conformists, and especially Quakers, in seventeenth-century England. They did not share a common race nor beliefs that predisposed them to entrepreneurial aptitudes. But they were all minorities, and their feelings of insecurity may have encouraged them to seek economic success (see Hoselitz 1957, p. 35, and Elkan 1973, ch. 2).

What precisely is meant by entrepreneurship? Kilby lists no fewer than thirteen roles that an entrepreneur may have to perform (Kilby 1971, p. 27), but in this article we focus on three essential attributes. First is the ability to perceive potentially profitable business opportu-

Entrepreneurship: What It Is and Does

nities. Second is the willingness to act on what is perceived. Third is the necessary organizing ability. Arguably, this third ingredient is less important than the other two, because a business of a sufficient size to stretch the limits of organizing ability will be able to hire a manager to do the organizing.

Much of what has been written on African entrepreneurship views it unfavorably. The following is a frequently quoted passage from a 1965 study of 269 leading indigenous industrial businesses in Nigeria. It is reproduced here as a fairly typical view of indigenous entrepreneurship in Africa as a whole:

Generally, the level of efficiency within the firms was very low. Substantial increases in output could be achieved without additional investment. Closer supervision, better organization, improved layout, and quality control are desperately needed on the production side. Low levels of capacity utilization are largely a result of management deficiencies.

The general standard of financial management is also very low. Although 249 of the firms had some kind of accounting systems, they were not systematically used as management tools. The larger firms had annual statements prepared by outside auditors for the purposes of establishing tax liability (thus avoiding arbitrary assessment), but for the most part these documents were lying on the shelf gathering dust. Surprisingly, records of asset values were more available than records of output and sales....

This widespread lack of financial control was reflected in the fact that barely more than half of the entrepreneurs had an adequate understanding of depreciation, and only one-half of them could make a reasonable estimate of the minimum production per day needed to break even. Only 31 of them had any organized system of cost accounting, and separation of business and personal accounts was rare.

Most of the firms were one-man operations. When the business expands beyond the point that the owner can control everything himself, serious problems are encountered. The ability to delegate responsibility and authority, while still keeping control, is generally lacking. Admittedly, it is difficult to find capable subordinates and managers in Nigeria, but little has been done by these entrepreneurs to train and develop such personnel. Several cases were encountered of successful small firms foundering badly after major expansion. Experience of the entrepreneurs with hired expatriate managers has been largely unhappy (Harris and Rowe, quoted in Kilby 1971, pp. 31-32).

Although this is a commonly expressed view of African entrepreneurship, it is not universally shared. In the first major study of

West African entrepreneurship, Bauer wrote as follows: "The general impression I formed was always the same: exceptional effort, foresight, resourcefulness, thrift and ability to perceive economic opportunity" (Bauer 1954, p. 69). Likewise, Schatz, writing specifically about Nigerians, found them "responsive to the possibility of gain and [ready] to pursue economic advantage vigorously and strenuously." He also describes them as "flexible and venturesome, willing to seek far and wide and to take risks in the quest for profit... Applicants to government loan boards have sought loans for an enormous variety of business ventures, ranging from the commonplace to the imaginative to the far-fetched" (Schatz 1977, p. 95). Marris and Somerset, writing about Kenya, found no dearth of entrepreneurship, though they were far from starry-eyed about the performance of many of the small businessmen they studied (Marris and Somerset 1971). Being "entrepreneurial" may not be incompatible with being bad at running a business once it has been established—that would help to explain the difference between the descriptions by Harris and by the others. If a clearer distinction were made between pure entrepreneurship and business management or business administration, it might help to resolve the disagreement.

A number of Africans have created very large businesses. In 1979 Chief Alhaji Yinka Folowiyo's private shipping company, Nigerian Green Lines, had six cargo carriers with a total of 88,000 tons deadweight, carrying freight between Nigeria and Europe. In the mid-1970s Kenya's assistant minister of commerce and industry, Njenga Karume, had a financial stake in thirty-three of the thirty-six companies of which he was a director, and he had founded a shoe manufacturing company—the Tiger Shoe Company—to compete with Bata, a large transnational manufacturer (Swainson 1980, pp. 204–06, 270–73; Kaplinsky 1980, pp. 90–99; see also Iliffe 1983, on which this discussion draws substantially). In northern Nigeria the Dantata family of Kano are probably the wealthiest merchants and manufacturers in all of tropical Africa. They were able to buy the largest single holding of shares in the United Africa Company when that company was obliged to "indigenize" in the mid-1970s (Hoogvelt 1979). The social, educational, and religious backgrounds of all these businessmen are very different.

Despite the diversity of background, there is one quality that most successful African businessmen have in common. They share the local (and often Muslim) equivalent of the Protestant Ethic that was so important in Europe's nineteenth-century economic development. For example, in several countries Jehovah's Witnesses have been prominent businessmen. Successful shopkeepers and progressive farmers in

*The
Background
of African
Entrepreneurs*

Zambia in the early 1960s found a high proportion were Jehovah's Witnesses, imbued with the notion that the way to the New Kingdom was through material success. In Uganda in the 1950s many small businessmen and progressive farmers were *balokole*, "saved ones"—a Protestant sect conspicuous for being teetotal, abstemious, totally dependable, and intensely ambitious. They were the mirror image of similar sects in Europe that had earlier played such a crucial role in commercial and industrial development.

In Uganda Muslims also played a conspicuous role in business. Although a minority, they have been represented among successful businesses out of all proportion to their number. They were precluded from lucrative jobs in government and expatriate businesses because their Koranic education did not include English and arithmetic, so they went into business instead. In Senegal most successful businessmen belong to the powerful Mouride Brotherhood, in which it is often difficult to draw the line between religious and business leadership (O'Brien 1971).

The role of minorities is too conspicuous to be ignored. But it should not be inferred either that there is a single explanation of entrepreneurship or that successful entrepreneurs must always come from a minority group. In the Republic of Korea, for instance, entrepreneurs have not been drawn from minorities. And even in countries where minority groups originally played a disproportionate role, the attributes necessary for commercial success eventually spread to many others. In Great Britain today there are still some conspicuously successful Quaker and Jewish businesses, but not to the exclusion of all others.

Industrial entrepreneurs typically come from four sources.

- *People who have moved up from the informal sector.* Some of the larger industrial undertakings, especially in West Africa, began in the informal sector. This has often been the case in the metal-working trades, in tailoring, and in furniture making. Eastern Africa is a step behind in this respect. Although Kenya and other countries of the region now have active indigenous informal sectors, growth was stunted for many years, partly by restrictive government policies and partly because most artisans tended to be Asian *fundis*.
- *Former employees of large expatriate or Asian-run businesses in the same industry.* A survey of the hundred or so largest Nigerian industrial businesses in 1975 reported that 68 percent had been founded by former employees of expatriate firms. Five years earlier, a survey in Lusaka found similarly that the most successful businesses had been started by people who had held the better-paid jobs available to Africans during the colonial era (Beveridge and Oberschall 1979, pp. 129–30).

- *People who started out as traders or merchants.* Trade and commerce have always been the most common route into manufacturing. A typical example of traders who pioneered manufacturing enterprises were the Nigerian bakers described so vividly by Kilby and whose success was attributable mainly to ingenuity and marketing skills (Kilby 1965). Other examples are timber contractors who seized the opportunity to start sawmills, and rubber traders who went into processing (Harris in Eicher and Liedholm 1970).
- *Well-educated politicians and senior civil servants who have become part-time businessmen.* A few are genuine entrepreneurs, but many become businessmen only because they are appointed directors of existing expatriate businesses or have been encouraged and helped by governments to take over businesses started by expatriates. For some the experience stirred hitherto dormant aptitudes for business—as in the case of Kenya's one-time assistant minister of commerce and industry, referred to earlier, who found time and resources to start and develop a shoe factory in competition with the world's most ubiquitous transnational manufacturer of shoes.

Classified by educational background, those entrepreneurs who have moved up from the informal sector or who started as traders have largely tended to be uneducated. They are frequently from a social or religious minority and have had little or no formal education. The other two groups are the ones with a good education. The 1975 Nigerian survey cited above found that 60 percent of the 100 most successful industrialists had at least secondary education. In other countries, too, they have often been relatively well educated, as well as having considerable administrative and managerial experience.

The industries that government policies of import-substituting industrialization were intended to encourage have generally been beyond the capacity of those whose background was in trade or in the informal sector. These industries were mostly started by expatriates. When nationals were eventually brought in, they were people with a relatively good education and executive experience in government or in the expatriate enterprises themselves. The extent to which such people have been entrepreneurial has varied. Some have been no more than front men for what remain essentially expatriate businesses. A few have come to play a key role in expanding the business.

In most African countries the biggest entrepreneurial successes have not been in large industry but in property development and large-scale agriculture. For example, in Kenya one purchaser of an unprofitable large farm near Eldoret used the profits of his butchery and beer hall to transform the fortunes of his farm. Ivorians likewise are said to prefer agriculture and property dealing because they promise a higher rate of return than large industry (Hake 1977, p. 75).

This preference for investing in real estate rather than in manufacturing has been much criticized and is often taken to imply a lack of commitment to development. This seems an unreasonable charge. Astute entrepreneurs will always try to maximize their expected returns and to minimize risks. Many large businesses run by expatriate multinationals have not done well, despite substantial government assistance and protection. It does not require much imagination to understand why indigenous entrepreneurs may prefer to invest in real estate, where the annual return has often been 20–25 percent or more (Schatz 1977, p. 93). Other reasons why real estate might seem preferable is that legal restrictions often bar foreigners from buying property, and property does not require the technical and organizational know-how involved in running large industrial enterprises. The ability to do well in real estate should therefore be seen as a sign of entrepreneurial skill, not of innate caution.

Management

In the early stages of industrial development, managing factories is always a problem. The African experience has been less successful than that of other developing countries, partly because Africa has a more relaxed attitude to labor management. By contrast, the newly industrializing countries of Southeast Asia operate under fiercely competitive conditions, and their labor management has been similar to the early English model: employees work long hours for pay determined by their supply price rather than by any social considerations.

As for making good technological choices, Africans are at a disadvantage simply through lack of experience. Although more Africans now have a technological education, they do not necessarily have the entrepreneurial and commercial talents to create successful factories. Firms are often inundated with salesmen determined to persuade customers to buy their machinery, however inappropriate.

Technological inexperience need not be a fatal deficiency, however. Many successful industries are run by businessmen with little technical understanding. Indeed, many of the expatriate multinationals in Africa are run in this way. What they do is to employ production managers—some of them Africans—to look after the technical side of the business. This solution is equally open to indigenous African firms. But it does not solve the more serious problem of choosing the most efficient technique of production. In making that choice, African entrepreneurs are often at a disadvantage in the larger manufacturing industries.

It is often said that African businessmen are competent at running small firms, but lack the technical and organizational experience for running large enterprises. Sometimes this constraint has been eased by employing expatriate managers. Some successful Nigerian manufac-

turing businesses that were originally started by kola merchants now employ expatriates (Yusuf 1975, p. 181; Idemudia 1979, pp. 170, 206, cited by Iliffe 1983). Elsewhere some African businesses have formed partnerships with foreign firms. And some expatriate firms have helped their African employees to set up businesses, though these have usually remained small.

Most successful African businesses have remained sole proprietorships; few have grown into joint stock companies or even partnerships. No doubt a reason has been a distrust of outsiders, which has often restricted expansion to what could be handled by the proprietor's extended family. There is nothing peculiarly African about this practice. It was common in Jewish merchant banks in Great Britain until a quarter of a century ago, and it continues to be common among East African Asian businesses, both in East Africa itself and in Britain and Canada (where many have subsequently moved).

Entrepreneurship operates in an environment greatly influenced by government policy. In countries where governments are dominant in every sphere of activity, whether through parastatal enterprises, through licensing and controls, or through obliging farmers to sell at prices set by statutory marketing boards, the possibilities for gaining entrepreneurial experience are correspondingly reduced. The effect of statutory marketing has been particularly unfortunate. Not only have these boards generally failed in their objective of raising or stabilizing farmers' incomes, they have also deprived them of the commercial experience of buying and selling. Judging when and where to sell is the essence of entrepreneurship (see Elkan 1986). Others who have built up businesses have had constant battles with the bureaucracy for licenses and with the bank for foreign exchange. Often they spend more time in going from government office to government office than in running their businesses.

African governments differ in their attitudes toward entrepreneurship. Some have deliberately discouraged the emergence of private African capitalism. Some have nationalized large parts of a previously foreign-owned private sector and created parastatal organizations to run the businesses. Africans have thereby gained administrative experience, but unfortunately the command and management structures of the new parastatals have been modeled on bureaucracies. Instead of being decentralized, all decisionmaking is referred to higher authority.

A third approach is exemplified by Kenya and Nigeria, where private enterprise has continued to play an important role. Their governments have also taken steps both to promote indigenous enterprise and to transfer the ownership or control of expatriate businesses to nationals. In Kenya in the early 1960s the state provided finance to

Entrepreneurs and Government

enable Africans to buy European-owned farms. By putting pressure on Asian businesses, it enabled Africans to acquire them, often very cheaply. In the 1970s the government also put pressure on foreign-owned companies not just to appoint African directors to their boards but to sell them substantial shareholdings (Hazlewood 1979, pp. 32–34, 91; Swainson 1980, pp. 199–211).

Nigeria has pursued a similar policy of indigenization; in this way more than 200,000 Nigerians have acquired shares. As in Kenya, some of the directorships for Africans have been ornamental—creating the illusion rather than the reality of African participation. But to some extent this result has been the choice and inclination of the new directors. Many of the new Kenyan directors have been politicians and government officials (though some took the opportunity to become businessmen), whereas Nigeria's were mostly businessmen.

Côte d'Ivoire might also be included in this third category. It has had rapid economic growth and created new export crops, as well as some successful import-substituting industries. Overseas private capital has been welcomed, as have expatriates in business and in the civil service. But it is not obvious that there has been a marked increase in African entrepreneurship. Expatriates have continued to play a large part in the development that has occurred. A parallel is sometimes drawn between Côte d'Ivoire and Japan after the 1868 Meiji Restoration. Like Côte d'Ivoire recently, Japan then made extensive use of European know-how; for instance it imported textile engineers from Great Britain and chemists from Germany to start up new industries. The difference is that the business decisions were made by the Japanese themselves (Allen 1972, pp. 32, 90). By contrast, few Ivorians have been brought into the large commercial or industrial enterprises, though they have been active in developing agriculture. Baoule migrant farmers are building villas in their hometowns today, as Akwapim did in Ghana eighty years ago (Ilfie 1983, p. 81), and the "Mercedes mamas" finance substantial trading and other activities in the informal sector (Aylen 1987, p. 27).

Even though there are three distinct approaches to private enterprise in Africa, all governments have played a large role in economic development. Everywhere, many economic activities lie in the hands of public corporations. Originally, one reason was pessimism about the ability of indigenous businessmen to run other than very small businesses. Another reason was the desire of many newly independent countries to transfer expatriate businesses into national ownership. Since indigenous businessmen were deemed incapable of running them, the only alternative seemed to be to get the state involved. This is how many Tanzanian enterprises came to be in the public sector and how the Zambian copper mines came to be run by a parastatal body.

Governments have also decided to take on the role of entrepreneur, either alone or, more commonly, in joint ventures with foreign firms. One example from colonial times is the textile factory established in Jinja, Uganda, as a joint venture with a transnational, Calicoe Printers Association. Yet many parastatals have performed disappointingly and often incurred heavy losses. The recent pressure to privatize many of them has come more from the pragmatic view that they might be better and more profitably run as private concerns than from any ideological considerations (Ayles 1987).

One weakness of many parastatals, and not just in Africa, is that they are run bureaucratically by bureaucrats. As a result, they are permeated by a "production mentality" in which maximizing output is the main objective, while considerations of costs and markets are ignored. Everything is done according to set procedures, and staff are reluctant to make decisions for fear of disapproval by superiors. "Managers" are appointed for their bureaucratic and political skills and connections, rather than for their commercial acumen (Winpeny, forthcoming). (However, such drawbacks are not unknown in large privately owned firms.)

One common explanation for overstaffing in parastatals is that they do not face the same competitive pressures as private firms, but are under greater pressure to provide employment for relatives and political supporters. However, these features can be found in private firms as well. Only if privatization is accompanied by measures to boost competition will it bring about improved performance. This requirement extends to a firm's managers: if the former staff are reappointed in a new capacity, they will succeed only if the more commercial environment brings out new commercial qualities in them.

That often happens. Commercial skills are much more a product of circumstance than of innate qualities. In Kenya the Kikuyu have a reputation for being entrepreneurial. Yet their precolonial history offers a satisfactory explanation in their geographical location, half way between the coast and the interior. The Akamba next door are reputed to be less entrepreneurial. Yet, when the opportunity arose to create a lucrative woodcarving industry that now has a worldwide market, they showed a high degree of commercial talent (Elkan 1958). One has only to contrast the picture portrayed by Tawney in his 1932 *Land and Labour in China* with accounts of the Chinese half a century later to see how quickly human characteristics can change.

Giving the private sector a greater role in development has two facets: first, a change in policy regime that removes restrictions on the private sector; second, the divestiture of activities from the public sector—privatization. In Africa there have so far been few examples of the latter, but economic policy in many countries is becoming less restrictive and more liberal. Preliminary evidence suggests a ready

response to the new entrepreneurial opportunities thus created. For example, the recent abolition of marketing boards in Nigeria has provided new openings to a legion of small entrepreneurs. A study of how they have responded is crying out to be done. Lower taxes and higher prices have done more to boost agricultural performance than the many attempts to encourage it by direct government intervention. Are there, nevertheless, other economic incentives that might have a benign influence on entrepreneurship? That is the question which this article now considers.

Economic Incentives

A government intent on boosting entrepreneurship could start by considering the removal of possible disincentives. Are potential entrepreneurs deterred by excessive taxes? Are they held back by difficulties in obtaining finance, or by the cost of loans? Would the provision of premises at subsidized rents be helpful? We shall consider each in turn, and conclude by arguing that the general economic climate is likely to be more influential than a specific policy initiative.

Taxes

This article has argued that small businesses are the most promising vehicle of entrepreneurial dynamism. On this analysis, it is unlikely that taxes will be a serious brake. Large projects might benefit from tax holidays or accelerated depreciation, but most small businesses—producing simple hand-made consumer goods such as beds, chairs, kerosene lamps, or charcoal burners—are outside the tax net. Those who dislike the informal sector often use the fact that it pays no taxes to justify attempts to suppress it. However, these small enterprises are in general highly efficient and provide springboards for many people to gain entrepreneurial experience. They minimize the use of scarce resources, including capital and imported components, and without protection or subsidy they supply goods and services to low-income consumers at prices they can afford.

Finance

Lack of finance on reasonable terms is the most frequently cited deterrent to entrepreneurship. It is argued that banks confine lending to the larger, established enterprises, so new ventures, small or large, are forced to borrow in the informal market where interest rates are much higher (Elkan 1986, pp. 13–20; Anderson and Khambata 1985). This diagnosis explains why so much thought, effort, and money have gone into development banks and other credit institutions that pro-

vide loans at subsidized rates of interest. The number of such institutions is, however, out of all proportion to the number of small enterprises that have obtained loans from them (Liedholm and Mead 1987, p. 105).

The real problem lies elsewhere. The alleged difficulty in obtaining loans would be eased if governments were to stop imposing ceilings on the interest rates. Their ostensible reason is to protect the borrowers from unscrupulous money lenders. But low ceilings discourage the deposit of surplus funds with savings institutions, which artificially reduces the supply of savings. The institutions then confine their lending to large, low-risk borrowers. A few large loans are easier and cheaper to administer than many small ones. Large established firms also pose less risk. Meanwhile, the shortage of loanable funds raises the price of borrowing from unofficial money lenders to whom prospective entrepreneurs have then to turn. On the assumption that a shortage of finance and high interest rates are a barrier to entrepreneurship, a lifting of interest rate ceilings is likely to bring greater benefits than the multiplication of credit institutions that provide (or fail to provide) loans at subsidized interest.

Subsidized Rents

Access to capital is directly related to the widespread belief that entrepreneurship would be encouraged by the provision of workshops or factories fully equipped with access roads, railway sidings, water, sanitation, and electricity—all at minimal rents. Provided such premises are where businessmen want to be, they are welcomed—though it is doubtful if in themselves they can be a decisive influence. Where premises are offered to operators in the informal sector as a way of getting them off the streets, they may do more harm than good because they may entice businessmen away from their market. If a firm's customers are farmers who have come to town to buy a piece of furniture or an agricultural implement, it is better to be located near the country bus station. An "industrial estate," miles away on the outskirts of the town, places a physical barrier between manufacturers and their customers. The manufacturers then either lose business or have to sell at wholesale prices to intermediaries. This kind of rehousing, however well intentioned, is usually inadvisable (Elkan 1986, pp. 28–29).

We conclude that incentives specifically intended to foster entrepreneurship or to assist small business development are generally misplaced. It is the general economic environment and especially whether government policy is liberal or restrictive which determines whether people are prepared to venture into what is, by its very nature, a risky way of earning a livelihood.

***Training
Entrepreneurs
and Managers***

Indigenous African businesses differ greatly in how efficiently they are run (Anderson 1982). The existence of inefficiency is often seen as a substantive argument for training programs.

Attempts to boost the efficiency of small businesses have usually taken the form of teaching existing entrepreneurs specific skills. However, some programs, especially in India, are designed to turn people with no previous business experience into entrepreneurs. Such programs often concentrate on restless employees or unemployed school leavers and graduates. They rely heavily on psychological techniques to encourage motivation (McClelland 1961). The Entrepreneurship Development Program in the Indian state of Gujarat is a typical example, although it was intended to train people from the least industrialized parts of the state. Between 1970 and 1984, the program ran over 300 courses involving nearly 8,000 participants in 130 locations. Some 60 percent of those trained went on to set up their own businesses, of which 75 percent have been profitable (Bhatt 1986). Whether this constitutes success depends on the cost of this project and on how profitable and durable the new enterprises are. From Kenya it is reported that out of twenty trainees in an entrepreneurship development program, "only two could be said to have succeeded" (Kenya 1985; see also Nzomo 1986).

A distinction is sometimes made between the investment aspect of entrepreneurship—identifying market opportunities and acting upon them—and the managerial side—running a business once it is established (Anderson 1982, p. 927). Most of the programs designed to improve the efficiency of small industries are concerned only with the managerial side. They concentrate on teaching personnel management, human and industrial relations, stock control, and accountancy. The emphasis on accountancy is of long standing. Small businesses do not keep books, often fail to distinguish between business and household expenditures, and are unable to compute their total capital. No doubt these deficiencies matter when firms grow beyond a certain size, but for most small firms the most vital requirement is business acumen—a feel for buying in the cheapest market and selling in the dearest. That does not even require literacy: witness the early experience of Messrs. Marks and Spencer, ultimately to become one of Britain's most successful multiple chain stores (Rees 1969).

Historically, accountancy became really important only with the separation of ownership from control and with the introduction of taxation. Arguably, when a business grows beyond a certain size, even though it remains small in the amount of capital or labor employed, it may benefit from keeping a ledger. It is these firms, rather than the very smallest, that Kilby may have had in mind in Nigeria and Banerji in India, where lack of accounts was thought to have led to excessive

or misdirected investment in equipment or raw materials (Kilby 1969; Banerji 1961). For most small businesses, though, formal instruction in double-entry bookkeeping and other techniques of management is seldom relevant. Such programs are often given by instructors with either no business experience or, worse, with unsuccessful experience—which often explains why they became instructors in the first place.

Some believe that it is possible to spot likely entrepreneurs and then train them. This has been attempted in many countries—generally by people with a background in social psychology, and some of them influenced by McClelland's work (McClelland 1961). Some of these projects have been evaluated, but the evaluations have tended to be done by people with a vested interest in their success because they initiated them. In Africa the best-known projects are those promoted by Opportunities Industrialization Centers, an organization founded in the United States originally to promote entrepreneurship among blacks, especially in the southern states. A more recent venture is being promoted by Management Systems International, another U.S. organization. It is carrying out programs in Malawi and Senegal and hopes to add Gambia and Burundi to the list. Its approach is based on nine "personal entrepreneurial characteristics," which it judges to be of crucial importance; it has designed a test interview intended to show whether a person has these qualities.

Not every inefficiency can be reduced merely by special training programs. For example, Rowe reported that "most Nigerian sawmills are producing only 10 percent to 20 percent of the lumber that the installed machines are capable of producing," and this is given as an instance of inefficiency (quoted in Kilby 1971, pp. 30–31 and cited in Anderson 1982). But the reason may not be inefficiency in the economic sense. Most machines could technically produce more—for example, by being used for longer hours involving shift work or by being operated at higher speeds. But that usually involves a higher cost that may not be covered by increased revenue. The machines may have been bought because no smaller ones were available, yet in the full knowledge that the market was not large enough for full capacity utilization.

Of course, the failures sometimes lie on the production side. Poor maintenance, failure to recognize the advantage of keeping a stock of spare parts, and similar oversights are ubiquitous, as are poor labor management and just sheer slovenliness. What is questioned here is the extent to which training programs can really provide a cure. We have found no real evidence of improvements in performance as a result of attending a course. It is not enough simply to assert the need for training without demonstrating that it is effective. Even Page and Steele's careful and balanced report on small enterprise development

asserts rather than demonstrates. But the authors redeem themselves by conceding that "there is insufficient knowledge...about how to provide...training effectively" (Page and Steele 1984).

There are two reasons for the almost axiomatic acceptance that training is necessary to enhance managerial efficiency. First, a widespread supposition that whatever needs improvement requires government action to bring it about. Second, finance and personnel for such training programs are often available from foreign aid donors at minimal cost. Both bilateral donors and some of the multilateral agencies have not just responded to requests for help, but have eagerly sought out opportunities to offer their assistance.

The result is analogous to underpriced capital. When interest rates are artificially depressed, currencies overvalued, and imported capital exempted from tariffs, these factors encourage excessive capital intensity. When aid donors provide apparently costless technical assistance in training, more courses may be established than would otherwise be available, and training centers may be equipped with unnecessarily expensive machinery. That can have an undesirable "demonstration effect" on the trainees, who are taught to use this machinery, and it can lead to excessive capital intensity or the purchase of machines that are then unused (Livingstone 1982, p. 359) or cannot be repaired for lack of spare parts and the foreign exchange with which to procure them.

The argument against such training programs is not conclusive, however, because (like all education and training) they are likely to have favorable long-term effects. But the alternative uses of resources should be considered. And there is always the risk that particular types of assistance are prone to gain a momentum of their own and to become self-perpetuating.

Conclusion

There is little evidence that Africans are lacking in entrepreneurial spirit or fail to grasp business opportunities when they are within reach. What matters most is the economic environment: if it places entrepreneurship at a discount, it is not surprising that there is then rather a dearth of it. When the environment changes and government policy comes to depend more upon greater enterprise, the likelihood and the evidence are that people will respond.

However, it is unreasonable to expect miracles overnight. It is really only in the last quarter century that a relatively small number of Africans have had the contacts with the wider world needed to create a trading system of the kind established by old European merchant houses and, more recently, by transnational companies. There has been even less time for well-educated Africans to move into senior managerial positions in government and expatriate businesses. Some

have been unsuccessful. Others, given the challenge, have risen to it and become first rate at their jobs. In many countries efficient management and the speedy transfer of management into local hands have not always been consistent objectives, and the price that has been paid for this inconsistency is reduced economic growth.

The continued presence of expatriates in many African countries is partly explained by the development strategy the countries have favored—large enterprises using advanced technology to produce high-quality goods. Such enterprises generally required expatriate input in the initial stages but Africans are now playing an increasing part in running them. In most African countries many of the large enterprises are uneconomic—not because they required an expatriate presence but because they were unsuited to the economic structure of the countries.

This phase of industrialization may be coming to a close. Although few countries will want to dismantle these “monuments of modernization,” attempts are everywhere being made to improve their efficiency. With proper management, many such attempts should succeed. Even if they do not, they will at least provide some African directors, managers, and technologists with an opportunity to gain practical experience of running large companies. In industry, learning by doing is important.

The next phase of industrialization will almost certainly involve less protection and less subsidy. This usually leads to a much smaller scale of production. It gives small firms a comparative advantage—the very firms that indigenous entrepreneurs have shown themselves to be well adapted to establish and to run.

We therefore conclude, as we began, by saying that the fear that Africa lacks the indigenous entrepreneurship for successful industrial development is misplaced. At this juncture it may have few indigenous businessmen able to set up large enterprises, and there are still activities that for the moment are likely to be done most efficiently by imported expertise.

In some countries, locally domiciled communities—Asians in East Africa, Lebanese in Nigeria and Ghana—provide a valuable business resource because they are thoroughly at home in the local environment. At one time these immigrants provided shops and crop-buying stations in the countryside, as a way of promoting cash crop farming. Most have long since moved on to more sophisticated tasks. In due course there will be so many able indigenous African businessmen that these immigrants will be no more prominent than the Quaker businesses are in Britain today. Even now, few expatriates are interested in setting up small enterprises that do not require a sophisticated technology or a large overseas market or both.

It is in this area that one thrust of industrial expansion is likely to

lie in the immediate future. The other main thrust is in the establishment, development, and running of small enterprises—where African entrepreneurs have so far demonstrated the greatest success. Expatriate and indigenous entrepreneurs can complement one another, playing essential parts in Africa's development.

Abstract

The article examines the widespread belief that indigenous entrepreneurship is less well represented in African countries than in other parts of the developing world. The evidence shows no dearth of ability among Africans to identify business opportunities and to act upon them—the two quintessential characteristics of entrepreneurship. But the management problems these businesses have sometimes encountered suggest that there may be a continuing role for expatriates, provided the industries are fundamentally sound. Small businesses appear to have a better chance of success and are more viable than some of the heavily protected and subsidized transnational enterprises.

The article finds that successful industrial entrepreneurs have come from a variety of religious, cultural, and educational origins. It casts doubt on the efficacy of training programs to teach entrepreneurial skill and argues instead that a liberal economic regime is more likely to encourage entrepreneurship. Equally important is a well-grounded and widely dispersed growth of income, especially among small-scale cultivators, which leads to a growth of demand for what small businesses produce.

Note

The author wishes to acknowledge the careful editing of the first draft by Ruth Elkan. He also gratefully acknowledges how much he has drawn on John Iliffe's stimulating book (Iliffe 1983) in parts of this article.

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