Echoes and Reverberations of Entrepreneurship in West Africa: Any Missing Links?

Ntiedo J. Umoren¹, Essien Akpanuko² and Anietie Eff³

Abstract

The positive economic picture, trends and development news that have emerged from Africa over the past decades, contradicts the everyday livelihood reality of Africans. The deficiencies in entrepreneurship and management in Africa has been identified as the bane to poor resource management. Entrepreneurship was adopted to reduce this gap. Corrective actions, have been implemented to provide support for "creative initiatives" and management from all sides in the past 50 years without significant success. This has been done without an understanding of the nature of entrepreneurship in Africa. This paper aims to provide this understanding. It reviews the elusive concept of entrepreneurship as understood and practiced in the African continent, highlights the role of entrepreneurship in market operations and governance (this will guide policy and programmes direction), highlights areas of breakthroughs, challenges, echoes to provide a syntheses of thoughts in accelerating entrepreneurship in Africa. The review method is adopted. The study shows that Africa was at certain stage of her own entrepreneurship before the distortion by colonialism with her new thoughts. It is recommended that, while the various programmes, projects, aid, support and assistance have been designed to boast African Entrepreneurship it should begin from where the interruption started.

JEL classification numbers: M14, M54
Keywords: Entrepreneurship, Free-market, Enterprise, Economy, government

1 Introduction

This notwithstanding the positive economic trends and development news and encouraging trends that have emerged from Africa over the past decades, the troubling
reality remains that the everyday livelihoods of Africans have not kept pace with macroeconomic growth, trend and development publications, and the continental per capita GDP levels consistently and persistently lag behind the rest of the world. To some, Africa is a broken-down continent, economically and socially. The humanitarian dimension of Africa’s problems is becoming increasingly disturbing. Since the failure of stabilization plans, structural adjustment programmes and democratization efforts in the 1980s, conflicts of identity and wars have broken out, adding their ravages to those of the aids pandemic. Poverty, insecurity, mortality and debility have become more intense and more widespread, while the continent has incurred debts beyond its means and experienced a drop in its share of trade and investment in the world. With a few exceptions, the destiny of the whole continent is shaky and despair is setting in (Tshikulu, 2001; NEPAD, 2001).

Furthermore, over and above the numerous short-term explanations specific to each country, there are serious deficiencies in the areas of entrepreneurship and management in Africa. African economies are almost all considered to be among the least well managed in the world. Africans are reputed to be the least inspired, the least trained, and the least equipped entrepreneurs. African leaders are thought to be unorthodox and dishonest political managers whose economic choices are often highly debatable. This harsh judgment, not minding our peculiarities, is already cast into the mould of a solid conviction in the public opinion, as well as among the highest international authorities. Indeed, many institutions and individuals conversant with African issues believe that entrepreneurial and management difficulties constitute the top challenge facing the continent. Africa is seen as timid and clumsy in entrepreneurship. Africans are reportedly bad managers at all levels (Tshikulu, 2001). How valid are these claims?

Given this believe, mindset and the fact that many scholars and studies suggest and some submits that entrepreneurship can address this stubborn gap in Africa, corrective actions were introduced; they were many and came from all sides. Over the past fifty years, various kinds of programmes, projects, aid, support and assistance have been designed and implemented with the aim of providing support for "creative initiatives" and management. Three levels of action are targeted: local communities through the NGOs, the business world within the framework of employers' associations and chambers of commerce, and the State through various types of technical and institutional support for macroeconomic management. The question then is, after all the efforts where is Africa?

As noted by Fal (2013), these corrective measures can be fruitful if—and only if—it is able to evolve entrepreneurship beyond its current state of necessity-based informalty into one that is vibrant and robust enough to promote sustained economic growth and generate long-term, viable livelihoods across the continent. This will require and understanding of where the African continent is coming from, where she is now and what are her peculiar challenges or limiting factors in terms of ‘entrepreneurship’. Without which all efforts to improve the continents socio-economic standards will create more problems than solve it as is the case now where the news, publication and reported statistics are far from reality.

This paper is designed to provide this understanding. It aims to review the elusive concept of entrepreneurship as understood and practiced in the African continent before now relative to the western understanding and practice, highlight the relationship of entrepreneurship, market operations and governance to guide policy and programmes direction, highlights areas of breakthroughs, challenges and echoes and provide a syntheses of thoughts in accelerating entrepreneurship in Africa.
In this theoretical paper, we attempt to examine the literature in search of common thought flows on entrepreneurial development, and the role of government in entrepreneurial drive in West Africa. The essence is to draw a comparison with the Western approach as captured in most theoretical constructs. This will allow us determine what works in West Africa, and what causes the Western approach to be less than successful in other parts of the world. The paper is discussed in six sections. Section is the introduction. Section two is concerned with the concept of entrepreneurship and its sustainability (management): The West African Perception. Section three addresses the relationship amongst Entrepreneurship, Market operations and governance in the West African Region. Section four highlights the Breakthrough, challenges and echoes: The Theses. Section five considers the reverberations: The Syntheses and section six will be the Conclusion: The way forward.

2 The Concept of Entrepreneurship and Management

To determine if entrepreneurship existed in Africa as a process, its form of existence and the similarity or difference requires a holistic consideration of term; standard or derived. Partly, the dilemma of knowing where and where to apply the label entrepreneur results from the inability of theorist and practitioners alike to reach a consensus on what entrepreneurship is, how to measure it, and how to derive universal specification for identifying the entrepreneur. This enigma is reified by Kilby’s reference to the illusionary animal the “Humpelumpf” (Kilby, 1971). Entrepreneurship means different things to different people. “Humpelumpf” cannot be captured by anyone but everyone imagines what it looks like.

On a general note, using a broad and inclusive view based on the different consideration, explanations and characteristics of an entrepreneur (Schumpeter, 1934; Chileshe, 1992; Barnes, 1991; Kilby, 1971; Drucker, 1984; Kennedy, 1980; McClelland, 1961; Hagen, 1962), to be an entrepreneur is to decide to do something; it means to prepare a project and embark on its implementation. Entrepreneurship therefore involves a conscious content, a precise commitment and a definite practice. It involves a project, a framework for its implementation and a recurrent activity geared to the materialization of the project. Thus all cultures have their "entrepreneurs" (Tshikuku, 2001). Without distinction, entrepreneurs perform the following functions: imagine or create from nothing (some impossibility) some unprecedented realities (opportunities, objects, procedures, relations, modes) and endeavour to disseminate these innovations within a new, stabilized framework, namely the enterprise. An obsession is responsible for the psychotic tension in the mind of an entrepreneur; technical know-how transforms the latter into a manager by putting the project into the process of its daily implementation.

Ethnology studies have formally established the fact that this dual modality of human action is universal. It is common to all cultures. Since the earliest human society in history, there has been no culture without psychotic tension at the level of individuals or groups, without existential anxiety. How can a ‘people’ keep the promise of its own longevity without a project or management? Entrepreneurship and management are constituent dimensions of the human species. Thus Africa had its own form of entrepreneurship and management. What was it like?

Okonkwo’s father Unuoha, was poor, lazy but Okonkwo, in the literature of Thing Fall Apart, was described as enterprising and rich, having several bans of yams from
borrowing 60 yams from relatives. Entrepreneurship and wealth then was measured by the quantity of your assets, its growth and sustainability. The critical components coincide with McClelland’s (1961) psychological makeup, “the need for achievement” or “nAch”, Chileshe’s (1962) management, adventurous-innovative risk taking capability, and Schumpeter’s (1964) “creative destruction” of existing disequilibrium. It flowed along family ties and apprenticeship. Following Hagen’s (1962) thesis, the need to achieve status and success was the motivating factor behind a particular group or society’s entrepreneurial expression (Spring and McDade, 2003; Quatraro and Vivarelli, 2013). The willingness to take risk and the capacity to organize resources, against all odds is a prominent quality of the African Entrepreneur. The African form of enterprise development and economic rational behaviors was less dependent on resources of the society but on gradual accumulation of experiences based on day-to-day decision making and problem solving (Kenedy, 1980). What is the difference between the form of entrepreneurship in Africa and Europe?

The Entrepreneurs in West Africa often plunge into business with bare minimum of capital or resources, and some are quite successful despite those austere start. Whereas according to Diomande (1990) the sheer availability of abundant resources encourages the entrepreneurs of rich countries to oversource and wastefully use resources that are not really needed. The West African Entrepreneur usually cannot select their workers from a large skilled labour force, so they secure and train personnel through apprenticeship, tutelage arrangements, family members and acquaintances. This shows the informal nature of the entrepreneurship. This informal sector provides the training ground for entrepreneurial development and management (Chileshe, 1992). They raise startup and operating capital from community resources, such as rotating credit and savings (Esusu) systems involving social groups. They operate several businesses simultaneously. They choose to diversify their investments, believing that owning several types of businesses guard against risk that are common in the economic climates of many African countries. This is regarded as a rational investment strategy.

The visible evidence of entrepreneurship is not the same in Europe as it is in West Africa, but the functions of the entrepreneur, which is to coordinate resources and increase economic outputs are the same. Much of the attention in Europe and other developed countries is accorded to entrepreneurial activity in high-technology industries and to the introduction of high-tech products. However, entrepreneurs all over the world are involved in other sectors, such as trade, real estate, and agriculture. The establishment of cash cropping in certain areas and the ubiquitous trading and transport operations of local people are indeed entrepreneurial activities (Meier and Seers, 1984). Hirschman (1958) observes that the West African people life style and behavior is altered when an economic opportunity is perceived to be beneficial. Such opportunity will cause a drastic readjustment in consumption-saving and work-leisure patterns. Hill (1963) identified entrepreneurship among Ghanaian cocoa farmers in the 1960s and Odufalu (1971) studied the indigenous enterprise in Nigerian Manufacturing. Other studies of both modern and traditional business-men in Zambia (Beveridge and Oberschall, 1979), Ghana (Kennedy, 1980), Sierra Leone (Kallon, 1990), and other countries of Africa (Bermans and Leys, 1994) supply ample evidence of the dynamics of entrepreneurship in West Africa.
3 Entrepreneurship, Market Operations and Governance in the West African Region

The form of entrepreneurship practiced in West Africa was determined by the market system and influenced by the structure of governance. The market and the economy were largely informal, but productive; providing employment, offering services and products (Hart, 1873; Cornia, Van Der Hoven and Mkandawir, 1992). The formal sector, the governments, of these regions developed policies and projects to promote employment and income generation. The notion that there is no need to subsume the people and their activities into the regulated formal sector reigned supreme, as much of the productive entrepreneurial activities in Africa was in this sector (de Soto, 1989). However, the colonial masters who regarded the informal sector activities as poor substitutes for formal sector dynamism and a consequence of the inability of the formal sector to provide the required employment (Juma, Torori and Kirima, 1993) altered the development process of entrepreneurship in the region.

The process of entrepreneurial development in the West African Sub-region was distorted by the legacy of colonialism, the Cold War, the workings of the international economic system and the inadequacies of and shortcomings in the policies pursued by many countries in the post-independence era and the forcefully increasing global environment. Colonialism subverted hitherto traditional structures, institutions and values or made them subservient to the economic and political needs of the imperial powers. It also retarded the development of an entrepreneurial class, as well as a middle class with skills and managerial capacity (NEPAD, 2001). For centuries, Africa has been integrated into the world economy mainly as a supplier of cheap labour and raw materials. Of necessity, this has meant the draining of Africa’s resources rather than their use for the continent’s development. The drive in that period to use the minerals and raw materials to develop manufacturing industries and a highly skilled labour force to sustain growth and development was lost. The reverse was the case in other countries and on other continents. There was an infusion of wealth in the form of investments, which created larger volumes of wealth through the export of value-added products.

These systems interrupted the process of transition of majority of small firms to large firms in West Africa. However, Herskovits (1964) observed the existence of few large African manufacturing firms. These firms were not limited by scarcity of capital. Whereas some studies argued that scarcity of capital was the major constraint to the expansion of small firms into large corporations. The legacy of colonial exploitation by foreign governments and the experience of foreign capital that benefits a small percentage of the local population influences leaders of many independent West African countries to eschew their local capitalism in favor of what they hope will be more equitable economic system. In the early 1960s, for instance, the government of Ghana and Tanzania implemented economic policies to discourage the emergence of African capitalism (Elkan, 1988). This distortion; the acceptance of the capitalist world economy and state system, imposed an external structural constraint for capital accumulation (Lubeck, 1987). Capital accumulation became uneven and often joined and articulated with the pre-capitalist social relations and strata from which they emerge. Therefore the development of an African, capital-endowed, entrepreneurial class may require alliances between the state and private interest (Rapley, 1993), compared to their Western counterpart where local entrepreneurs may have less capital, but they have better connections to their countries institutions and people (Chileshe, 1992).
Therefore state intervention in the economy became necessary to promote the accumulation of capital to finance African indigenous firms and entrepreneurship. The Neoclassical economic theory argues that when the state intervenes in the economy, it stifles the initiatives of the private sector; that governments have no business in business. However, the models of successful newly industrializing countries in Asia and some African countries show that the development of indigenous industry by local entrepreneurs can be financed and promoted by state policy protectionism that shields the nascent enterprise against foreign competition resulting from liberalized trade regimes of the free enterprise market system (Spring and McDade, 2003). The developed countries if not still enjoying government promotion of entrepreneurship and protection, once enjoyed it, at the time when Africa’s resources were drained and infused in the colonial master’s country as wealth in the form of investments which created larger volumes of wealth through the export of value-added products, rather than their use in the development of Africa. At which time commerce in the formal sector was often restricted and structured to bypass Africans, and the rise of public enterprises promoted by governments impeded indigenous-private sector development (Grosh and Mukandala, 1994). In Nigeria, Awolowo’s indigenization decree (to strengthen indigenous-private sector development) attempted a reversal of this impediment, but the harm was already done.

Indeed, Africa’s experience shows that the rate of capital accumulation in the postcolonial period has not been sufficient to rebuild societies in the wake of colonial underdevelopment, or to sustain improvement in the standard of living and the practice of entrepreneurship. This has had deleterious consequences on the political process and led to sustained patronage and corruption. The net effect of these processes has been the entrenchment of a vicious cycle, in which economic decline, reduced capacity and poor governance reinforce each other, thus confirming Africa’s peripheral and diminishing role in the world economy. Thus, over the centuries, Africa has come become the marginalized continent (NEPAD, 2001; Roberts, 2009; World Bank, 2013).

4 Echoes, Breakthroughs, and Challenges: The Theses

On average, African economies trail the rest of the world in competitiveness. This assertion is based on the fact that 14 out of the 20 least competitive economies are from Africa. Figure 1 identifies competitiveness “hotspots” and the regions or countries with weak performance according to the Global Competitive Index (GCI).

The 10 best-performing countries are shaded in dark red. The remaining countries are shaded in increasingly “cooler” tones moving from orange (the second-best-performing group) through yellow, light blue, medium blue, and dark blue; this last color identifies the least-competitive economies according to the GCI. As shown on the map, a vast majority of African countries covered in World Bank (2013) Report fall into the group of least-competitive economies (dark blue).

Specifically with respect to entrepreneurship, the report observes that the region is neglecting its talent pool, and underperforming significantly in educating and in providing a healthy environment for its citizens. This is a pressing concern in view of the region’s youth unemployment challenge and the large number of people who will enter the labor market in the coming years.
In the short term, absorbing the enormous number of new labor-market entrants will require the development of job-intensive sectors. This further expanded in figure 2, which shows the performance of the continent per pillar of the GCI. Additionally, in terms of innovation, market size, financial market, infrastructure, technological readiness, and business sophistication, Africa is trailing other continents. Figure 2 shows that African economies consistently underperform the Southeast Asian average across all competitiveness pillars. Although Africa’s financial, goods, and labor markets are well developed (on a par, or nearly on a par, with Latin America) these economies feature wide deficits in the areas of basic requirements (Institutions, Infrastructure, Macroeconomic environment, and Health and primary education).
This underperformance translates into the following common challenges that affect entrepreneurship: Institutional, Financial, Market Information, and Regulatory. However, the World Economic Forum report (2013) provide a good sense of the many factors that are holding back Africa’s entrepreneurship development and competitiveness, arrives at from the yearly economic forum of top executives about the main bottlenecks to doing business in their countries. From a list of 16 factors, respondents are asked to select the five most problematic among them and rank them from 1 (most problematic) to 5. The Executive Opinion Survey carried out in 2012 shows that access to financing, inefficient government bureaucracy and corruption present the most important hindrances to doing business in Africa.

Figure 3 shows the degree to which these factors impede entrepreneurship varies according to the region. In sub-Saharan Africa, access to finance represents business leaders’ biggest concern by a wide margin, confirming the lack of depth of the financial market in a majority of African economies. In contrast, inefficient government bureaucracy presents the biggest concern in North Africa. Likewise, entrepreneurs in both regions point out the lack of a sufficiently skilled workforce.
However, entrepreneurs in both regions face different challenges concerning all other factors. The Executive Opinion Survey confirms that the inadequate supply of infrastructure presents a significant obstacle for businesses in sub-Saharan Africa in contrast to North Africa, where it receives a middle ranking. Sub-Saharan business leaders are also more concerned with high tax rates than their North African peers. On the other hand, government instability and coups coupled with policy uncertainty have become serious concerns for business leaders in North African countries.

Inflation in sub-Saharan Africa also continues to receive attention from business leaders. This is most likely the result of rising inflation (particularly in East Africa) and the increased inflationary pressures—caused by rising food and fuel prices—experienced during 2011–12 in many sub-Saharan economies. It is pertinent to observe that in the midst of the harsh entrepreneurial realities there are breakthroughs and echoes, using only the Zairian entrepreneurs. From the Shumpeter’s (1934) definition that entrepreneurs “have not accumulated any kind of goods, they have created no original means of production, but have employed existing means of production differently, more appropriately, and more advantageously”, the Zaire entrepreneurs function outside the defunct official economy using creativity and ingenuity, in the face of “insurmountable obstacles”. These include the collapse of the official banking and transportation system, and the harassment, extortion, and arrest of entrepreneurs.

Zairian entrepreneurs import goods and services from other countries and travel the globe to obtain commodities. Because of the lack of foreign currency, they use gold, diamonds, cobalt, malachite, coffee, ivory, and drugs for exchange purpose. They employ networks
of kin, friends, and ethnic groups for overseas assistance with visas, supplies, and accommodations during buying trips. Within Zaire, entrepreneurs may have to repair roads and bridges, invest in transportation systems and keep the second economy alive so that fuel and other scarce commodity are available. The entrepreneurs fill the functions of a government the failed to supply the infrastructure that is conducive for business (MacGaffey, 1987). More generally, it should be noted that sub-Saharan Africa has made considerable progress in ensuring sounder macroeconomic policies over the past 15 years and has reached levels of macroeconomic performance similar to that of other developing countries (Devajaran and Fengler, 2012). What then should be done to grow such crude and raw African entrepreneurial spirit?

5 The Reverberations: The Syntheses

Your text A lot of entrepreneurial programmes, projects and growing international attention have been directed towards Africa as an investment destination and to boast an African entrepreneurship and economic renaissance. This increased optimism is being spurred on by a decade of historically strong growth, with many countries in Africa relatively unscathed by the global economic crisis (Quatraro and Vivarelli, 2013). However, growth remains unevenly spread and slow across the region and has not yet translated to a rise in living standards comparable to those observed in other rapidly growing developing regions. Further, the turbulence in North Africa has slowed growth in some of those countries. More generally, the question of how sustainable and inclusive Africa’s growth will be going forward remains. Many efforts are still needed for African economies to diversify and enhance their entrepreneurial competitiveness so that they can absorb the 10 million new entrants to the labor force every year (World Bank, 2013). Indeed, the African Economic Outlook (AEO) report in 2012 highlights the fast but jobless growth pattern on the continent: as a result of the youngest population in the world—200 million young people between the ages of 15 and 24—coupled with improved levels of education, Africa faces the challenge—and entrepreneurial opportunity—of a youth bulge.

This increased attention, the introduction of foreign entrepreneurship process that interrupted and is interrupting the local entrepreneurship patterns, and demand for entrepreneurship to contend unemployment rise is setting Africa at a crossroads, and decisions and actions taken today will have a strong bearing on whether it places itself on an entrepreneurial path similar to that of other regions such as developing Asia, allowing it to transition from resource-driven to higher-value-added growth. This path encourages the establishment of innovative new ventures and enterprises from the ingenuity of the people and drive real economic growth; economic growth that reflects in the living standard of the people and not on paper.

The relationship between the rate of entrepreneurial innovation via new firm creation and economic development is however heterogeneous across countries, but more in the West African countries given their developing nature. Wennekers et al. (2005) and Ligthelm, (2011, p.163) indeed showed that the link between entrepreneurial dynamics and economic performances is not monotonic. On the contrary, they found evidence of a U-shaped relationship between the level of development and the rate of entrepreneurship. This suggests that entrepreneurship does not yield the same effects no matter where it takes place. Based on this contribution, Amoròs and Cristi (2008) analyzed the Latin
America evidence by adopting an interpretative framework based on the Porter’s (1990) scheme of country economic development, which identifies three stages: factor driven, efficiency-driven and innovative-driven. They provided further support to the U-shaped hypothesis, and in particular they show that Latin America’s countries are clustered in the downward part of the curve.

Such heterogeneous evidence at the aggregate level can be better understood when shifting the focus to the micro foundations of entrepreneurship. Since the seminal contribution by Baumol (1990) we have known that ‘Shumpeterian’ innovative entrepreneurs’ coexist with ‘defensive and necessity entrepreneurs’, the latter being entrepreneurs who enter a new business not because of market opportunities and innovative ideas, but merely because they need an income to survive. For obvious reasons, this kind of ‘survival-driven’ self-employment is particularly diffused in African countries (Naudé, 2009 and 2010; Desai, 2009; Yamada, 1996), where poverty and lack of formal opportunities in the wage sector often push a large number of people into ‘entrepreneurial’ activities ranging from street vending to traditional and personal services (in most cases within the informal sector of the economy (Ihrig and Moe, 2004; Maloney, 2004; Sonobe, Akoten and Otsuka, 2011). The prevalence of ‘survival driven’ entrepreneurs in Africa is often associated to the choice to stay small and informal, rather than participating to the formal sector of the economy (Klapper, Amit and Guillén, 2010; Desai, 2009). This is one of the reasons why the effects of entrepreneurship on economic performances of Africa appear to be problematic.

Amoròs and Cristi (2011) study the relationship between entrepreneurship and human development indicators and provide empirical evidence to the hypothesis that, while this kind of entrepreneurship is hardly able to trigger the economic performance of African countries, it contributes nonetheless to the reduction of inequalities by affecting the wealth distribution in the society. On similar grounds, Naudè, Amoros and Cristi (2011) posit that the effects of entrepreneurship in African countries should be analyzed by looking at broader and more non-material and subjective measures of human well-being. Their findings suggest that entrepreneurship African countries may matter for individual and societal development, beyond the mere increase of GDP.

The emphasis on the development stage of countries calls for a special attention also to the evolution of their entrepreneurial-industrial structure. Since the seminal contributions by Kuznets (1930), Burns (1934) and Marshall (1919) we have known indeed that a country’s economic performance is much related to the main sectors in which it shows a comparative advantage. The fortunes of countries as well as the dynamics of entry, exit and growth of new firms are therefore closely related to the relative stage of the lifecycle of their industries (Klepper, 1997).

In this respect, the empirical evidence concerning industrial dynamics also casts much doubt on the progressive potentialities of entrepreneurial start-ups. Firstly, survival rates for new firms are strikingly low: the available econometric evidence shows that more than 50% of new firms exit the market within the first five years of activity (Dunne, Roberts and Samuelson, 1988 and 1989; Reid 1991; Geroski, 1995; Mata, Portugal and Guimaraes, 1995; Audretsch and Mahmood, 1995; Audretsch, Santarelli and Vivarelli, 1999a; Johnson, 2005). Secondly, entrepreneurship venture entry and exit rates are significantly correlated (what is called “turbulence”, see Beesley and Hamilton, 1984); this is one of the uncontroversial ‘stylized facts’ of the entrepreneurial process according to Geroski (1995, p. 424), who pointed out that the “mechanism of displacement, which seems to be the most palpable
consequence of entrepreneurship venture affects young, new firms more severely” (Baldwin and Gorecki, 1987 and 1991). Indeed, entrepreneurship venture entry and exit rates have been found to be positively correlated across industries in both OECD countries (Bartelsman, Scarpetta and Schivardi, 2005) and more in African countries (Bartelsman, Haltiwanger and Scarpetta, 2004). This evidence opens the way to some considerations regarding the alleged role of entrepreneurship as a vehicle for technological upgrading, productivity growth and employment generation. Consistently, one should be very cautious in seeing entrepreneurship measured as new firm formation as the main driver of development for an African country. If entrepreneurship venture entry were indeed driven mainly by technological opportunities, growing sales and profit expectations, one would observe a negative cross-sectional correlation between entry and exit rates, in particular over short time intervals.

By the same token, new firm formation may be more or less conducive to technological upgrading and industry growth, according to the different sectors in which it occurs. For instance, ‘new technology-based firms’ (NTBFs) (Acs and Audretsch, 1990; Colombo, Delmastro and Grilli, 2004) in advanced manufacturing and ICT services certainly play a different role compared with small-sized start-ups in traditional sectors. These considerations concerning the role of the industrial structure are particularly relevant for the African countries, where the dominant role of traditional and low-tech sectors renders turbulence more likely and the presence of progressive/innovative entrepreneurs is an exception.

‘Entrepreneurship’ is made by very different “animals”. From a macroeconomic point of view, progressive new firm formation can generate permanent economic growth, while defensive and regressive start-ups originate only temporary positive effects, and ultimately market turbulence. From a microeconomic point of view, far from being solely the result of the entrepreneurial ‘creative destruction’ process proposed by Schumpeterian advocates, any set of entrepreneurial ventures can be seen as a rather heterogeneous aggregate where real and innovative entrepreneurs are to be found together with passive followers, over-optimistic gamblers and even escapees from unemployment. Therefore, what important caveats should scholars and policy makers bear? This is the concern of the next section.

6 Conclusion: The Way Forward

Firstly, since founders and entrepreneurs are heterogeneous and may make ‘entry mistakes’, most new firms are doomed to early failure; this type of entry is not conducive to technological renewal and economic growth, but simply to an excess of entries, market churning and turbulence. This is the type of forceful entrepreneurship that was introduced in to the African economic system. In both developed and developing countries, policy makers should discourage this type of venture.

Secondly, ex-ante features may be predictors of survival chances of entrepreneurship programmes and post-entry business performance. For instance, a larger size, previous experience, the absence of credit constraints, higher education and innovation can be considered as positive predictors of a higher likelihood of survival, while infrastructural and institutional drawbacks, the absence of an adequate incubator background, credit facilities and a previous state of unemployment can be seen as predictors of early failure.
Policy makers need to be able to disentangle the drivers of entrepreneurship and encourage a selected subsample of potential entrepreneurs. In the specific case of African countries, as well as a larger startup size, higher education, longer previous job experience and innovative capabilities, the fact of belonging to an entrepreneurial ethnic minority (the case of Okonkwo earlier mentioned supports this thinking) can be seen as an additional preferential trait when deciding how to target a policy addressed at sustaining progressive new firm formation.

However, on average, the African countries appear to be strongly affected by regressive factors inducing “defensive” and “necessity” start-ups, often concentrated in the informal sectors and doomed to early failure. In this context, the widespread diffusion of general, ‘ergaomnes’ entry subsidies as policy instruments in the developing countries is unfortunate. In contrast, ‘umbrella’ subsidies should be discarded in favor of selective and targeted measures addressed to the more promising potential entrepreneurs, such as those characterized by a superior human capital or by interesting and feasible innovative ideas. On the other hand, in the African countries, market failures and regulatory constraints are obvious and severe, ranging from extreme financial rationing to lack of property rights, bribing, institutional inefficiency, informational constraints, etc. In this context, any entrepreneurial policy should consider a priority to remove the market, institutional and informational constraints which prevent potential entrepreneurs from starting a new business (Acs and Virgill, 2009).

To sum up, a proper entrepreneurial policy in the West African region should be able to combine a comprehensive macroeconomic approach addressed to release the major institutional constraints to entrepreneurship with a selective microeconomic support to the most promising potential entrepreneurs.

References


