

Devious Competitiveness Paths of SMEs in sub-Saharan Africa: Selected Issues

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Abstract

Purpose: The aim of this study is to assess the competitiveness general landscape of MSMEs (micro, small and medium enterprises) in sub-Saharan Africa through selected factors driving productivity and effectiveness in doing business, as elements of the general business environment.

Design: To present a general outlook of competitiveness a narrow number of factors was chosen – public institutions, infrastructure, women in business and strategic partnership – corresponding to the contents of four Global Competitiveness Index of the World Economic Forum pillars (public and private institutions, infrastructure, labor market efficiency, business sophistication). The factors selected – elements of the general business environment, have one common feature: all are state-performance-dependent.

The scientific method of research in this study, uses primary sources like the Global Competitiveness Report or The World Bank documents and data. Secondary sources include a number of syntheses, calculations and interpretations of primary sources presented by Polish and foreign scientific literature. Primary and secondary sources gathered became a base for semiotic and semantic analyses.

Findings: The approach in this paper highlights the organization general business environment elements set by the state and their adverse affect on business environment of MSMEs across the region. Competitiveness' paths then may be called devious.

Originality: This study is at the intersection of two different strands relating to organization theory: the business environment and competitiveness, and critical management studies. A qualitative research, a thorough theoretical approach concerns issues hardly available in Poland.

Keywords: sub-Saharan Africa, SME, MSME, general business environment, postcolonial state

Meandry konkurencyjności MŚP w Afryce Subsaharyjskiej. Wybór zagadnień

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Abstrakt

Cel: Celem artykułu jest ukazanie wybranych elementów, otoczenia dalszego (ogólnego) biznesu w Afryce Subsaharyjskiej i przeanalizowanie ich wpływu na konkurencyjność mikro, małych i średnich przedsiębiorstw.

Metodologia: Dla przedstawienia zagadnienia konkurencyjności wybrano wąską grupę czynników – instytucje publiczne, infrastruktura, pozycja kobiet w biznesie, partnerstwo strategiczne – odpowiadających zakresowi filarów konkurencyjności Światowego Indeksu Konkurencyjności (instytucje administracji publicznej, infrastruktura, rynek pracy, stopień zaawansowania gospodarki). Te elementy otoczenia ogólnego biznesu mają wspólną cechę – kształtuje je państwo.

Rozważania w tym artykule opierają się na studiach literaturowych zagranicznych źródeł pierwotnych, jak np. opracowania Banku Światowego i inne, oraz źródeł wtórnych zagranicznych i krajowych powstałych na podstawie źródeł pierwotnych. Oba rodzaje źródeł poddane zostały analizie semantycznej i semiotycznej.

Wnioski: Autor przedstawia elementy otoczenia dalszego biznesu, kształtowane przez państwo i ich niekorzystny wpływ na konkurencyjność organizacji. Można uznać, że przedsiębiorca porusza się raczej w zawilosciach, po meandrach konkurencyjności.

Originalność: Temat artykułu znajduje się na pograniczu dwóch naukowych zagadnień związanych z teorią organizacji: otoczenia biznesu i konkurencyjności oraz krytycznej teorii zarządzania. Jest studium opisowym, w którym rozważane są zagadnienia nowe w naukach o zarządzaniu w Polsce.

Słowa kluczowe: Afryka Subsaharyjska, MŚP, otoczenie dalsze (ogólne) biznesu, państwo postkolonialne

JEL: D21, E0, H1, H8, M2

| Introduction

In sub-Saharan Africa, due to the 2008 financial crisis in the United States, economic growth was fairly close to the levels of the mid-2000s. After very prosperous trends of 6.7% growth in

2006-2007, a decline was observed from under 5.5% in 2008 to 1.5% in 2009 and 3.8% in 2010. The projected 5.2% growth in 2011 was higher than the global average of 4.2% projected by the International Monetary Fund (IMF)¹. One of the reasons that Africa was less affected by the crisis than some other regions in Western Europe was its limited integration, especially of its financial markets, into the global economy. Although this sheltered African economies over the shorter term, it holds them back in their development over the longer term (Regional Economic Outlook, sub-Saharan Africa, World Economic and Financial Surveys, IMF April 2009; Global Monitoring Report 2009, The World Bank 2009: 2, 27, The World Bank, 2011: xi). Sharp increases in food and fuel prices² will inevitably set higher inflation levels for the region. Higher commodity prices for oil will enrich many states' national budgets while adversely affecting other non-oil producing ones. In the face of the largest output shock to the global economy, sub-Saharan countries would differentiate more dangerously within and across country groups. This may be particularly backward for countries grouped in economic and monetary unions with a single currency in circulation like WAEMU³ and CEMAC⁴ in the CFA franc zone, because of sharper and abrupt divisions among the 14 member countries – oil producing and non-oil producing, rich in raw materials and not (Kolasiński 2009).

In sub-Saharan Africa, the impact of the financial crisis included a sharp slump in private capital inflows, a private credit crunch, and a different pace of recovery in country groupings. These results could endanger and eliminate the prospects in the following years for achieving the New Partnership for Africa's Development (NEPAD) goals, as well as the Millennium Development Goals (MDGs) by 2015 (Global Monitoring Report 2009, The World Bank 2009: 14, 23; Regional Economic Outlook, sub-Saharan Africa Recovery and New Risks, IMF April 2011: 5).

Family micro firms and small enterprises in sub-Saharan Africa, if operated in a friendly business environment without adverse inputs from the state, could foster local growth through supporting employment, private consumption and regional contributions to a country's GDP. It is of high importance not only during recovery from the 2009 slowdown in sub-Saharan Africa, but also for the countries' national economies based on raw materials with the prevailing share in international foreign direct investment (FDI) of only resource-seeking types. This is also true of those nations with fragile prospects for growth due to international commodity price dependence, and where secondary and tertiary sectors are developing and the poverty area is widening.

As the Global Competitiveness Report states, the roles of institutions, infrastructure, macroeconomic environment, and health and primary education⁵ are key for factor-driven economies' performance in sub-Saharan countries⁶. These countries compete based on their factor endowments such as unskilled labor and natural resources, and they offer basic products, raw materials or commodities.

It may be possible that missing contributions to a growth rate of 7% could be obtained by sub-Saharan MSMEs when the business efficiency gap is filled as general business environment elements start supporting MSMEs (see endnotes 4 and 25).

| Competitiveness and business environment

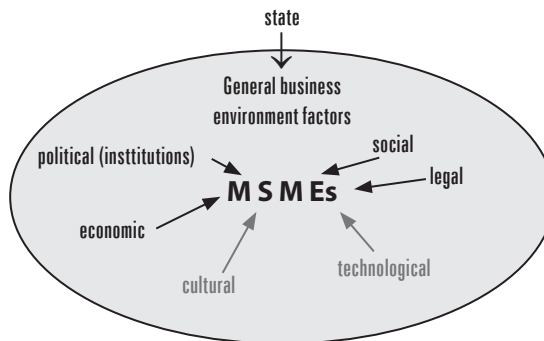
Competitiveness means all of the factors, institutions, and policies that determine a country’s level of productivity. The productivity of an economy, in turn, sets the sustainable level and path of prosperity that a country can achieve. The more competitive economies produce the higher levels of income for their citizens. Competitiveness may be fostered or slowed by a number of factors that originate outside the economy or the organization (business environment inputs) but influence their performance respectively as benefits or constraints.

Competition at the organizational level includes:

- 1) selling products profitably at home market and abroad,
- 2) harmonizing income and employment,
- 3) money to be paid in relation to the prices of competitors,
- 4) a constant process of innovation, and
- 5) strengthening and improving value added processes (Lech, Starosta 2007: 167; Bieniok, Kraśnicka (ed.) 2008: 347; Economic Commission for Africa 2000: 1; Man, Lau, Chan⁷).

The *effectiveness* of an organization requires careful examination and definition of all influences that the environment provides. These are called external *inputs*: economic, legal, social, and institutional factors, that call for an organization’s response (Kieżun 1997: 11, 13, 26, 37; Hatch 2006: 69). External inputs are general business environment elements. If one imagines that a single MSME is a part of a general environment and economic, legal, social and institutional factors originate at the state level, then the assumption is true that the state (authority) can influence MSME’s performance indirectly through specific general environment elements (Figure 1).

Figure 1 | State (authority) influence on MSMEs through elements (factors) of general business environment* **



Source: author.

* This study does not consider technological and cultural elements of the general business environment.

** For more advanced and detailed interpretation, see Hatch 2002; Hatch, Cuncliffe, 2006; Luthans, Doh 2009.

Efficiency and effectiveness of the organization are necessary for its wellbeing in the market and are forced by the process of globalization. Nowadays, globalization brings uncertainty and turbulence from sudden changes of a scale unheard of before not only to the global economy, but also to the organization's environment and becomes the most important external factor for its existence in the market (Kotarbinski 1982: 7, 8, 419, 487; Luthans, Doh 2009: 8.; Bogdanienko 2006: 12; Zorska 2007: 16., Sundaram, Black 1995: 9; Friedman 2006: 57; Nowakowski 2005: 96).

Organizations that are not competitive, effectively market-oriented, that do not operate better than others, and do not perform best of all, will under ruthless selection go into bankruptcy (Bossak, Bienkowski 2004: 17; Kozminski 2004: 91).

An organization's vulnerability to the environmental inputs depends on its demand for resources: raw materials, labor, capital, equipment, and knowledge necessary to produce (*resource dependence theory*) (Hatch 2006: 80). The environment derives its power over the organization from its dependence.

In sub-Saharan Africa, that dependence among micro and small enterprises⁸ is often very close to a "bottleneck effect". The effectiveness of the entrepreneur is often limited as a result of the negative inputs from the environment. Entrepreneurs face:

- Business contracts uncertainty as a result of poor civil law legislation (legal factor input);
- Lack of finance as a result of poor microfinance (economic factor input);
- Excessive costs of doing business as a result of high costs of administrative procedures and their long duration (institutional factor input);
- Operational risk because of power cuts within a poor infrastructure (economic factor input) because in the sub-Saharan region, the quality of infrastructure is mainly a public expenses function. Companies record losses of 8% of sales due to power cuts and 3% of sales due to transport barriers (Wang 2007: 20).

The impact of the infrastructure environment on MSMEs forces the process of adaptation to the unfavorable external business conditions. Kieżun calls it *homeostasis* (Kieżun 1997: 34). Adaptation means entrepreneurs make detrimental decisions to their business. Those decisions taken on purpose include limitation of market expansion, being unregistered⁹, and securing their own supplies of electricity and energy. This kind of adaptation to the general environment reflects organizational determinism. Deterministic vision by management suggests that there is no interaction between the organization and the environment except an obvious one-way influence from the environment (Kieżun 1997: 43).

The poorer the entrepreneur affects how the smaller business is run, and the more detrimental environmental forces affect his firm, the adaptation scope is larger¹⁰.

Many constraints in the business environment (weak legislation, poor state economic performance, shallow markets, overwhelming poverty areas, lack of microfinance for SMEs, pervasive

political and economic uncertainty, etc.) depress sub-Saharan business effectiveness and productivity of the private sector. The governments will need to prioritize and sequence reforms and investments in the business environment and infrastructure to unleash the potential for growth and bring together policies to promote competitiveness within a coherent strategy.

Another role of a government (authority) is to improve competitiveness in public-private dialogue (PPD)¹¹. This is a mechanism developed by the International Finance Corporation (IFC) to facilitate interactions between private and public sector actors as they identify and address obstacles to an improved business environment. PPD programs are a structured mechanism, anchored at the highest level of government, used to facilitate the business environment reform process and the implementation of specific investment climate reforms. It is increasingly regarded as an essential component of effective private-sector policy reform. PPD may be a valuable tool for strengthening women's voices in policy debates of importance to business, but explicit efforts are still needed to make it more gender inclusive.

However, past years have shown inability towards achieving progress in this area due to a slow progress in conducting reforms, particularly in post-colonial sub-Saharan states. Weak performance of many countries across the region defined as post war conflict states, failed states, and fragile democracy states occurred along with high political, operational and economic risks. These were mainly for micro business families and small enterprises too weak and too poor to absorb adverse impacts from the state and its institutions. Their informal business networks expand but with little contribution to state welfare.

| **Weak institutions**

The first pillar of the GCI, institutional environment, is determined by the legal and administrative framework within which individuals, firms, and governments interact to generate income and wealth in the economy. The role of institutions goes beyond the legal framework. Government attitudes toward markets and freedoms and the efficiency of its operations are also very important. Excessive bureaucracy and red tape, overregulation, corruption, dishonesty in dealing with public contracts, and lack of transparency and trustworthiness impose significant economic costs to an organization and its business and slow the process of economic development at the local and central levels of the country.

The state and its public institutions have an important role to play in regard to competitiveness through creating an enabling general business environment at the macro level, as well as identifying and removing obstacles to entrepreneurship, effectiveness and growth.

Douglas C. North pointed to the great importance of countries' institutions and their unquestionable impact on socio-economic development, reduction of uncertainty, sound decision-making

processes and stability – factors of efficiency in entrepreneurship and business (North 1990). The quality of institutions and law, and the efficiency of public administration were considered significant for competitive performance of organizations (Fukuyama 2005: 38). These research results are in line with those of J.W. Fedderke in 2008 and A. Alesina in 2002. They included a variable for the quality of institutions (R), as important together with capital assets (K), labor inputs (L), human capital (H) as responsible for national income (Y) (Fedderke, Luiz 2008: 650):

$$Y = F(K, L, R, H).$$

The quality of institutions, i.e. the institutional environment of the organization, consists of social rights and freedom, property rights, political democracy, and low political (country) risk¹² (Fedderke, Luiz 2008: 652; Ramirez, Tsangarides 2007: 6).

In the sub-Saharan region, the weakness of institutions (state administration structures) constrains the decision-making processes concerning the organization and its business (OECD 2007: 11). They take too long for entrepreneurs due to a number of procedures that are usually expensive¹³. The bill of business costs is then disadvantageous and the business is not competitive. In Benin, connecting telecommunications and obtaining a telephone number took 160 days; in Botswana 26 days, in Cameroon 73 days, in Niger 25 days, and in Madagascar 60 days. Obtaining a supply of energy (electricity) took 70, 33, 47, 63 and 40 days respectively (no data for Madagascar). Securing a water supply took 62, 14, 84, and 117 days respectively (no data for Madagascar). It also took days, 79, 109, and 5 days respectively to obtain a building license (no data for Madagascar) (Ramachandran, Gelb, Eifert, 2009: 33). A large number of procedures caused high costs. Starting a business costs in Benin 195% of GDP per capita, in Botswana 9.9%; in Madagascar 22.7%; in Cameroon 129.2%; and in Niger 174.8% (Ramachandran, Gelb, Eifert, 2009: 38).

It should also be stressed that institutions are responsible for economic policies at the national and regional levels. The results create the quality of the business environment. Using the Ibrahim Index (Mo Ibrahim Foundation) estimates for 2009, economic policy towards development was scored in Burkina Faso, Cameroon, Chad, Cote d'Ivoire, Gambia, Ghana, Mali, Niger, Nigeria and Togo below 50 points on a scale of 10014.

| Women in business

The seventh pillar of the GCI, efficiency and flexibility of the labor market, is critical for ensuring that workers are allocated to their most efficient use in the economy and provided with incentives to give their best effort in their jobs. Labor markets must therefore have the flexibility to shift workers from one economic activity to another rapidly and at low cost, and to allow for wage fluctuations without much social disruption. An efficient labor market must also ensure equity in the business (environment) between women and men.

The competitiveness of the micro and small business organizations in sub-Saharan region suffers from obvious gender inequality in business. It is another important state-origin adverse factor input, i.e. a social one.

Women in Africa are generally less mobile than men and have less time and cash. They are always seen as soft targets for bribes (Africa Commission, Facts and Figures: 3). Expansion opportunities for women in business have been and are still limited in many countries. The share of women in non-agricultural employment was growing very sluggishly. While in 1990 it was about 20%, 15 years later in 2005 it reached only about 24%. (Global Monitoring Report World Bank 2007: 128). Estimates in 2005 showed that in Africa, only about 1/3 of companies were women owned. In Uganda, their share in economic growth was estimated at 50% at that time. Access to business was and is constrained mainly by the culture (central and regional authorities' inability to reform the law or support women in another way against traditional rules) and by customary procedures in commercial banks. At the level of micro family firms (mostly run by women), this discrimination strikingly limited regional entrepreneurship, the dynamics of its development, and made inefficient use of resources (Bardasi, Blackden, Guzman 2007: 69; Hallward Driemeier 2008). As reported by the World Bank in "Enterprise Survey", for 2002-2006, only less than 10% of companies in the manufacturing sector were run by women in Kenya, Senegal, Nigeria and Tanzania, South Africa, Benin, Mali, and Niger. Conversely, in Botswana, Cape Verde, Cameroon and Mozambique, more than 40% were run by women (Bardasi, Blackden, Guzman 2007: 71).

In Swaziland, women are not allowed to register property and they need a man's consent to open a bank account or officially register starting a business. The same applies in the Democratic Republic of Congo. The law requires a woman to physically take her husband to the business registry to prove that she has his consent to be an entrepreneur (Doing Business, World Bank 2006, 2009). In Angola, Botswana, Democratic Republic of Congo, Namibia, Swaziland and Tanzania, the share of unregistered women entrepreneurs is very high among family micro firms and small enterprise entrepreneurs. Of course, this means losses not only for women but for countries' economies as well. Unregistered entrepreneurs (women and men) do not have any credit records in commercial banks and other financial institutions and credit suppliers. The operational risk to finance and support of their activity is high. Such businesses that are run with family money or neighbors' loans do not expand and their role is only for earning a living. This makes a key characteristic of sub-Saharan Africa entrepreneurship that the stock of bank credit for the private sector, micro firms and small enterprises was and is low, except in Mauritius and South Africa.

Commercial banks trade financing of sub-Saharan firms since the outbreak of the 2008 crisis shrank as they sought more protection from risk and more reliable creditors (Global Monitoring Report 2009, The World Bank 2009: 69; Sacerdoti 2005: 4; Asmundsen, Dorsey, Khachatryan, Niculcea, Saito 2011: 14).

The size of economic growth losses as a result of these constraints in the business environment for women can be quantified. Agricultural productivity could increase by up to 20% if women

had access to land, seed and fertilizer equal to men. In countries like Burkina Faso, Kenya, Tanzania and Zambia, equal allocation of land, labor and capital to men and women entrepreneurs could increase production between 10% and 20% (The Gender in Agriculture Sourcebook, The World Bank, The UN, FAO 2009).

As global trade endured the 2008 financial crisis, the sharp drop in trade late in the year came after a period of turmoil in global commodities trade. Prices of food and fuel increased sharply. Wheat prices doubled while rice prices almost tripled. Fuel price rises affected fertilizer prices in agriculture, lowering output¹⁵ (Asmundsen, Dorsey, Khachatryan, Niculcea, Saito 2011: 6, 7). In agricultural and raw materials based sub-Saharan economies where turmoil in international commodity and food markets is extremely dangerous, and in many countries where the pace of recovery from the 2009 slowdown is slow, every opportunity to improve endogenous capabilities and entrepreneurship should be taken (Aikaeli 2007: 1). It seems that in the Sub-Saharan region affected with poverty and hunger, such negligence toward growth potential should not happen, but it does.

| Strategic partnership

The eleventh pillar of the GCI, business sophistication, is conducive to higher efficiency in the production of goods and services. It concerns the quality of a country's overall business networks as well as the quality of individual firms' operations and strategies. When organizations from a particular sector are interconnected in geographically proximate groups ("clusters"), efficiency is heightened and greater opportunities for innovation are created.

Strategic partnership is indirectly a function of MSMEs performance in a specific (uncompetitive) general business environment.

Organizations interested in achieving marketing and managerial success and winning the competitive battle use elements of their business environments. They tie a "coalition" with them. The larger the group of stakeholders in its environment working on its prosperity, the greater are the prospects of market success. A network of actors around the organization (stakeholders) form a coalition of business ventures (the ecosystem). Interdependence among network actors (population ecology) affects the survival and prosperity in business of individual members (Kostera (ed.) 2008: 117; Hatch 2006: 83; The Global Competitiveness Report 2009-2010, World Economic Forum 2009: 4-7; Bossak, Bienkowski 2004; Ramirez, Tsangarides 2007: 5; Bieniok, Kraśnicka (ed.) 2008: 435; Brodzicki, Szultka, 2002, Porter 2001: 246; Yehoue 2005; UNCTAD, 2005: 143; Biggs, Shah 2006).

A.M. Rugman and J. D'Cruz in 1992 studied the interactions between organizations: strategies for business cooperation, management, communication patterns, control effectiveness, etc. at regional, country, industry and organization levels. They identified a business model of a "flag-

ship” firm. The main company (flagship) and its business network were presented as five “partners” that enable the flagship as well as themselves working out the competitive market position. The five partners are:

- 1) key suppliers,
- 2) key customers,
- 3) other suppliers,
- 4) competitors, and
- 5) non-business infrastructure.

The last partner consists of educational institutions, government and public administrations, and merchants’ associations (chambers of commerce) (Rugman (ed.) Vol. 3, 2002: 347).

Regarding this business model, sub-Saharan SMEs showed that such a model of a flagship partnership did not exist. Micro and small firms were not competitive and profitable enough for this kind of partnership¹⁶. They did not create any cooperative networks to achieve competitive position with scientific and research institutions, universities, government and public administrations (Rugman (ed.) Vol. 3, 2002: 350; IBRD The World Bank 2010: 16; Ajayi (ed) 2006: 123; Financial Sector deepening (FSD) Report, 2007: 17; U.S. Department of State, Bureau of Economic, Energy and Business Affairs, 2009: 4; Small and medium industries..., 2003: 9; Innovation systems and innovative clusters in Africa, February 18–20, 2004, Bagamoyo, Tanzania (conference materials): 74, 216, 360, 365).

Only large enterprises, privatized former state-owned giants¹⁷, which had the ability to lobby were involved in strategic partnerships building networks, even with international capital. Unfortunately, this scenario was not likely to promote entrepreneurship among Africans.

Kazakh mining giant ENRC, one of the world’s largest producers of iron and chromium, formed the partnership with African mining company CAMEC, which leads the exploration of coal and cobalt in Democratic Republic of Congo, manages platinum mining in Zimbabwe, and mines bauxite and phosphates in Mali and South Africa. ENRC’s investment in CAMEC of USD \$950 million is a concentration of an almost unheard of scale in the sub-Saharan region¹⁸.

Taiwanese Tai Yuan Textile Co. is engaged in weaving, dyeing and manufacture of clothing and textile. It established in 2004 some commercial partnerships with African companies in the Mori River region, which resulted in a new, modern factory and production line. The African labor force in the region was blessed with Taiwanese capital, management patterns and 60,000 spindles. Another strategic partnership was formed by the Indian mobile giant Bharti Airtel with South Africa’s MTN. The project supported building a communications platform that will connect around 200million subscribers on the continent¹⁹.

Strategic partnerships in sub-Saharan Africa in Ghana, Angola, Nigeria, and Kenya, and in North Africa in Egypt and Tunisia, have been pursued since 2000 by Alcatel Shanghai Bell, the Chinese telecommunication equipment manufacturer. The growth potential and investment opportunities on this continent are favorable where in 1998, the number of mobile subscribers were approximately 7.5 million but in 2004, it was approximately 76.8 million²⁰.

| Infrastructure

The second pillar of the GCI, an extensive and efficient infrastructure, is critical for ensuring the effective functioning of the economy. It is an important factor determining the location of economic activity and the kinds of activities or sectors that can develop in a particular economy. Well-developed infrastructure reduces the effect of distance between regions, integrating the national market and connecting it at low cost to markets in other countries and regions.

Infrastructure is a vital element of the business environment created by the state through domestic investment and public spending. In the sub-Saharan region, it was deficient, losing the efforts and competitiveness of entrepreneurs due to increasing transaction costs, making final products more expensive and difficult to sell²¹.

The number of days without production and earnings is significant when one has to stop business for a number of days because of electricity cuts, affecting profitability, competitiveness and effectiveness. In 2005, 40% of the electricity in Nigeria was provided by private generators. So a kilowatt-hour was 3 times more expensive than one obtained from a state power station. This was reflected in the higher price of selling goods (Ramachandran, Gelb, Eifert 2009: 30, 33, 38). In 2009, sub-Saharan (registered) entrepreneurs faced on average of 56.4 days with cuts of energy, along with 37.2 days with cuts of water supplies that cost about 6% of their income (IBRD, The World Bank 2009(a): 267).

In the least developed countries (LDCs) such as Burundi, Democratic Republic of Congo, Malawi, Guinea-Bissau, Rwanda, Niger, Uganda, Gambia, and Madagascar, business activity and competitiveness were spoiled by the simplest barriers. In Uganda in 2006, up to 87% of companies identified power cuts as a major constraint reducing operational efficiency and competitiveness. In the group of lower middle income countries including Tanzania, Guinea, Mali, Burkina Faso, Zambia, Benin, Kenya, Mauritania, Senegal, and Cameroon, the entrepreneurs pointed to inefficient state management (weak governance), low efficiency of bureaucratic structures of administration and insecurity. A third group of countries including Cape Verde, Namibia, Botswana, Mauritius, and South Africa, more developed and of a higher income level, were also not free from difficulties and barriers which created a non-competitive business environment. Lack of supply of skilled labor, poor infrastructure, poor access to credit, corruption, and restricted access to land were pointed out as constraints for SMEs entrepreneurs (Ramachandran, Gelb, Eifert 2009: 20).

Conclusions

In the sub-Saharan region, entrepreneurship is seen as the key to political, social and economic development. Entrepreneurship together with the competitive position of local private firms are critical components of economic development and growth, especially in economies based on raw materials. In these places, prosperity is sensitive to international commodity prices changes, and often the background for possible diversification of national economy GDP growth is limited. Business owners innovate and assume risks, hire and manage labor forces, and open up markets. In such circumstances, no entrepreneurial activity enabling employment, private consumption, and private savings growth, and supporting local and regional growth should be disregarded.

Small and family micro firms are the dominant form of entrepreneurial activity in sub-Saharan Africa. In 1997 in Nigeria, their share in employment was estimated at 70% and in GDP at over 50% (An empirical analysis..., 2008: 195). In 2002 in Uganda, their share in GDP was estimated at 58% and their share in enterprises population was over 90% (Proceedings of the symposium..., 2002: 5, 27). In 2003 in Kenya, small and micro firms employed 3,2 million employees and their share in GDP was 18% (Kauffmann 2005: 4).

Generally nowadays, the small and micro firm population constitute around 90% of business operations in the region and create over 50% of employment and GDP. These numbers are crucial for the region and also for the continent, claimed often as forgotten or missed in the global economic system.

Unfortunately, adverse inputs from the general business environment for MSMEs limit their entrepreneurial activities for doing business in the informal sector, supporting a black market beyond state business and statistic records. Losses to the size of regional economic growth as a result of constraints in the general business environment for women entrepreneurs are also by no means insignificant.

The NEPAD goals will be hard to achieve by 2015 without 7% annual economic growth²², as well as the Millennium Development Goals (MDGs) to eradicate poverty. Reducing by 50% the population that lives for less than one U.S. dollar a day was estimated in 2004 to cost annually USD \$64 billion (12% GDP)²³ (Nsouli (ed), 2004; Ilorach 2004).

The process of recovery from the 2008 financial crisis in the United States is still very slow (and secondary shock waves cause labor market turbulence and affect states' financial positions) in some developed countries. In the European area, the collapse scenarios of Greece and slowdowns in Portugal, Spain, and Italy ("PIGS" countries) remain in the news. In sub-Saharan developing countries, development partnership (often as resource-seeking FDI) concentrates only on resources and commodities with very few examples of supporting infrastructure. The prospects of achieving NEPAD and MDG goals are very uncertain (Africa Development Indicators 2008/2009, The World Bank; Compass 2020, 2007: 4, 6). Sharply slower economic growth in

the sub-Saharan region resulting from the crisis may cause as many as 200,000 to 400,000 more infant deaths per year on average between 2009 and 2015 (the NEPAD and MDGs target year). This translates into 1,4 million to 2,8 million additional infant death during the period (Global Monitoring Report 2009: 3).

It is known that MSMEs act as incubators of specialization, innovation and competitiveness allowing a country to grow, diversify economically and industrialize. Therefore, it should be of special interest and carefulness to create investment-friendly general business environment elements by improving the quality of infrastructure, rules of law, public security, and improved institutions.

It is a bit of a *circulus vitiosus* (vicious circle). The elements of the general business environment that maintain competitiveness in factor-driven economies and improve the MSMEs environment to a business friendly one are set by the state²⁴. To improve, strengthen and make general business environment elements at the macro level more competitive and friendly for family micro firms, small and medium enterprises, the postcolonial state should at first deeply reform itself. This process continues with support mainly from the African Development Bank, IMF and the World Bank. The longer it will take, the longer the general business environment elements set by the state discussed in this study (see also Figure 1) would adversely influence MSMEs' entrepreneurial efforts.

Only breaking down the barriers to business would empower citizens to be creative, seek opportunity, improve the quality of life, and better allocate resources by eliminating wasteful usage of them. It should also change the attitudes to business. Many Africans start MSMEs because they have been laid off due to privatization of state giants and have to make a living and survive. But many of these businesses do not expand and profits are minimal.

There is a need to create opportunities by seeking endogenous potential for growth among MSMEs. This requires state and institutional efforts to conduct reforms for improving fields noted in this study. Such efforts should focus on developing infrastructure with support from government incentives for foreign capital inflows (FDI). Gender inequalities in business are relevant, but it is not very possible to solve these problems by law at the state level. Educational efforts and microfinance initiatives follow-through at the local level could provide positive results. Improving institutions means making them more effective, efficient and competitive structures, responsive and open at local and central levels to society, democracy and world standards. It will take a long time because many countries mentioned in this study are still failed states. As the domestic private sector grows and expands due to the quality of the business environment, sound institutions and a stable state (politically at first), it would be easier for private businesses to cooperate internationally and tie into strategic partnerships with foreign investors.

With the examples of constraints in the general business environment at a macro level set by the state, the barriers to be a competitive entrepreneur are in opposition to this clear message

for change. This is especially sad for the developing sub-Saharan region where the poverty of a large scale and harsh natural conditions should justify any steps towards eliminating such constraints and barriers adversely influencing the opportunities of growth (Wallace 1999: 34; Des-sart, Ubogu 2001: 55; Khadaroo, Seetanah 2005: 8; Ajayi 2006: 139; Kayanula, Quartey, 2000: 12; Kauffmann 2005: 3; IBRD, The World Bank 2009(a): 181; The Prosperity Index in Africa. The Role of Entrepreneurship and Opportunity in sub-Saharan Africa. Legatum Institute, May 2011; Business Incubation in sub-Saharan Africa, infoDev Washington).

¹ Even with that high growth rate of 5.2% during crises, undoubtedly a blessing in the European area, in sub-Saharan Africa it is not enough to meet the requirements for overwhelming poverty reduction, conducting postcolonial states structural reforms or achieving NEPAD goals.

² While the commodity price movements noted since December 2010 were likely to adversely affect trade accounts in Lesotho, Sao Tome and Principe, Seychelles and Zimbabwe – in which it is projected to deteriorate by more than 3% of GDP in 2011, there are also winners. The oil-producing countries like Angola, Chad, Equatorial Guinea, Gabon, Nigeria and Republic of Congo will improve their accounts by more than 10 percentage points of GDP in 2011. In low income countries, real government expenditures growth before and after the crisis has been stable at about 6%. Exceptions where they will be negative in 2011 are Burundi, Central African Republic, Liberia, Gambia, Madagascar and Malawi. In middle income countries, the expenditures increased as expected during the recession in 2009 (Regional Economic Outlook, sub-Saharan Africa Recovery and New Risks, IMF April 2011: 3, 11, 15).

³ WAEMU, West African Economic and Monetary Union countries are Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo.

⁴ CEMAC, Central African Economic and Monetary Community countries are Cameroon, Central African Republic, Chad, Congo, Gabon and Equatorial Guinea.

⁵ This study does not consider the macroeconomic environment and health and primary education pillars. Nevertheless, macroeconomic environment (3rd pillar) is briefly touched when discussing the quality of sub-Saharan postcolonial state institutions and Foreign Policy "Failed State Index". Many countries are failed ones, because of their macroeconomic fragility that is defined by Highly Indebted Poor Country (HIPC) and Least Developed Country (LDC).

⁶ For instance: Benin, Burkina Faso, Cameroon, Chad, Cote d'Ivoire, Mali, Nigeria, and Senegal.

⁷ Accessed at www.sbaer.uca.edu.

⁸ Medium enterprises do not exist in sub-Saharan Africa except South Africa. This quality of private sector enterprises is called "missing middle". The missing middle scheme weakens significantly the effectiveness and competitive position of the private sector (OECD 2007: 13).

⁹ Unregistered business means no credit record in a commercial bank that raises difficulties in external financing. Businesses then stagnate at micro or small sizes and their role in regional entrepreneurship and share in growth is nothing except "making a living".

¹⁰ State-owned enterprises and privatized state giants avoid environment adverse impacts through high bribes, lobbying and unclear relations between politicians and businessmen.

¹¹ Yet improving competitiveness is not the responsibility of government alone. Businesses and civil society also have their roles to play. What is needed is an ongoing dialogue about measures needed and progress made in various areas, as well as incentives to keep up the reform process. It may not be easy and last long, as research show that civil society in a post-colonial sub-Saharan state was deeply withdrawn and unwilling to cooperate with a state – synonymous with ethnic riots, wars, human disasters and poverty (Tulder, van Zwart 2006).

¹² The dawn of independence after the colonial hegemony in sub-Saharan Africa appeared with the desire to arrange a new African state as a national one. Foreign investors were thrown out. Their capital was nationalized. The mosaic of often antagonistic ethnic groups, forced to live as close neighbors under the Berlin Conference in 1885 within new fixed borders of colonial states, were now free of colonial domination and ruthless civil wars started. Countries sunk into blood, anarchy and poverty. Dictatorship regimes distorted the idea of authority and governing of the state. Building institutions was possible only after dictatorship regimes had been subverted. In spite of this, many sub-Saharan states are still weak and fragile. Many are called "failed states". If a state is failed, its institutions are failed too. Failed States Index is the annual ranking prepared by the Fund for Peace and published by FOREIGN POLICY of the world's most vulnerable countries. The index draws on some 130,000 publicly available sources to analyze 177 countries and rate them on 12 indicators of pressure on the state -- from refugee flows to poverty, public services, institutions quality to security threats. Taken together, a country's performance on this set of indicators tells how stable or unstable the state is.

For instance, in 2008, failed states in sub-Saharan Africa were: Sudan, Zimbabwe, Chad, Democratic Republic of Congo, Ivory Coast (Cote d'Ivoire), Central African Republic, Uganda, Nigeria, Kenya, Congo, Malawi, Guinea-Bissau, Cameroon, Burkina Faso, Equatorial Guinea, Rwanda and Togo. In 2011, three sub-Saharan African states: Somalia, Chad, and Sudan – once again topped the Failed States Index. Kenya moved

out of the top 15, showing that the country continues to recover from its bloody post-election ethnic warfare of recent years. Former French colony, Ivory Coast, rejoined the top 10, grimly foreshadowing its devastating post-election crisis, while fragile Niger leapt four spots amid a devastating famine. In Nigeria, steady in the rankings this year at number 14, post-election rampages in April killed as many as 800 people. Sudan's closely watched referendum in January 2012 on an independent southern state was surprisingly free of bloodshed, but the country continues to hover on the brink of new violence.

¹³ The number of procedures and long decision-making processes are closely connected with the special social pre-colonial feudal era relations in sub-Saharan Africa called clientelism and patrimonium. Everyone should have one's patron – a provider who could make one's life and professional carrier easier. Nowadays client-patron relations are based on bribes that are sometimes called "sand in the wheels" of effective and efficient institutions. Expensive procedures are important to local and central budget public incomes.

¹⁴ www.moibrahimfoundation.org.

¹⁵ Some fertilizers are produced from natural gas.

¹⁶ Micro firms and small enterprises were usually not associated in informal connections at the government level. They were far from corruption and power. They did not lobby and influence their environment (Gibson, Vaart, 2008: 3, 10). They often lacked competitive regional specialization and comparative advantage. They usually used simple production methods and lacked of new technologies and innovation. Vertical integration and strategies in the value chain as well as the process of internationalization were often in infancy. These factors are not a background for their internalization, creating joint-ventures, expanding business to regional and international markets (Internalization of Cameroonian..., 2009: 54).

¹⁷ Turning over state-owned enterprises to the private sector was the approach pushed by IMF structural adjustment programs.

¹⁸ <http://www.theafricareport.com>.

¹⁹ <http://www.articles.timesofindia.indiatimes.com>.

²⁰ <http://www.chinadaily.com.cn>.

²¹ Only the most productive firms (exporting ones) had a sufficient cost advantage to overcome transportation costs and to compete internationally (Biesebroeck 2005).

²² See also endnote 4 in this study.

²³ 72% of the youth population in the sub-Saharan region lives on less than USD \$2 a day.

²⁴ A state should also support public-private dialogue (PPD) towards improving private and public sector actors relations, supporting cooperation with international NGOs and implementing international legal standards and incentives programs that enable MSMEs growth potential to be more effective and competitive.

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