



Africa has entrepreneurs, just not the right kind.

To transition Africa's army of 'necessity entrepreneurs' into 'opportunity entrepreneurs', inventiveness and ingenuity - not business as usual - need to be the order of the day.

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OPINION.

Why does Africa, which is so beset by challenges, have so few successful entrepreneurs who have brought a concept to market, added to national income, provided new goods and services, and created jobs? This is a question I have asked myself often over the years.

Entrepreneurship is about identifying challenges that need to be solved and coming up with solutions for solving them and bringing them to market in the form of new goods or services. What is the reason, then, that a continent as largely underdeveloped as Africa is failing to come up with solutions to the myriad problems, and monetising them?

Is it bureaucracy? Lack of Imagination? Ineptitude? Access to capital? Bureaucracy and access to capital are factors, but they are not the main problem. The primary reason entrepreneurship is not driving African development is because Africa is not breeding the right kind of entrepreneurs.

Africa is rife with "necessity entrepreneurs", rather than "opportunity entrepreneurs". "Necessity entrepreneurs" are defined by European economist André van Stel (who analysed the effect of entrepreneurship on economic growth and found that the former's influence on the latter depends on the level of income) as those with low incomes who are "forced to embrace entrepreneurship out of necessity or survival".

Cue the many Africans who have spaza shops, hairdressers, barbers or nail salons. Or who engage in arbitrage. Most have started a business not because it is a calling or a passion, but out of necessity. They are not looking to bring new products or services to market; they are focused – completely understandably – on putting food on the table, their children through school and looking after the extended family.

Conversely, says Van Stel, "opportunity entrepreneurs" are people who primarily engage in business as a result of a deliberate personal choice to pursue a perceived business opportunity, be in control of one's life, achieve a feeling of self-esteem or have more independence.

They are often from high-income countries, which is why it is not surprising that, despite most Africans being engaged in the "informal sector", the Global Entrepreneurship Index 2018 lists the US as the most entrepreneurial country of all, followed by Switzerland and Canada.

This ranking is based on the ability of an entrepreneur to "bring a concept to market, adding to national income, providing new goods and services, and creating jobs". Botswana was the highest ranked African country on this list at 52. SA was ranked 57th and Namibia 61st.

The Entrepreneurship Index 2021, compiled by CEO World magazine, also ranks the US as the most entrepreneurial country, followed by Germany and the UK. SA is the highest ranked-African country on the list at 48, followed by Kenya in 63rd position.

What is interesting to note however is that the US does not boast the most entrepreneurs in the world; when it comes to number of entrepreneurs it comes in 41st, with entrepreneurs making up only 4.3% of its adult population, according to UK-based business-networking group Approved Index. The country with the most entrepreneurs, according to this index, is Uganda. Cameroon, Angola and Botswana also make the top 10.

What this clearly indicates is that quantity does not equal "quality". This is why we have no difficulty naming a US company or idea that pioneered a new service or product (Amazon, Apple, Microsoft, Oracle, Uber, Tesla, Google are just a few that spring to mind) or a US entrepreneur considered to be "visionary" (Steve Jobs, Bill Gates, Jeff Bezos), but we are hard-pressed to name many Africans apart from Elon Musk (though he is a product of the US), Aliko Dangote, Strive Masiyiwa, Patrice Motsepe, Johann Rupert or Christo Wiese.

And of those African industrialists or entrepreneurs we can list, who among them can be considered a "necessity entrepreneur"? Not one! Most come from fairly privileged backgrounds with distinct advantages, including access to savings and security to tide them over while they were building their businesses.

So what is to be done? First, we need to acknowledge that while Africa has many "necessity entrepreneurs" and lots of entrepreneurial activity, it is not the right kind of activity that will bring a concept to market, add to national income, provide new goods and services and create jobs. This acknowledgement will allow us to change how we tackle entrepreneurship in Africa. As they say, accepting there is a problem is the first step towards solving it.

It is that we should not be looking at the developed world for entrepreneurial paradigms and models we can replicate to provide African entrepreneurs with the necessary security they require; we should look instead to countries like Chile, which is ranked 9th on the Approved Index (with about 11% of its population choosing entrepreneurship) and 19th on the GEI 2018 list.

Like most of Africa, Chile remains beset by obdurate inequality, but it has managed to inculcate a culture of entrepreneurialism that is the envy of the developing world. Start-up funding, education, innovation and an entrepreneurial environment all are considered to contribute to Chile's culture of entrepreneurship.

Government's prioritisation of supporting entrepreneurs through deregulation and cutting bureaucracy to make it easy to set up a business is one that African governments should endeavour to copy. In addition to cutting red tape, governments should look at giving local companies the same tax breaks and concessions that they do to foreign investors. This encourages domestic direct investment as opposed to the current fixation with foreign direct investment.

African countries must also focus on providing quality education – particularly maths, science and reading, as Chile does – as this will go a long way towards transitioning "necessity entrepreneurs" to "opportunity entrepreneurs". In fact, I believe we should go even further than Chile and actually introduce entrepreneurship education from a primary school level across the continent.

We also need to figure out how to better fund entrepreneurs in Africa. While you don't always require capital to start a business – I am a firm believer that money follows good ideas – "necessity entrepreneurs" need to draw "salaries" from their enterprises from the outset to look after their families. This is not good business practice, so we need to consider carefully how we can financially support entrepreneurs while they bring their concept to market.

Proper incubators are necessary to assist entrepreneurs to effectively structure and develop their product and service and also lead them in the right way to raise capital. However, this capital-raising provision needs to be made for the basic "necessity cover" to facilitate entrepreneurs to also survive while building the business. Or providing incentives – in the form of tax breaks or the conversion of loans to grants upon successfully achieving certain milestones, and grants for every sustainable job you create - so that success is rewarded.

This is admittedly not an easy challenge to solve, but it is one African governments need to look at solving urgently for "opportunity" entrepreneurship to thrive.

Finally, we need to get serious about mentoring. Several studies of start-ups in Africa have shown that they fail in the first one to three years because of lack of mentoring (as well as access to capital). As indicated, I believe money follows good ideas, so mentoring in everything from crafting a business plan to understanding pricing and how to determine their unique selling proposition is critical. And mentoring needs to be provided not for just a matter of months, but for years.

Necessity, as they say, is the mother of invention. To transition Africa's army of "necessity entrepreneurs" into "opportunity entrepreneurs", inventiveness and ingenuity - not business as usual - need to be the order of the day.