

ENTREPRENEURS'
CREATIVE RESPONSES
TO INSTITUTIONAL
CHALLENGES

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ENTREPRENEURS' CREATIVE RESPONSES TO INSTITUTIONAL CHALLENGES

Insider Perspectives from
Sub-Saharan Africa

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FOREWORD

In Africa, the prospects for continued and even accelerated economic growth and development driven by entrepreneurs are more promising than ever. In the early throes of an entrepreneurial revolution, Africa's business landscape is fast evolving, reflecting improvements in governance, increased trade openness, better macroeconomic management and a rising middle class. The growing adoption of new technologies fueled by digitisation and smart materials supports these trends. At the end of 2019, more than 300 digital platforms, mostly indigenous, were already operating across the continent, as well as more than 400 high-tech hubs. Venture capital funding of African tech start-ups increased tenfold between 2012 and 2018. While many start-ups in Africa are due to necessity, lack of employment and social security, even more are driven by opportunity. Moreover, the proportion of high-growth firms in Africa is comparable to that in Europe.

This promise of entrepreneurially driven growth and development must be realised, and the momentum of recent years should be given a further boost by enacting the right policies and making informed investments. Herein, the scholarly community can contribute by presenting scientific

evidence on the dynamics of African entrepreneurship. We need to understand more about African entrepreneurship as a whole – not just about the obstacles that limit the entry of entrepreneurs or limit the scaling up of their firms but also about how entrepreneurs' broader social impact can be optimised. This understanding is even more crucial because, despite recent progress, the challenge of sustainable development in Africa remains daunting. Around 428 million people still live in absolute poverty (33% of the continent's population), inequality remains high and the region is expected to be the hardest hit by climate change. How can entrepreneurs thus best be supported to be of even greater benefit to both society and the environment?

To this crucial question, this book by dr. Emiel L. Eijdenberg and dr. Neil A. Thompson makes a welcome contribution. Focusing on the cases of entrepreneurs in Tanzania and Zambia, they depart from the understanding that the dynamics of African entrepreneurship – what they do, why and how they do it and how it impacts – is ultimately a function of the institutional environment (the 'rules of the game'). To unpack the relationship between institutional environment and the role of entrepreneurship in social and environmental development, they chose to observe several entrepreneurs at the coalface closely and relate their narratives. They carefully document 'a more nuanced and insider perspective of the everyday struggles of Tanzanian and Zambian entrepreneurs'. Their fascinating account, while confirming the promise of entrepreneurship-led development in the two countries (yes, entrepreneurs do contribute to sustainable development), also highlights the need for complementary interventions, such as environmental regulations,

environmental awareness promotion, better alignment of incentives and more comprehensive and robust social security systems.

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PREFACE

Entrepreneurship is as old as humankind. Primitive hunter-gatherers explored niche advantages in the early marketplace. Assyrians had some sort of no-frills innovation and an army of knowledge workers. Phoenician merchants connected people in the Mediterranean through trade. Roman aristocrats let slaves run their businesses. Medieval marketplaces served as the centre of value-adding activities, goods and produce exchange, and regional trade. The Dutch East Indian Company is known as one of the first international corporations issuing public shares, allowing people the opportunity to create financial value while taking a degree of risk. Henry Ford's innovative assembly line allowed for mass production of automobiles, creating value for larger sets of people. Without entrepreneurship, much of our world as we know it today would look significantly different.

When we think of entrepreneurship today, businesses such as Apple, Microsoft and Tesla, founded and led by entrepreneurs Steve Jobs, Bill Gates and Elon Musk, respectively, come to our minds. These well-known examples of large corporations started small in a garage but eventually grew to international scale, changing the way of how we live, work and travel. Adding value based on seizing opportunities by taking risk and radically innovating is key in changing the rules of the game of society.

Many previously mentioned examples of successful businesses and their entrepreneurs are from Western, developed countries and are undoubtedly important for both local economies and the world economy. In past decades, these types of businesses and entrepreneurs have increasingly attracted the attention of the scholarly community, resulting in research of this phenomenon from different perspectives and often using large quantitative data sets of international regulatory bodies (e.g. the World Bank) or consortia (e.g. Global Entrepreneurship Monitor). However, entrepreneurship takes place not only in Western, developed countries but also in less developed countries that make up more than a billion people living in poverty. With that said, an important aspect of research has largely been overlooked: the illustrative, personal stories of entrepreneurs from developing countries. This book revolves around this missing aspect.

From a personal note, we – the authors of this book – have been intrigued by entrepreneurship in developing countries for a long time. We both have visited, lived and worked in developing countries, as well as talked with hundreds of entrepreneurs in developing countries, primarily in sub-Saharan Africa, about their lives as entrepreneurs, including what drives, motivates, enables and hinders them. We have seen the large amount of entrepreneurial activity in countries such as Ethiopia, Ghana, Rwanda, Uganda and Zimbabwe, for example, in the countless people making and selling goods on the streets, which were more often than not colourful homemade meals and beverages that enriched your senses. These people were practicing improvised forms of innovation such as drinking water purifiers, cell phone chargers made from dynamos on bicycles, and sandals made from car tires. They were often engaging in entrepreneurial activities to make a living, but some also enjoyed working independently and had a strong passion for the work they were doing. We have

seen entrepreneurs who started on one day but were gone the next, whereas others remained for a long time or even became very successful. Some entrepreneurs operated from ordinary brick-and-mortar stores, while others had self-made wooden-and-cardboard kiosks with creative – sometimes ironic – names such as ‘Copy Cat Business’.

Insider views are greatly needed to overcome the constraints of quantitative studies based on large data sets. Obviously, from a practical perspective, it is impossible to interview every entrepreneur from a developing country to ascertain a more complete understanding of each business-person’s type of entrepreneurship. However, we have made an attempt in this book by presenting and discussing the findings from focus groups with 60 experts on entrepreneurship and experienced entrepreneurs from two developing countries in sub-Saharan Africa: Tanzania and Zambia. This effort showcases personal experiences and stories of everyday circumstances of Tanzanian and Zambian entrepreneurs in light of contemporary theories from entrepreneurship literature and with concrete takeaways for practitioners. We hope that the insider views in this book make entrepreneurship in developing countries come alive for you in the same way we have seen and experienced ourselves.

Dr. Emiel L. Eijdenberg
Dr. Neil A. Thompson

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