SAFIC

List of abstracts received

Copenhagen workshop

25-27 Feb 2014

14 in total (21 pages) –

in the order received.

(1) ABSTRACT (Godfrey Hampwaye & Soeren Jeppesen)

TITLE: The Role of State- Business Relations in the performance of Zambia's Food Processing sub- Sector.

There are many factors that account for the performance of *local* firms and which determine whether a firm is successful or not. These factors range from those that explain the growth of a firm such as highly skilled labour force and a strong brand to resources and strategies of the firm and markets, networks of the firm, and state-business relations. The state-business relations in this case include, *inter alia*, government regulations and policies on one hand and business associations on the other.

This paper attempts to examine how state-business relations impact the performance of firms in the food processing sub-sector in Zambia. In particular, the paper analyses whether or not government regulations and policies, and business associations are significant in the performance of the food processing sub-sector in Zambia given the changing macro-economic and political environment in Zambia in the recent past.

The paper draws from a wide range of mainly primary data from a survey of 32 firms in the category of food processing conducted between 2013 and 2014. The categories of these firms are wide but dominated by grain milling followed by dairy processing. Others include production of snacks, edible oils, sauces and jams, baby food processing, opaque beer brewing, and vegetable processing.

The main argument in this paper is that institutions are key to the performance of firms generally and the findings from the surveyed firms in the food processing sub-sector do support such an argument. The evidence from the field clearly indicates that the firms depend on several institutional drivers for their growth. Similarly, institutional barriers also play a critical role in limiting the growth of these firms. The same argument also applies for business associations and trade regulations. However, fewer firms are affected positively by the trade regulations.

The discussion will start with an introduction and then proceed with brief literature review. The discussion will then shift to the discussion of the key findings and finally the summary of the findings and the conclusion.

Journal: Accepted for a special issue of 'Bulletin' – deadline august 2014

(2) Doing (local) business in Zambia: navigating reforms and steering unfriendly territories.

By Peter Kragelund, Søren Jeppesen and Godfrey Hampwaye

Africa's business environment has improved over the past decade. A number of 'top performers' are now among the top 100 best performing countries in the world. Meanwhile, African governments are seeking to enhance the participation of the domestic private sector in the economy through institutions of affirmative action. Despite improved 'doing business' indicators and targeted support to local businesses, the domestic private sector faces major challenges to stay afloat in an increasingly competitive environment.
Based on fieldwork in the agri-business sector and among the suppliers to the mines in Zambia this paper argues that the improved business climate in Zambia may have facilitated more foreign investment in the country but it has not assisted local companies in managing their institutional environments and thus created sustained growth. Simultaneously, affirmative action institutions have been captured by the local elite. Paradoxically, the result is that neither the initiatives set in motion by the International Financial Institutions nor the schemes initiated by the Zambian government has benefitted the locally owned productive sector in Zambia.

Structure of paper:

1. Introduction:
    a. Data from WB 'doing business' sets the scene. Tells the story of Zambia moving up the doing business ladder
    b. Affirmative action in Zambia (incl. the Citizen Economic Empowerment Commission). Tells the story never-ending policies to assist local businesses
    c. The sectors (agri-business and mines): importance for structural transformation and sustainable economic growth
    d. Paradox: Locally owned companies are not better off - quite the reverse
    e. Outline of argument & Methodology (short)
2. Analytical framework:
    a. Alternatives to the orthodox neoliberal doing business story
        1. Investment climate vs business climate: what matters is not governance WB style but hand-in-hand arrangements (see e.g. Moore/Schmidtz, 2008)
        2. Politics and development of local businesses: insights from the State-business literature
        3. PSD or Industrial Policy (Schulpen & Gibbon, Altenburg, even Rodrik?)...
    b. Determinants of competitiveness
3. The role of the private sector in the Zambian political economy
    a. The situation at independence
    b. The consequences of the reforms in the late 60s
    c. The consequences of SAPs
    d. New actors and new competition and challenges
    e. General challenges facing the private sector in Zambia (see also Zambia Enterprise map)
4. Zambian + IFI support to the private sector: an uneasy relationship (structured according to key concept from analytical framework)

5. Challenges faced by local firms in the two sectors (own data analysed through the lenses developed in section 2 above)
6. The mismatch between challenges and support
7. Conclusions

Potential journals:

- **Journal of International Development** (Pros: Several articles on the subject , SSCI/ Cons: High rejection rate)
- **Business and Politics** (Pros: Spot on in terms of content / Cons: Not in SSCI)
- **Journal of Contemporary African Studies** (?)

(3) The copper boom and the development bust: the effects of rising commodity prices in Zambia

By Peter Kragelund

The copper boom and the development bust

For more than a decade now, the Zambian economy has been catapulted upwards by booming commodity prices. This has enabled the Zambian government to progress towards its vision 2030 where Zambia is classified as a middle-income country and due to Zambia's renewed ability to borrow money in international financial markets, the country has been able to initiate several large-scale infrastructural investments. At the same time, poverty is widespread and internal inequalities are rising.

The literature is rich on cases of aggregate analyses of tendencies of 'resource curses' and 'paradoxes of plenty'. This paper uses firm-level data from suppliers to the mines in Zambia's Copperbelt to show how the governance of the mining sector, including several cases of affirmative action, has failed to bring about inclusive growth. Thereby, this paper seeks to further our understanding of why booming commodity prices do not lead to broad-based developmental effects and in particular, it seeks to enhance our understanding of why decades of attention to policies that seek to enhance the developmental benefit of booming commodity prices and large-scale investments in the Zambian mining sector have not led to diversification and structural transformation of the economy. The paper tells the story of local affirmative action initiatives that have been side-tracked and eventually helped the political elite and global governance of a system that benefits the elite – local and foreign alike.

Structure of paper:

- Introduction
  - Booming commodity prices and the growing role of copper in the Zambian economy
  - Large-scale poverty and increasing inequalities in Zambia
  - Data on (lack of) structural transformation in the economy
- Analytical framework
  - Traditional approaches to the resource-development nexus
    - Incl. Linkage debate
  - Making most of commodities (ownership doesn't matter)
  - Elites/SBR and commodities
- Copper in Zambia
  - Pay most attention to the most recent developments
- Regulation / governance of the copper /
  - The role of donors/IFIs
- Effects of regulation
  - Data from governing bodies and Private sector institutions
  - Data from Suppliers to the
- Discussion
  - Elite capturing the gains?

What is new?

- It is based on fieldwork among the supposed beneficiaries of linkage programmes
- This paper adds the viewpoint of the marginalised indigenous private sector
- It questions the argument that ownership doesn't matter (MMC-project)

4. Strategies for Creating Competitive Advantage: A Case Study of Food Processing Firms in Nairobi, Kenya

Radha Upadhyaya, Dorothy McCormick, Paul Kamau, Jackson Maalu, Herbert Wamalwa (IDS, University of Nairobi).

Background and Motivation

The current development consensus informs us that sustained economic growth and employment are critical to development and poverty alleviation. Economic growth requires, amongst others, structural transformation, diversification of production, risk taking by firms and formation of an industrial base (World Bank, 2005). It has been recognized that SSA experienced de-industrialization during the 1980s and 1990s and while growth has improved in the 2000s, this has mainly been due to natural resource extraction. The challenge of developing a competitive industrial sector still remains in most African countries.

While several studies have discussed the structural and regulatory constraints that hinder industrial development in SSA, very few studies focus on firm specific strategies, and how firms interact with the particular market structures and institutions in SSA (Bigsten & Soderbom, 2005; Jorem, Hansen, & Jeppesen, 2012). Some studies have discussed the role of ethnically based networks as a tool used by firms cope with uncertain institutional environment (Biggs & Shah, 2006). However, there is still a large gap in the literature in terms of the impact of firm specific factors that determine performance of firms in SSA.

This paper and the broad project under which it falls, turns the question on its head and asks – what can we learn from firms that have been successful in SSA? How do they cope with changing and often volatile market and institutional conditions? Answering these research questions will lead to recommendations for firm strategic management, private sector development policy and government industrial policy. The project has begun to conduct a quantitative survey of food processing firms in Nairobi, Kenya.

Recent policy documents in Kenya including the Vision 2030, have identified food processing as the most important sub-sector of the manufacturing sector in terms of its contribution of GDP (Republic of Kenya, 2007). Food processing consists of multiple value chains beginning in agricultural production and reaching into domestic, regional and global markets. Therefore the sector contributes both to employment and export earrings in the economy. A recent report by the World Bank stresses that “Food processing is another sector where the country can use its natural base in agriculture to reach the next level of competitiveness” (World Bank, 2012). However, it has been argued that successful (re)making of agro-industries not only rests on comparative advantages such as cheap labor, natural resources and geographical proximity to final markets, but also requires the creation of competitive advantages (Ouma & Whitfield, 2012). Furthermore, creating competitive advantages in turn, requires the transformation of landscapes of disparate capabilities, organizational forms, inherited institutional frameworks and routines, and technological relations into a coordinated socio-economic system (Ouma & Whitfield, 2012). Therefore, understanding the factors that allowed certain Kenyan firms to be successful has wide ranging policy implications.

This specific paper aims to answer the following questions –

1) What strategies do successful African firms follow to create competitive advantage?
2) What are the most important resources for successful African firms?
3) What impact do resources have on the strategies chosen by successful African firms?

Theoretical Design

The paper is based on an analytical framework that aims to understand African business performance as a dynamic interaction between 3 factors: contextual specific market structures and institutions, firm capabilities and strategy, and political and social institutions - resulting in a successful firm performance (Jorem et al., 2012). This paper focuses on the second set of factors - firm capabilities and strategy. It follows in the tradition of resource-based school (Peteraf, 1997) and also emphasizes the importance of the adaptability and judgment of the entrepreneur as key to successful strategy (Yu, 2001).

It has been noted that business studies and development studies have evolved relatively independently of each other, however to understand entrepreneurs in developing countries, researchers will need to interact with both these fields (Hansen & Schaumburg-Muller, 2010). The paper aims to bring together understanding of business management literature to bear on developing country firms. This paper also makes tentative steps in trying to combine the concepts from studies that have focused on development of firm technology and technological capabilities (Amsden, 2001; Lall, 2000) with studies on strategic management (Kogut & Zander, 1992). Unlike many firm level studies in SSA, it does not only focus on Small and Medium sized enterprises (SMEs) but also looks at Large and Medium firms.

Methods and Research Design

The study completed an extensive mapping exercise of food processing firms in Nairobi to establish the population of food processing firms. Firms that had been in existence of at least 5 year with at least ten employees were included in the population.
Within food processing, this study focuses on the following segments - Dairy, Grain Milling, Edible Oils, Sauces and Jams and Snacks. The mapping exercise identified 347 firms in these segments in Nairobi. This paper will present early results of primary data from a survey carried out for approximately 50 firms. Initially the researchers followed a random sampling strategy but were severely constrained due to access issues. Many firms were not willing to be interviewed. We are currently following a snowball sampling strategy. We hope that by covering a high proportion of the population, we may at least partially offset the biases inherent in this form of sampling.

The survey instrument covers four broad areas that are known to impact success of a firm including:- drivers and constraints to success, resources and strategies of the company, markets and networks and finally state-business relations. This paper attempts to presents an analysis of the second set of factors from this survey instrument – resources and strategies.
Quantitative analysis will be done using cross tabulations, analysis of means, and other basic statistical tools. Successful firms will be identified using four indicators: Longevity, owners'

perceptions, profit growth and market expansion. The paper will then provide an analysis of relationships between firm success and resources & strategies and also an analysis of inter-relationships between firm resources and firm strategy.

It is hoped that the paper will provide unique insights into how firms create competitive advantage in Kenya with broader implications of how policy can support these efforts.

SUGGESTED JOURNALS

See separate list attached.

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5. Critical success factors and performance in Sub-Saharan Africa food processing Sub sector – (Tanzania team)

Based on different perspectives, viz., institutional theories and resource based view, previous studies identify factors (e.g. firms' internal and external factors) which determine the performance of manufacturing companies in Sub-Saharan Africa. However, the studies do not show which among the identified factors are the most critical success factors (CSFs) or the most barriers of performance of manufacturers.

A number of empirical studies assessing CSFs in manufacturing firms were conducted outside SSA. Some of these studies solely focus on successful SMEs, which make it difficult to compare strategies adopted by successful and non-successful manufacturers as well as those adopted by manufacturers in different size categories and in different subsectors. Some studies address CSFs in relation to the adoption of total quality management (TQM) but not performance in general. Firms' performance could be improved by not only adopting TQM but also investment in a firm's unique capabilities.

CSFs are factors thought to be necessary to possess or activities (strategies) that must be carried out to ensure success or improve the performance of a firm. CSFs change as business environment within which a firm operates and or challenges which a firm encounters change. Thus, CSFs are locational and/or time specific. Firms with different sizes and ages are differently affected by the business environment and challenges; hence their CSFs are likely to differ. These justify a continuous assessment of CSFs of manufacturers located in different sample locations of studies, or the same area of study but at different points of time.

Motivated by the conceptual framework developed by Simpson *et al.* (2012) as well as filling the identified knowledge gaps, this paper aims to identify CSFs in food processing firms in SSA. The paper also intends to examine the relationship between the perceived CSFs and firm's capabilities as well as performance. Given limited resources, identification of CSFs, their relationships with firm's capabilities and performance is very crucial to enable food processors and policy makers set priority on areas to be emphasized. More emphasis on areas critical for success will improve the performance of food processors, a situation that will strengthen their linkages with other sectors, particularly the agricultural sector which provides a significant percentage of employment and income to SSA.

Relationship between capabilities and CSFs in this paper will mainly be informed by the resource based theory and will borrow from the conceptual framework developed by Simpson *et al.* (2012).

The paper will utilize data from *sample* food processors in Zambia, Kenya and Tanzania collected in 2013-2014. To meet the said objectives, the paper will apply descriptive statistics. Comparative analysis of ranking of CSFs based on top performers in the three sample countries, average performers and low performers will be done. Age and location of firms will be taken into consideration.

6. Effectiveness of State-Business Relations in Tanzania

Goodluck Charles, Lettice Rutashobya & Ester Ishengoma

When the state and business interact effectively, they can promote more efficient allocation of scarce resources, conduct a more appropriate industrial policy, remove the biggest obstacles to growth and create wealth more efficiently. When the two sides fail to cooperate, or engage in harmful collusion, economic activity centres on wealth creation for the few rather than the many. Drawing from the political science and governance literature there is now an increasing interest to identify what can be considered as characteristics of effective SBRs. Indeed, there is evidence that collaboration between business and government elites has positive consequences for the growth of the businesses and the economy as a whole. The political science suggests that good SBRs are based on benign collaboration between business and the state with positive mechanisms that enable transparency, ensure the likelihood of reciprocity; increase credibility of the state, and establish high levels of trust between public and private agents (Harris, 2006). Basically, there is heated discussion among political scientists and economists studying state-business relations (SBRs) on whether it is possible to measure the effectiveness of such relationships meaningfully. SBRs are not always directly observable, yet we still want to assess their importance for business performance. Notwithstanding the need for effective SBRs there have been very few direct attempts to assess the effectiveness of SBRs on the basis of objective observable characteristics. Indeed, studies on SBRs in developing economies especially in Sub-Saharan Africa are very limited.

Although there has been an attempt in countries like Ghana, South Africa, Mauritius and Zambia to assess drivers of SBRs (Velde, 2010), the economic functions and effectiveness of SBRs are yet to be established. In Tanzania, it is hard to find an academic literature that dwells on the state-business relations despite the existence of some initiatives directed at developing and improving SBRs. Notable initiatives have been implemented with the view of promoting state business relations including the implementation of the National Road Map and the Big Results Now (BRN) that brings together the Private Sector and Public Sector to dialogue and make a joint plan to improve the business climate. A number of commitments have been made although the outcomes have not been very positive. Likewise, Business Associations especially in food sector have attempted to maintain the dialogue with the public sector to improve the business environment, yet, the outcomes are not positive. As a result, there is a feeling that the private sector has not been proactive enough to push the government to act in its interest while the government is considered to be rigid. At the same time, the analysis of how the state relates with private sector and the extent to which their relationship matter in implementing reforms and improving business climate has not been done. Whether the ongoing interactions of the state and private sector are effective and sustainable is not clear. Even the strategies used by state and private sector to engage with each are not documented let alone the stock of the interventions that have taken place.

In view of the above background, this paper focuses on “Effectiveness of the SBRs in Tanzania”. In particular, the paper will investigate the nature of the private-public sector interactions taking place in Tanzania and their resulting outcomes. It will investigate how the private sector is organized in the food processing sector and the strategies used by Private Sector Organizations to engage with the Government in dialogue. It will also investigate the economic behaviour of key actors engaged in SBRs in food processing sector. The paper will measure the effectiveness of approaches used by the private sector associations in achieving the intended results.

Expected publication and outlets

- Journal Article to be published in the International Journal of Public Policy Management by Emerald

Structure of the paper

1. **Introduction**
    - Theoretical debate about the SBRs and theoretical knowledge gap
    - Context- business environment in Tanzania and ongoing initiatives (regulatory environment, ranking by the World Bank, Road Map, BRN, ongoing PPD with focus on food processing
    - Sector focus- food processing
    - Objectives and Outline of the paper
    - Methodology- analysis of BMOs cases, PPD experience in Tanzania, data and case studies generated from the field work

2. **Theoretical framework**
    - Political science & governance: characteristics of effective state-business relations
    - Industrial policy
    - Institutional theory

3. **SBRs Experiences in Food processing in Tanzania** – Cases demonstrating the PSOs and state interventions
    - Stories (issues, policy interactions, PPD, experiences, challenges, etc)
    - Effectiveness of SBRs – outcomes, impacts at micro and macro levels
4. **Discussion of findings and implications**
    - Key findings
    - Theoretical and empirical implications
    - Policy implications

5. **Conclusions and areas for further research**

7. COORDINATION AND GOVERNANCE IN FOOD PROCESSING SUPPLY CHAINS IN TANZANIA:CONSTRAINTS AND STRATEGIES (TZ – team)

As firms increasingly externalize some non core activities, management of upstream and downstream processes and its dynamics becomes of prime importance for firm success.This externalisation of the otherwise traditionally internalised operations has forced managers to pay more attention on both linkage processes in order to deliver quality products and operate in a cost effective manner. This is particularly important in food processing industry which by nature of the business is subjected to many stringent quality and safety standards and regulations.The increased emphasis on linkages has implications on how managers coordinate their internal activities with those of their suppliers and customers.Consequently the role of interfirm linkages has received great attention in recent academic inquiry. Viewed from the theoretical lenses of coordination and institutional theories (viz, networks, Resource based View (RBV), and transactions cost economics (TCE)), this paper explores the constraints faced by managers of food processing firms in a country known for its fragmented value chains (Ndyetabula, 2012). We also examine their strategies in the coordination and management of these supply chains that enable them to gain better control over production in order to guarantee quantity, quality and value addition to their products.

A number of theoretical perspectives have been used to study similar problems. However TCE, networks, and RVB are the three most relevant theories for this study. While RBV looks into internal capabilities to decide whether or not to outsource a service or product, TCE takes an external perspective. It is primarily concerned with the governance mechanisms/structures of the firm (defined as boundary of the firm), whether a particular activity should be externalized (outsourced) or internalized (hierarchical governance structure) (Williamson, 1978, 1985, 2008). Williamson (1985) identifies three conditions, viz asset specificity, uncertainty and frequency of interaction as factors that explain the choice of governance structure by a firm in order to minimize costs. That considering the uncertainties and risks associated with markets firms will tend to internalize activities. Supply chain risks especially in the developing country context may include government laws and regulations, quality of supplies, hygiene, variation in order quantities, long lead times, transportation requirements, and the generally under-developed supply markets and the like. These risk factors will affect the ability of the firm to deliver quality products at a minimum cost and hence at a competitive price. Similarly, transactions involving investment of specific assets are more likely to be internalized, in light of potential opportunism in market transactions.

With regard to externalization, firms can choose to outsource from the market or consider a hybrid governance structure (Williamson, 2008). The mechanism of the hybrid governance structure is defined by the network perspective, which brings into the relational exchanges the concept of longevity. In order to avoid high costs associated with hierarchical governance structures, firms will choose to forge long term relationships with suppliers to minimize opportunism inherent in dealings with external partners. Relationship building with suppliers ensure trust, and healthy cooperation and hence value creation at the inter firm level. In the developing country context, where skills are lacking, firms might invest considerably in building skillful and knowledgeable suppliers, which might jeopodize the cost minimization objective in the short run, but increase returns in the long term.

Providing a more internal perspective, the RBV on the other hand, suggest that, "activities in which the firm maintains a superior resource position or capability viz a viz potential suppliers are likely to be retained in-house, and those for which resource position or capability is weak provide an impetus for outsourcing" (Brewer, at al, 2013).

To the extent that the theories provide clues on the drivers of the decision on whether to internalize or externalize transactions, this papers draws on TCE, RBV and network theories theory, to examine how the developing country business environment context influences the supply chains decisions of managers in the food processing sub-sector in Tanzania. Our study chooses to focus on upstream linkages which, in our view, play crucial role in food processing, in terms of ensuring that the finished products meet the quality and safety standards requirements in both domestic and foreign markets. This paper explores the above issues in the fish processing and diary subsectors in Tanzania.

Agro processing which encompass food processing has been growing over the years, making it the dominant industry in Tanzania spreading across the country with a number of sub-sectors that include, fish processing, diary, grain milling, coffee and tea, edible oils etc. In 2008, agroprocessing value addition registered 55.6 percent of the whole manufacturing sector in the country (IIDS, 2011). While fish processing is very export orientated, which earns the country substantial foreign exchange, diary products are mainly for domestic market, where there is still huge demand gap. Export markets for fish especially the Nile Perch span from a number of European countries (such as Germany, Netherlands, Spain, Italy, etc) to Australia, Japan, and the Middle East. A study of the governance structures and coordination of supply chains involving these sub sectors will provide policy insights on what needs to be done to realize higher value addition and upgrading. In the context of a developing country like Tanzania, support actors that include the government and the lead processing firms is critical for upgrading and development of a competitive value chain as well as a successful and sustainable business. More specifically addressing the challenges inherent on the supply side which by the nature of the two subsectors (fish processing and diary) involve small holders and artisanal fishermen, is not only pertinent for creating sustainable and successful value chains in food processing, but is also critical for poverty alleviation and rural livelihoods. Comprehensive empirical studies, with strong theoretical grounding that examine the above issues at this level are lacking in Tanzania.

The paper will use data derived from a survey of food processing firms in Tanzania, including extensive discussions with managers undertaken between December 2013 and January 2014. It will also draw insights from a pilot indepth survey that was undertake in the country in January 2013.

Publication potential: Emerald's Journal of Agribusiness

8. **Paper idea presented to SAFIC Workshop**
February 2014
Michael W. Hansen

Growing through linkages?

Case studies of the dynamics of linkage collaborations in the Tanzanian food processing industry

Abstract: Based on a survey of Tanzanian firms in the food processing industry, it is found that success measured in terms of growth and acquisition of organizational and technological capabilities is correlated with foreign linkages. However, little is known about the nature of this correlation and what drives it. In particular, it is unclear whether success is a cause or effect of foreign linkages. The paper complements findings from a survey of growth paths in Tanzanian food processing enterprises with five case studies of linkage collaborations in the Tanzanian food processing industry to examine the scope and content of linkages, how and why they are formed, and what their impacts are on the local firms.

Theory: Linkage and spill over theory, network theory

Method: Survey and case studies

9. Paper idea presented to SAFIC Workshop
February 2014
Michael W. Hansen

Building local content

Successful local suppliers in Tanzania's extractive industries

Abstract: Natural resource extraction is destined to become the main growth engine of many African countries in the coming years, including Tanzania. However, most of these extractive activities are organized by foreign firms. Even though extractive MNCs are outsourcing large parts of their value chains thus providing opportunities for integration of suppliers and subcontractors, it is very difficult for local firms to become suppliers to these MNCs, mainly due to very high standards adopted by the MNCs in combination with lacking capabilities of local supply industries. Moreover, government policies often provide direct disincentives to the integration of local firms in extractive MNCs' value chains. However, a small group of Tanzanian suppliers has managed to break into the value chains of extractive MNCs and obtain short, mid or long term contracts with the MNCs. Some of these firms have moreover embarked on technical and managerial collaboration with the MNCs. This paper will analyze these firms to develop an understanding of the sources of their successful collaboration with the MNCs. These sources are partly found in the ownership specific advantages of the local firms (management skills and vision, technological and organizational capabilities, network capabilities) and partly in opportunities offered by the government and MNCs.

Theory: Value chain theory, dynamic capabilities, network and linkage theory

Method: Interviews with suppliers to MNCs as well as MNCs

-10. **The Role of Market Diversification in Sustainability of Food Processing Manufacturers in Kenya**

by

Paul Kamau, Jackson Maalu, Radha Upadhyaya, Dorothy McCormick, Herbert Wamalwa
(University of Nairobi)

Food manufacturing subsector in Kenya continues to play a key role in the development agenda and in the achievement of the Vision 2030 targets. The contribution of this subsector is in three folds: contribution to the GDP, foreign exchange earnings and employment creation (Government of Kenya, 2008; World Bank 2012). Recent literature suggests that Kenya can use her natural base in agriculture to reach the next level of competitiveness in food processing industry. In spite of this significance of the industry, its performance has been on a decline trend in the recent past from 8.7% in 2007 to 1.6% in 2011. This casts doubts into the sustainability of the industry an issue worth investigation under the SAFIC research project.

One of the widely held views is that firms which embrace market diversification and internationalization grow in terms of their competitiveness and sustainability (see McCormick et al 2007, Bigsten and Kimuyu 2002, Kimuyu 1999). This paper investigates the role of market diversification (especially the internationalization) in explaining sustainability of African owned food processing firms. Market diversification is analyzed at two levels: final customers targeted and entry into the export markets. Data used in this paper is drawn from the SAFIC Kenya survey conducted among food processing firms in grain milling, edible oils, sauces & Jams, and snacks firms. The survey which commenced in November 2013 is still ongoing among food processing firms located in the Nairobi metropolitan area.

Preliminary analysis shows that firms which target niche markets (niche customers) and those with higher proportions of exports perform better than those which target ordinary markets and do not participate in the export markets. Analysis of this data is expected to demonstrate the extent to which learning by exporting hypothesis is supported in the Kenyan food processing industry. In addition, this paper will examine the role of niche market and export market strategy in Kenyan firms.

11. **Paper idea presented to SAFIC Workshop**
February 2014
Tanzania team

Coping with the African business environment:

Strategic response under institutional uncertainty in the Tanzanian food processing industry

Abstract: High corruption, weak institutions, overregulation and lack of trust permeates the Tanzanian business environment. Nevertheless, some enterprises break the enterprise barrier and become sizable and successful businesses. The paper sets out to trace the origins of successful African enterprises by identifying generic strategic responses and patterns. Drawing on detailed case studies of seven Tanzanian enterprises in the food processing industry we identify six generic strategies adopted by Tanzanian enterprises that contrast markedly with the competitive and collaborative strategies depicted by strategy text books. These are diversification, value chain integration, network strategies, political lobbying, donor orientation and internationalization. We discuss the sustainability of the strategies adopted by Tanzanian enterprises and outline managerial and policy implications.

Theory: Strategic management literature

Method: 7 case studies to illustrate theoretical points

12. Abstract

Female entrepreneurship in a changing institutional environment

Female entrepreneurs have received increased attention from policy makers, development organizations and researchers in recent years. As it is believed that promoting women's entrepreneurship will create employment, improve household welfare and reduce poverty, the promotion of female entrepreneurship has become a key policy focus in much of Africa. Extant research has been dominated by research on micro-businesses in the informal sector and has shown that women face a number of gender related barriers to sustain, grow and formalise their business stemming from the institutional environment. Although female entrepreneurs experience relatively high failure rates and most female-owned businesses remain small and informal some clearly do manage to sustain, grow and formalise their business. Moreover, in recent years a range of initiatives have been put in place to foster women's entrepreneurship, some of them stemming from female business owners themselves. Based on fieldwork with women-owned businesses in the food-processing industry in Tanzania and key institutions (such as governmental institutions and women's business associations) this paper examines how female entrepreneurs are navigating a challenging institutional environment. Drawing on insights from feminist economic geography and neo-institutional theory the paper contributes with knowledge about the gendered character of the institutional environment, the tactics that female entrepreneurs employ to overcome gender-related institutional barriers, and sheds light on how women may act as institutional entrepreneurs in an African context.

Thilde/Tanzania Team

(13) Applying formal research methods in Social Sciences in Africa: Challenges and Explanations: Experiences from Kenya Country Study on Successful African Firms and Institutional Change (SAFIC)

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The GIGO acronym popularly used in computer science has more meaning than just a programming challenge. Research like any other system has the input, processes and output components. The quality of research output will to a large extend be determined by the input in terms of the data that is employed in the analysis to draw conclusions. The challenges of carrying out research in social sciences in developing countries has been documented with some scholars dismissing research in such cases as waste of time and money.

While most studies identify the challenges of carrying out social science research in Africa, few attempt to understand the underlying explanation for this phenomenon and even fewer are those that offer any form of suggestions on how this can be addressed.

This paper draws on the field experiences of senior researchers in SAFIC and interviews with leading scholars on how to deal with such situations. The range of challenges from lack of reliable sampling frame, none existent registered firms, to unwilling and often “too busy for interviews” responses seem to suggest that it is not only a waste of time and money but also that the many published works based on such situations present misleading findings. This can be explained and possibly addressed to still derive meaningful knowledge from research efforts in Africa.

The paper will rely on quantitative and qualitative data drawn from the Kenya Country SAFIC research in the food processing and food equipment manufacturing sectors. The study is currently ongoing with fieldwork still in progress and is at early stages of data analysis.

(14) A Comparative Study of the Institutional Factors influencing Business in the Food Processing and Equipment Manufacturing Sectors in Kenya

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Abstract

The concept of institutions has bee used to explain the differences in performance of firms across different contexts. Institutional theory scholars North (1990), Scott, (2004) concur that institutional theory can be well applied to attent to the deeper resilient aspect of social structures. It is considered to include schemas, rules, norms, and routinesthat have become established as authoritative guidelines for social behaviour (Scott, 2004). By their very nature, instutions applicable in one context are not necessarily same as another context. This paper attempts to examine the nature of instituonal factors that influence business in two sectors: food processing and food processing equipment manufacturing. The key concern is whether or not there are differences in the nature of institutions influencing business therein both as drivers or barriers.

Based on preliminary findings from a Kenya country study under SAFIC focusing on the two sectors, this paper examines the differences in the institutions cited and seeks to establish the rationale behind the differences. Given that these two sectors are closely related, it was initially expected that the findings relating to the institutional factors were the same, however, the initial indications are that they vary to some large extend.

By understanding the differences in the influence of the instutitional factors across sectors is important largely in informing policy formulation but more critically to understand the link between the nature of institutions and the context in which the business operates.

The paper will rely on quantitative and qualitative data drawn from the Kenya Country SAFIC research in the food processing and food equipment manufacturing sectors. The study is currently ongoing with fieldwork still in progress and is at early stages of data analysis.