

WHAT CONSTITUTES SUCCESSFUL AFRICAN ENTERPRISES?

A SURVEY OF 210 FOOD PROCESSING FIRMS KENYA, TANZANIA AND ZAMBIA

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Summary of Presentation

- “ Objectives
- “ Literature review
- “ Analytical Framework
- “ Results
- “ Conclusions

Objectives & Contribution of Paper

- “ Understand why some SMEs succeeded in overcoming the challenges of the African business environment and seizing the new growth opportunities ?
- “ Contributions
 - “ consolidating the extant literature on African enterprise performance,
 - “ developing a comprehensive model for analyzing performance
 - “ applying this model to one of the hitherto most comprehensive surveys of African SMEs

Literature Review

“ Business Environment Factors

- “ Institutions
- “ Infrastructure
- “ Competition
- “ Linkages to other enterprises

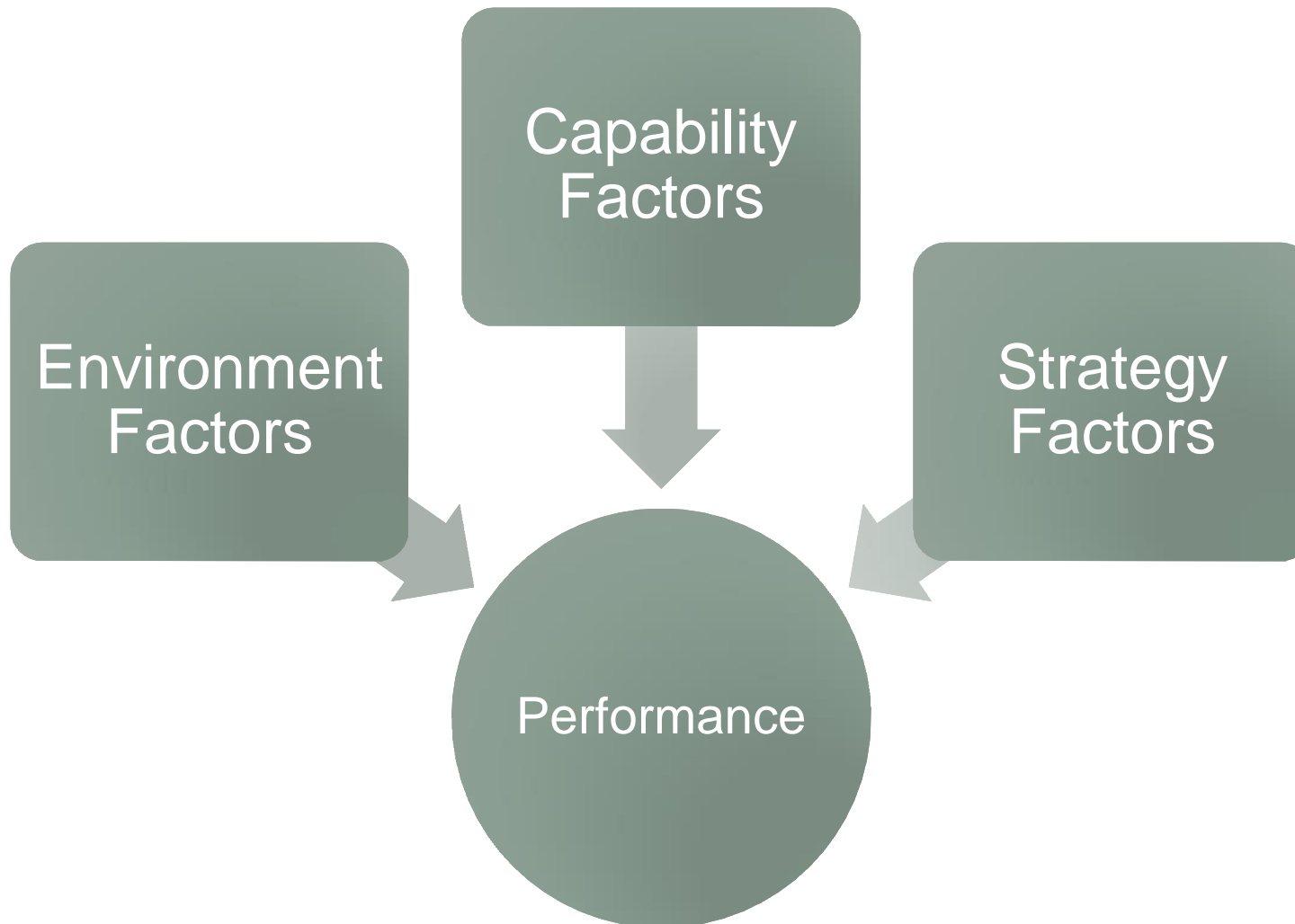
“ Capabilities

- “ Technological and financial capabilities
- “ Human resource capabilities
- “ Organizational and managerial capabilities

“ Strategies

- “ Competitive strategies
- “ Internationalization strategies
- “ Political and network strategies

Analytical Framework



Results

- “ African firms successful - 2012
 - “ Average EBIT 18%, more than half EBIT 20% (US average 16%)
- “ Performance . EBIT, Turnover, Employees, Self-Assessment
- “ Firms split into Gazelles, Followers, Laggards
 - “ 36% of sample Gazelle firms
- “ Model explains 37% of variation in EBIT, 22% of variation in Gazelles

Results continued

“ Business Environment factors

- “ Country specific . Zambia 13% lower EBIT, 24% less likely to be Gazelle
- “ Kenyan firms . more likely to be Gazelle
- “ Survey . cost of inputs barrier for 82% of firms, corruption barrier for 42% of firms

“ Capabilities

- “ Dynamic capabilities . 2.5% difference in EBIT but not gazelle
- “ Main internal factor explaining differences . wage / turnover -1% increase → 3% increase of EBIT, 8% increase likelihood of Gazelle

“ Strategies

- “ Political strategy . 15% higher EBIT, 60% higher likelihood of Gazelle
- “ Niche strategy . 5% higher EBIT, 14% higher likelihood of Gazelle

Conclusions

- “ Average EBIT . 18% - many firms in SSA are successful
- “ Business environment factors
 - “ access to inputs key constraint
 - “ Need to improve intermediary market
 - “ Reduce corruption
- “ Capability
 - “ Gazelles . employ skilled labor and adopting niche strategy
 - “ Focus of Industrial policy
- “ Strategy
 - “ Political strategy adopted by few but very successful
 - “ Difficult task for industrial policy