



University of Nairobi



**Copenhagen  
Business School**  
HANDELSHØJSKOLEN

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## WORKSHOP REPORT

**Successful African Firms and Institutional Change (SAFIC) Project**

**First Joint Workshop Held in Nairobi, Kenya**

**(Lenana Mount Hotel)**

**21<sup>st</sup> – 23<sup>rd</sup> February, 2012**

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University of Dar es Salaam



University of Zambia

## Contents

List of acronyms .....	4
Project Summary .....	5
Day 1: 21 February 2012 .....	6
1.2 Project aims, Objectives and Outputs – Presented by Søren Jeppesen.....	8
1.3 Country Studies.....	10
1.3.1 Kenyan Country Study - Paul Kamau .....	10
1.3.4 Tanzanian Country Study- Goodluck Charles.....	11
1.3.6 Zambia Country Study - Godfrey Hampwaye .....	13
Day 2: 22 February 2012 .....	15
2.1 Eileen Dyer.....	15
2.2 Rudo Phiri Mumba .....	16
2.3 Mutale Mwango .....	18
2.4 Japheth Mbura .....	19
2.5 David Rwehikiza.....	20
2.6 Nyukuri Wamalwa .....	21
2.7 Supervision, Timing and Other Cross-Cutting Issues for PhD Projects and Masters Thesis .....	22
2.7.1 PhD Students .....	22
2.7.2 Master Students.....	22
Day 3: 23 February 2012 .....	23
3.1 Theoretical/analytical framework (part I): Empirical Knowledge and Gaps on (Successful African Firms): Understanding the Rise of African Business: Hype or Reality: A Literature Review of Recent Research on Successful African Enterprises. ....	23
3.2 Theoretical/analytical framework (part II) – Fine tuning of outline in project application: Political and Social Institutions and the Success of the African Firm: Which Theories Can Guide Us?.....	24
3.3 Theoretical / Analytical Framework and Methodology presented by Søren .....	27
3. 4 Presentation of Country Plans.....	29
3.4.1 Zambian Country Plan.....	29
3.1.7 Kenyan Country Plan .....	30
3.4.3 Tanzanian Country Plan .....	32
3.4.4. Discussions and comments.....	32
3.5. Budget, website, reporting and other issues .....	33
Appendices .....	34

A-1 Workshop Participants ..... 34  
A - 2 Workshop Program..... 36

## List of acronyms

1. CBK - Central Bank of Kenya
2. CBS - the Copenhagen Business School
3. DFC - Danish Fellowship Centre
4. FGDs - Focus Group Discussions
5. GDP - Gross Domestic Product
6. GoZ - Government of Zambia
7. ICTs - Information and Communication Technologies
8. IDS - Institute for Development Studies
9. KEPSA - Kenya Private Sector Alliance
10. KRA - Kenya Revenue Authority
11. SAFIC - Successful African Firms and Institutional Change
12. SAPs - Structural Adjustment Programs
13. SMEs - Small and Medium Enterprises
14. UDBS - University of Dar es Salaam Business School
15. UNZA - University of Zambia
16. UDSM - University of Dar es Salaam
17. UoN - University of Nairobi
18. ZCCM - Zambia Industrial and Mining Corporation
19. ZMCO - Zambia Consolidated Copper Mines

## Project Summary

The project was initiated on 1<sup>st</sup> January, 2012 and it is expected to end on 30<sup>th</sup> June, 2016. The project aims to investigate how and why African firms are able to be successful in changing business and institutional environments. It will identify strategies that lead to sustained firm performance and seek to explain these firms' success by looking at the interface between firm internal factors (resources and capabilities) and firm external factors (market structures and institutions - formal and informal). In doing this, the project will combine firm level theories with institutional and business environment theories, including the state-business relation theory. The project combines quantitative methodology with detailed case studies in a country and sector comparative perspective in order to produce statistical and analytical generalisations.

The knowledge generated will enable the development of a better theoretical understanding of African firms, private sector development and economic growth. Identifying successful strategies is expected to inform current private sector development initiatives at the country and international level, thereby potentially contributing to economic growth and employment in the three countries. The project will contribute to the capacity building of the involved African universities among senior researchers and by graduating five PhD scholars and 21 Master students in the field.

## Day 1: 21 February 2012

### 1.1 Opening Remarks

At the beginning of the workshop, the Project Coordinator, Søren Jeppesen welcomed the participants to the 1<sup>st</sup> SAFIC joint workshop. See Appendix A-1 for a full participant list. He introduced the project, highlighting the participating institutions and the general organisation of the project as follows:

1. CBS (Søren Jeppesen), Project Coordinator
2. UoN-IDS (Dorothy McCormick), Country Coordinator
3. UDDBS (Lettice N. Rutashobya), Country Coordinator
4. UNZA- (Godfrey Hampwaye), Country Coordinator

Søren also took the participants through the three day programme and the ground rules for the workshop (See Appendix A-2.)

He then proceeded to welcome Dorothy McCormick to give the opening remarks on behalf of the IDS Director, Prof. Mohamud Jama. Dorothy welcomed all the project members to Nairobi. She gave a history of the formation of the Institute for Development Studies at the University of Nairobi and made a brief presentation on the role IDS has played in policy formulation and implementation in Kenya.

The country coordinators introduced their team members as follows:

1. University of Nairobi – Institute for Development Studies (Kenya)
  - i. Prof. Dorothy McCormick - Country Coordinator
  - ii. Dr. Paul Kamau – Team member
  - iii. Dr. Jackson Maalu – Team member
  - iv. Dr. Radha Upadhyaya – Team member
  - v. Mr. Herberts Wamalwa – Team member- Project Assistant/ PhD Candidate
2. University of Dar es Salaam – Business School (Tanzania)
  - i. Prof. Lettice Rutashobya - Country Coordinator
  - ii. Dr. Marcelina Mvula Chijoriga – Team member
  - iii. Dr. Goodluck Charles - Team member
  - iv. Mr. Japhet Gabriel Mbura – Team member - PhD Candidate
  - v. Mr. David Rwehikiza– Team member -PhD Candidate
3. University of Zambia – Department of Geography (Zambia)
  - i. Dr. Godfrey Hampwaye - Country Coordinator
  - ii. Ms. Rudo Mumba - Team member - PhD Candidate
  - iii. Mr. Mutale Mwango - Team member - PhD Candidate
4. Copenhagen Business School (Denmark)
  - i. Prof. Søren Jeppesen - Overall Project Coordinator

- ii. Prof. Michael Wendelboe Hansen - Team member
- iii. Prof. Thilde Langevang - Team member
- iv. Prof. Lotte Thomsen - Team member (*Introduced in absentia*)
- v. Ms. Eileen Dyer - Team member - PhD Candidate

5. Roskilde University

- i. Prof. Peter Kragelund - Team member.

**Group Photograph**



**Seated left to right:** Marcelina, Dorothy, Søren, Godfrey, Lettice, Rudo.

**Standing left to right:** Radha, Rwehikiza, Japhet, Thilde, Wamalwa, Eileen, Michael, Peter, Mutale, Ngigi, Goodluck, Maalu, Kamau.

## **1.2 Project aims, Objectives and Outputs – Presented by Søren Jeppesen**

SAFIC Project is a collaborative four and half-year research project involving five institutions in four countries

### **1.2.1 Project aim**

SAFIC's main aim is to investigate how and why African firms are able to be successful in changing business and institutional environments. The aim is to contribute to enhanced understanding of economic growth and employment through new knowledge on firm development in the African private sector.

### **1.2.2 Project objectives**

1. To identify strategies that lead to sustained firm performance;
2. To explain the firm's success by looking at the interface between firm internal factors (resources and capabilities) and firms external factors (market structures and institutions – formal and informal);
3. To trace the origins of local firms' success in Kenya, Tanzania and Zambia, as a means to inform firm strategies and economic development policy in these countries;
4. To fill theoretical voids of understanding business strategies of African firms;
5. To generate insights and recommendations related to firm strategic management as well as private sector development policy;
6. To contribute to capacity building at the participating universities, including contributing to the training of qualified young scholars in the field;
7. To provide a comparative perspective on business-state relations in the three African countries.

### **1.2.3 The key research question**

The key research question guiding the project is: How and why do certain local firms in the three countries manage to grow successfully under changing conditions and often volatile market and institutional conditions?

### **1.2.4 Expected project outputs**

The expected project outputs include both academic and policy related work.

#### **Academic outputs**

1. (At least) 20 journal articles in international peer reviewed journals (like World Development, Journal of World Business and Journal of Modern African Studies).

2. A case book with a collection of case studies for teaching purposes published by a reputable publisher.
3. (At least) 20 working and conference papers, including.
4. 3 country background reports.
5. 5 PhD theses and 21 Master theses.
6. One international conference as well as contributions to one additional international workshop/conference (hosting special tracks).
7. 3 joint workshops, 10 country internal workshops (2-4 per country).

### **Policy related outputs**

8. (At least) 5 policy briefs and press releases.
9. 4 policy/stakeholder workshops on the conditions of successful African enterprises with policy makers, international organisations, business and trade associations, NGOs, researchers, consultants and individual businesses.
10. Interactions with relevant stakeholders in the field, e.g. policy makers, international organisations, business and trade associations, NGOs, researchers, consultants and business managers.

### **1.2.5 Comments by Participants**

A summary of the comments and feedback arising from the previous section is presented below

<b>Comment</b>	<b>Feedback/comments</b>
Have a project table matrix clearly indicating target sectors plus firms' internal and external factors	Ok
Circulate project information to all	Ok. Done by email and found at SAFIC webpage
Which kind of journals for publication	Depends on a country's focus area but ensure spread and high impact  Approach journals for special editions
Availability of funds for masters students	Yes  In the form of field work grants

## 1.3 Country Studies

### Introduction

Each team made brief power point presentations about their country studies. IDS went first followed by University of Dar. The University of Zambia was the last to present.

#### 1.3.1 Kenya Country Study - Paul Kamau

The Kenya study will focus on manufacturing sector which has been key for Kenya's development agenda as evidenced by Sessional Paper No. 10 of 1965, Structural Adjustment Programmes (SAPs), Economic Recovery Strategy for Wealth and Employment Creation, and Vision 2030. Firms' differential performance can be linked to:

1. Internal factors such as resources, capabilities and strategies and
2. External factors such as market structures, informal and formal institutions – and the business climate.

Key research parameter for the Kenyan study will be how to define success. The main question is: How do local firms manage to grow successfully amidst challenging market and institutional conditions in Kenya?

The project objectives include:

1. To understand main internal factors that contribute to success of local firms.
2. To examine main external factors that contribute to success of local firms.
3. To understand how local firms have dealt with challenges posed by the domestic, regional and international markets.
4. To analyze differences in strategies adopted by successful and less successful local firms.

#### Sectors selected

The study site will be Nairobi Metropolitan. Data collection will be done using case studies, survey and key informant interviews. A list of all manufacturers in the sector will be developed through mapping. Multinational firms and micro enterprises will be excluded. A survey of 100 firms will be conducted using structured questionnaires. Twenty case studies will also be conducted targeting firms in food processing and food processing machinery manufacturing.

The expected outputs include 5 IDS Working papers based on different themes, journal articles, policy briefs, 20 case studies, 6 MA project papers and 1 PhD thesis.

### 1.3.2 Participants' Comments

A summary of the comments and feedback on the Kenyan country study is presented below;

Comment	Feedback/comments
Have a clear definition of African firm. Is Africanness based on ownership or location?	Was debated Need for more clarity
What is the effect of excluding micro-enterprises?	Focus is on firms whose majority ownership is local, have minimum of 20 employees, and have been existence for more than five years
How many manufacturing firms in Nairobi and how many are locally owned?	Do not currently have this data.
Is it possible to get exporting firms' data (number and ownership) from the Central Bank and Kenya Revenue Authority?	The two institutions hardly share such data.
What informed the choice of the two sectors?	Conversations with officials in the Ministry of Industrialisation among other factors.

### 1.3.4 Tanzania Country Study- Goodluck Charles

Goodluck briefly introduced the Tanzania background on the macro-environment which had witnessed transformation and policy change. In the 1980s, through the global trends-Structural Adjustment Programmes, Tanzania embarked on the promotion of the private sector. The economic growth rate 2001-2010 on average basis was 7%. It declined to 6.3% in 2011, with increased inflation rate of 17.2%. The structure of the economy depends heavily on agriculture with 25.3% of GDP, followed by Tourism at 17%.

Moreover, the business environment is unfavourable implying the cost of doing business is high. However, the country has gone through **struggles** and initiatives such as Kilimo Kwanza Policy -Vision 2025. The Tanzania team will focus on the internal factors contributing to the success of firms, external factors that have contributed to the firm success, and how firms manage their relations with local and international institutions. The team will dedicate its efforts towards identifying any discernible differences in the strategies between successful local small firms and medium to large firms, and any discernible differences in strategies and results between firms operating locally and those crossing the borders.

Sectors identified include agribusiness (coffee, tea, edible oils, dairy sector, grain, horticulture) and tourism (hotels and restaurants). The team expects to achieve the project objectives by mapping the firms, surveying and case studies. The expected outputs are four journal articles, two policy briefs, five conference papers, and two PhD theses.

### 1.3.5 Participants' Comments

A summary of the comments and feedback on the Tanzanian country study are presented below

<b>Comment</b>	<b>Feedback/comments</b>
Reason for inflation going up	Global economy and continuing rise in fuel prices Apart from inflation, regulation is another challenge in the business environment. Will also look at the external environment.
Tanzania and Kenya are each delivering 4 journal articles against a total of 20.	To follow up on this issue by providing an overview of how all members contribute
Recheck the sample size of 32 so as to give meaningful comparison	To discuss this further
In agribusiness, what is the unit of analysis?  The spread of agribusiness is wide	What matters are linkages However, will concentrate on processing firms because of value addition On spread, team indicated that some sectors such as horticulture and tourism are easy to research, nevertheless, mapping will assist in getting focus
Second sector for Tanzania (apart from agribusiness)?  Second sectors for other countries?	To focus more attention on the second sector, tourism, as well.  All countries to have a common sector. The second one ought to be specific and unique to the country's growth.
Expected output - to take care of crosscutting issues	Ok
Methodology	All teams urged to have a common methodology for ease of comparison. This is to be discussed further.

### 1.3.6 Zambia Country Study - Godfrey Hampwaye

At independence in 1964, Zambia inherited a private-sector driven economy dominated by the foreign-owned mining sector contributing almost 50% of GDP and even more of government revenues. The country started Zambianising in 1968 by way of the Mulungushi reforms. In 1991 the economy was liberalized after the change of governments. The mining sector dominance and the Zambianisation reforms still affect the structure and organisation of the Zambian productive sector.

Since the publication of the First National Development Plan (1966-1970), all national development plans (no matter their name and origin) have stressed the need to restructure the economy by giving priority to, for instance, agriculture and manufacturing and thereby, lessening the dependence on copper.

The development in the Zambian agricultural sector is closely linked to other political and economic developments in the country. Within the manufacturing sector that currently contributes 11% to GDP, the GoZ has identified six key sub-sectors, which have great potential in growing the Zambian economy, including processed foods, textiles and garments, engineering products, gemstones, leather and leather products, and wood and wood products (Government of Zambia, 2011).

The processed foods sub-sector seems to possess the greatest potential in the manufacturing industry as it accounts approximately 60% of the total manufacturing GDP.

The mining sector, especially the extraction and processing of copper and cobalt (a by-product of copper), is of paramount importance to the Zambian economy. During the late 1960s and the beginning of the 1970s a process of nationalisation of the mines began, ending in the establishment of the Zambia Industrial and Mining Corporation (ZIMCO) in 1970 and then the Zambia Consolidated Copper Mines (ZCCM) in 1982. A decade later, in the beginning of the 1990s, in spite of continuous declining demand for copper, *'ZCCM was the fifth largest copper producer in the Western world'* (Craig, 2001: 392) and copper accounted for more than 90 per cent of Zambia's export earnings.

Sectors selected: Agribusiness was selected due to diversification of the economy that the country is passing through. Mining is the major sector that drives the economy. Foreigners dominate major firms but the study will focus on local firms involved in supplying inputs to the mining companies.

### 1.3.7 Participants' Comments

A summary of the comments and feedback on the Zambian country study is presented below;

<b>Comment</b>	<b>Feedback/comments</b>
How many local companies in each sector and how many local firms are involved in other business apart from mining?  Defining a local firm	Focus will be on local firms serving mining sector. The study will not focus on mining firms.  Debated
Do not ignore small firms, what is important is impact measured through indicators such as HR, market share, have been in business for over 5 years  Defining success- need for clarity of success indicators – includes turnover, number of employees, firms that have managed to go global etc.  Standard questionnaire to be used in the survey to measure firms' success	Is the 5 years of existence a proper benchmark? To be discussed further.  There is need to have a common understanding of these indicators across the different countries. This to be followed up.  Need for quantitative data such as sales Expansion should not just focus on market but also production.  This was encouraged.
Challenges - constraining external environment	Apart from this, focus also on what other coping factors the firms have adopted to be successful.

A summary of the sectors in country is presented below;

<b>Country</b>	<b>Sector one</b>	<b>Sector two</b>
Kenya	Food processing	Food processing manufacturing
Tanzania	Agribusiness	Tourism
Zambia	Agribusiness	Mining

## Day 2: 22 February 2012

### 2.1 Introduction

The second day of the workshop focused largely on the PhD presentations. Six presentations were done by Eileen Rudo, Mutale, Japhet, Rwehikiza and Wamalwa. There was a discussant for every student who led the discussion after each presentation. The presentations took the entire morning. Sightseeing in and around Nairobi took place in the afternoon.

### 2.1 Eileen Dyer

**Topic:** Informal Institutional Influences on Firm Strategy in Tanzania

**Discussant** - Godfrey Hampwaye

**Research Objective:** To understand how informal institutions present in successful firms in Tanzania are related to formal institutions both within and outside of the firm, and specifically how they are integrated into or are influencing the strategy of these firms.

**Overall Research Question:** How are the strategies and constructions of successful firms in Tanzania affected by the presence of informal institutions and to what extent are they influential in the firm's success?

#### Specific Research Questions:

1. What kinds of informal institutions can be identified in successful firms in Tanzania?
2. How and to what extent are informal institutions involved directly and indirectly with the strategy of the firms?
3. How and to what extent do the informal institutions present in the successful firms interact with the formal institutions?

#### Research Focus

The research will focus on Tourism focusing on local supply chain for tourism sector within Tanzania, targeting firms that line up with SAFIC.

#### Methodology

The study will be carried out in phases. There will be an exploratory phase, followed by a survey and finally cases studies.

## Participants' Comments

A summary of the comments and feedback arising from the Eileen's presentation is presented below;

Comment	Feedback/comments
Hypotheses may not be relevant in this study Isolate effects of informal institutions on firm strategy	
Need for clarification on causal links, conceptual issues, degrees of informality, and justification for country and sector of choice	
Need to be careful regarding qualitative vs. quantitative orientation	Use FGDs in data collection
Need to expose all PhD students under the project to many different methodologies	Use purposive sampling to select case studies
Note importance of sample satisfying inferential statistics requirements	

## 2.2 Rudo Phiri Mumba

Title: Mining Industry and Institutional Environment in Zambia

**Discussant** – Lettice Rutashobya

Rudo presented her proposal, which was in its formative stage.

Mining sector is the main source of foreign exchange in Zambia. In 1964 at independence, Zambia inherited a private-sector driven economy, and the mining sector was foreign-owned. In the late 1960s (1968-1969) Zambia embarked on the 'Zambianisation reforms where the ownership of the mines was transferred to the state. However, in 1991 after the change of political regime, the country embarked on the privatisation process and the mines were not spared. Zambia under the MMD regime has witnessed a number of policy changes in the mining sector

### Study objectives and possible research questions

The objective of this study is to investigate dynamic interactions amongst mining stakeholders that leads to success or failure of firms in the mining industry.

1. Why and how do certain firms in the mining industry succeed while others do not?
2. How and to what extent do the interactions amongst stakeholders influence the success of firms?
3. How do formal institutions affect the firms in the mining industry?
4. How do informal institutions affect the mining firms?

The study will not concentrate on mining firms as such, but those along the value chain.

**Methodology:** The study will use mixed methods, quantitative and qualitative methods.

### Participants' Comments

The comments and feedback arising from Rudo's presentation are presented below;

Comment	Feedback/comments
Proposal needs to be more specific Redefine research problem Look for second and third tier networks, and linkages to find local firms	Focussing on formal and informal institutions might be too much  At the same time, concepts of formal and informal need more clarity.
Re-look at the following: Structure of the mining industry Exchange rate issues – what is Bank of Zambia's influence? Mining industry has very short value chains – what kind of firms exist on the ground?  Who are the suppliers and what do they supply? What makes them part of the mining industry/sector?	Map whole mining value chain capturing institutional environment after 1991. Clarify the issue of exclusion from the global value chain  Focus on suppliers of capital equipment, not those supplying food or clothing.
Need to be careful regarding qualitative vs. quantitative orientation	Use FGDs in data collection
Need to expose students to many different methodologies	Use purposive sampling to select case studies
Note importance of sample satisfying inferential statistics requirements	

## 2.3 Mutale Mwango

**Title:** Becoming Successful: A Case of Zambian Agro-Firms

**Discussant** – Paul Kamau

Mutale presented his proposal, which was also at its formative stage.

**Background:** At independence, there were only 100 graduates. At that time, there were very many similarities to the Asian Tigers. However, in the 1980s SAPs were introduced leading to the deterioration of people’s living conditions. There was a new government in 1991 but it fully embraced SAPs. As a result, there has been little development. Nevertheless, Zambia is now a middle-income country according to the World Bank and the International Monetary Fund statistics.

**Sector:** Food processing

**Objectives and Research Questions** – similar (or identical?) to Project Document.

**Methodology:** There shall be a mix of quantitative and qualitative methods. The study will start with mapping of the firms in the selected sector which will later on lead to in-depth studies of firm strategies.

**Theories:** The study will use organisational and knowledge management theories

### Participants’ Comments

Comment	Feedback/comments
Align title to the content Disconnect between background and sector of choice	Use qualitative approaches in developing theory.
Research questions too broad, methodology still raw	
Choice of regions – what is their importance, relevance and possible biases.	
Will study focus on micro firms too?	
Clarify causes and strategies of success, interactions between institutions and firm behaviour plus importance of agriculture to Zambian economy.	
Avoid replicating project document	

## 2.4 Japheth Mbura

**Title:** Strategic Factors for Tea-processing Firms' Competitiveness in Tanzania

**Discussant** - Godfrey Hampway

### Overall Research Question

What are the strategic factors influencing tea processing firms' competitiveness in Tanzania?

### Research Questions

1. How do social networks within the tea supply chain influence firms' competitiveness?
2. To what extent do B2B networks influence firm's competitiveness in the tea supply chain?
3. How do public-private business collaborations (networks) within the tea subsector improve competitiveness of the tea processing firms?
4. How has the branding by tea processing firms influenced their competitiveness?
5. How do tea processing firms' financial, technological and human resources capabilities have influenced their competitiveness?

### Methodology

The study will employ cross sectional survey (50 firms) and case studies.

### Participants' Comments

Comment	Feedback/comments
Good study which has focus and is possible to execute.	
Statement of problem does not clearly bring out the problem. Pare down research questions How is competitiveness related to poor working conditions? How will the hypothesis be tested? What is the reason for using purposive sampling and using a sample size of 50?	Use qualitative approaches in developing theory.
Need to expound on the international context How much room is there for internal strategising? Is strategic and competitiveness mean the same thing? They seem redundant in the title.	

## 2.5 David Rwehikiza

**Topic:** Local Firms' Success in the Tanzania Dairy Sector

**Discussant:** Dorothy McCormick

**Background information:** Role of private sector; concepts of competitive advantage, sustainable, super firm performance, above average rates of return, economic rents, firm capabilities

**Theoretical framework:** Resource Based View – unique resources alone will not produce competitiveness

**Justification:** Importance of dairy sector; volatile; highly regulated

**Problem statement:** Despite high levels of regulation, some firms have managed to succeed

**Methodology:** Survey and case study

### Participants' Comments

Comment	Feedback/comments
Background needs to be organised into sections. Background is not a literature review but an attempt to put the problem statement into its context: economic, policy, other.  Make the research problem clear  Focus on one sector is good  Discuss the sector more fully in the background. If Tanzania is 3 <sup>rd</sup> in Africa in livestock, why is dairy only accounting for 2% of GDP?  Justify use of quantitative and qualitative approaches	
Read Schmitz and Moore (2004) critical of business climate literature	Use qualitative approaches in developing theory.
Be clear theoretically and use fewer case studies	
Is leading line of thinking internal or	

external factors?	
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## 2.6 Nyukuri Wamalwa

**Title:** The Role of ICTs in Enhancing the Market Reach of Food Processing Firms and Food Processing Machinery-Manufacturing Firms in the Nairobi Metropolitan Area.

**Discussant:** Lettice Rutashobya

### Background:

Information and Communication Technologies (ICTs) in Kenya have been liberalised. In the process, the consumer gains. Information Economy Report 2011 indicates that ICTs have contributed 2-8% to ICT sector employment in various countries. In Kenya, they contributed one quarter of GDP growth. ICTs are being used by entrepreneurs of various sizes. Entrepreneurship is critical in poverty alleviation. What role can ICT play in promoting growth and competitiveness of enterprises? There is need for firms to be ICT competent (Humphrey et al. (2002).

**Key Question:** What is the role of ICTs in enhancing the market reach of food processing firms and food processing machinery-manufacturing firms?

### Participants' Comments

Comment	Feedback/comments
<p>The topic is important and timely but the title is too long  Main question is clear but the problem (gap) is not yet defined.  Undertake intensive literature review</p> <p>Studying productivity or access by SMEs?</p> <p>Need to coordinate supplier-buyer relationships and whether to concentrate on domestic or global markets</p>	<p>Two PhD theses available at UDSM on ICT and SMEs can assist focus the study  Current debate on SME / ICT utilisation and constraints can help focus the study. In developing specific research questions</p>
<p>How will you deal with the rapid changes that are occurring in the ICT sector?</p>	
<p>Studying two sectors may be too demanding  Do intensive literature review to establish theoretical bases necessary for a PhD study.</p>	

## 2.7 Supervision, Timing and Other Cross-Cutting Issues for PhD Projects and Masters Thesis

### 2.7.1 PhD Students

It was noted that the students need to apply for PhD admission to their respective universities as soon as possible. The budget allows for employing PhD students as of 1 July, 2012. However, there is some flexibility with budget for PhD and therefore not necessarily a constraint in employing before 1 July, 2012 although it may affect timing of students going to Denmark.

It was agreed that the principal supervisors will come from host universities but the co-supervisor(s) can come from other African partners or CBS.

It was noted that for candidates to attend a course in UDSM titled *Theories and Methodologies in Starting Successful African Firms*, there will be a need to make adjustments in the budget.

Literature review is important for PhD students and it is preferable that this is at CBS away from other pressing responsibilities. This together with short courses to complement individual PhD topics will be very useful for the students. In view of this, it was suggested that each student in conjunction with his/her supervisor should develop a work plan that identifies particular needs for courses, etc.

There were several recommendations for sharing resources. These include Yahoo! or Google groups, creation of a library on Project website protected by a password. This last suggestion cannot be done on the CBS website.

### 2.7.2 Master Students

One of the participants enquired about “how closely the topic of a student must be tied to the project document main research?” Would they be restricted to Successful African Firms? Can they write their thesis out of the data collected by the project? It was suggested that the overriding issue is that there needs to be a tight alignment to the project and the students should contribute to the overall aim of project. The country team should be in control of the process.

The Zambian team may not have Master students this year but proposed to have three in 2013 and two in 2014. A participant asked whether there is any possibility for Danish students to collaborate with African students.

## Day 3: 23 February 2012

### Introduction

This was the last day of the workshop. It focussed on theoretical/framework and methodological issues. There were three presentations done by Michael, Peter and Soeren. The day also had country teams meet, discuss and present their first year work plans. These country plans were presented by the country coordinators. This was followed by a discussion about plans for the coming period/year and expected outputs.

### 3.1 Theoretical/analytical framework (part I): Empirical Knowledge and Gaps on (Successful African Firms): Understanding the Rise of African Business: Hype or Reality: A Literature Review of Recent Research on Successful African Enterprises.

**Presenter:** Michael W. Hansen

**Discussants:** Paul and Godfrey

Michael pointed out the need to expand on the project application by reviewing the literature on African enterprise development. He suggested that the classic structure-conduct-performance model might be useful. This will help in pointing out voids in the literature and thereby help in positioning the project vis-a-vis the literature. He presented a helicopter outsider perspective on literature across countries and regions in Africa.

Several recent studies suggest that African business is undergoing profound change but there is the lingering question whether this is hype or reality. There is need for better understanding of the scope and content of rising African enterprises. There is still lack of an understanding of structure, conduct, and performance of African enterprises. The understanding of firm internal and strategic factors is especially lacking. While firm internationalization has received increasing attention, how small firms enter foreign markets and the strategies they use to benefit from these relations has been left largely unexplored (Rutashobya and Jaensson, 2004).

There is limited information about how structure, conduct and performance relate to each other:

- a. How does the relationship between firm capabilities and the external environment impact strategy and performance?
- b. How is strategy related to performance and structure to strategy and performance?

SAFIC aims to fill very important gaps in the literature in terms of structure, conduct, and performance; in terms of sectors; and in terms of countries.

### Participants' Comments

Comment	Feedback/comments
<p>There is need for understanding the literature gaps in both development and business studies</p> <p>It is important to define success in the African context</p> <p>A clear understanding of success will be useful for mapping purposes</p> <p>Include political economy literature in addition to development and business literature</p>	<p>Success is a philosophical concept, team members ought to think about strategy</p> <p>Use case studies to uncover as much as possible</p>
<p>Since 1990s, there is rise of new generation of African entrepreneurs that need to be considered.</p>	
<p>There is need to clearly identify what is African business. Consider ethnic factors?</p>	

### 3.2 Theoretical/analytical framework (part II) - Fine tuning of outline in project application: Political and Social Institutions and the Success of the African Firm: Which Theories Can Guide Us?

**Presenter:** Peter Kragelund

**Discussant:** Goodluck

Peter pointed out that his presentation was in response to emphasis on firm level observed in the literature review document. State-business relations literature fits between firm-level literature and business systems/varieties of capitalism literature. Conceptualisations of business in State-Business Relations literature is as follows:

1. Capital,
2. Sectors,
3. Firms – mostly on large firms, Asia
4. Business associations,
5. Networks

The problem is that the literature is state centric, focuses on large dominating firms; and in both cases, Africa is hardly represented. Referred to 'political elite' and 'economic elite' bringing to the fore the issue of overlap. Even though the literature has limitations, it is nevertheless somewhat relevant for two reasons:

1. Both political and economic coalitions matter
2. Neither firms nor states work in a vacuum

State Business Relationship approach requires looking at two sides. How do firms engage with states? How do states engage with firms? How does collaborative SBR facilitate successful firms?

1. Markets - market supporting and market complementing
2. Agents - leaders and leadership; elites; coalitions; institutions of governance; firms

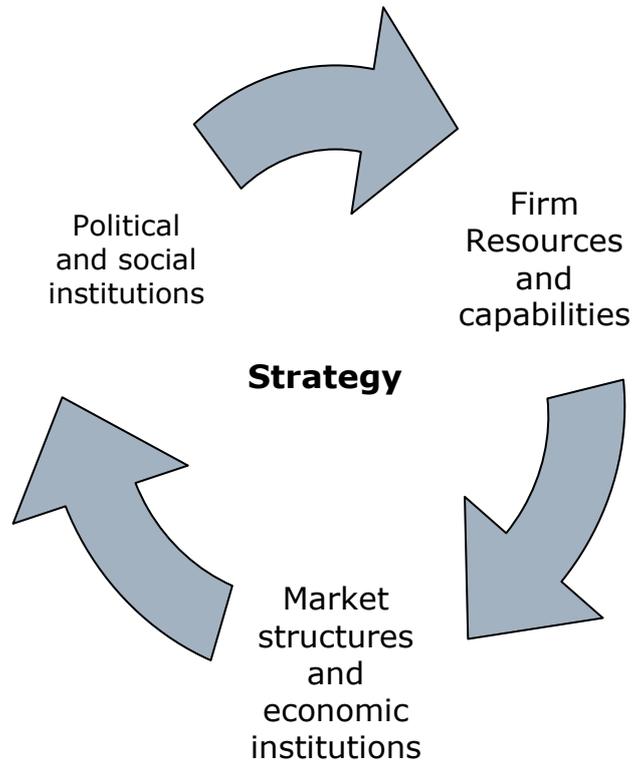
Sectors and firm growth: sectoral attributes include capital intensity, economies, of scale, production flexibility.

What can business associations do to facilitate success?

- a. Technical capacity
- b. Access to resources
- c. Representativeness
- d. Material base of business class

Another issue is social networks and successful firms. Are social networks social capital or social liability? What kind of relationship do they have with the state?

SAFIC conceptualisation of the successful firm



**Participants' Comments**

Comment	Feedback/comments
<p>On the role of state, it was pointed out that it provides public goods                      The state also regulates                      Some relationships are intangible and /or informal</p>	
<p>What can be termed as effective state-business relationship and how the strategy is connected to this relationship?</p>	<p>SAFIC did not pay enough attention to how three bodies of literature are connected.                      There are difficulties in bringing these concepts to Africa and bringing them down to firm level.                      Peter's inclination is to look at political economy aspects rather than firm-level aspects</p>

How far are we using the degree of embeddedness as an explanatory variable?	In some contexts, this is a key variable, however, not sure whether this is the case in Africa.
State perspective and firm-level perspective; 'market as given' or more political approach in which firms try to change things.	Variations among us in what we take/emphasise
Business as far from state => business associations as point of departure	SBR literature is very wide; business associations only one aspect; role of external agents, e.g. donors, IFC, etc.

### 3.3 Theoretical /Analytical Framework and Methodology presented by Søren

#### 3.3.1 Theoretical /Analytical Framework

Søren noted that there is hype about Africa and African firms. But what do we know about the success of African firms? Where are the lacunas? He alluded to the draft paper, presented by Michael and comments that followed. His presentation was focussing on the theoretical/ Analytical framework. It will focus on key concepts and their relations.

Strategic Management

Principal-agent theory, rational choice; value chain literature; information asymmetry

Transaction cost economics – markets and hierarchies; free-rider issues, opportunistic behaviour, asset specificity (textiles vs clothing)

Resource-Based View (Perspectives): firm, industry (Sidney and Winter), sociological perspectives; our main perspective is firm level

1. Literature: Barney (1991), Peteraf (1993), Wernerfeldt (1994), etc.
2. Many terms: assets, resources, capabilities ...
3. Firm level theories: Penrose 1959, Richardson (1972), Grant (1991), Teece et al (1997)
4. Firm internal factors: Grant (1991)
5. Firm external factors: markets, social and political institutions

Institutions, these are very general in the project document; formal and informal (degrees)

### 3.3.2 Methodology

Søren noted the importance of mapping and theoretical refinement. The study will go through the following phases:

1. Mapping and theoretical refinement. This will entail:
  - a. Firms in the sector: primary data collection plus secondary sources
    - i. Information needed from firms
    - ii. Information needed from key informants
  - b. Local and international institutions and sources
  - c. Industry and institutional trends
  - d. Theoretical refinement: we need to refine common theoretical framework; singling out analytical categories for purposes of data collection and analysis. This will inform working papers, theoretical articles
  - e. Survey (extensive): all African/local firms in the sectors (limits: 20 employees, 5 years in existence)
  - f. Outputs
2. Survey
  - a. Decide on coverage plus the survey instrument
3. Case studies
  - a. Number of firms an issue for Kenya (budgetary implications)
  - b. Semi-structured interviews with managers
  - c. Common body of questions, but room for individual concerns and needs to be taken care of; repeated over time (3 years in a row)
4. Analysis: abductive and comparative
  - a. Theory refinement
  - b. Country comparisons
5. Outputs: working papers, journal articles, policy briefs and workshops, new research application?

### Discussion

A participant pointed out that no one mentioned gender during the entire morning session. Another participant noted that entrepreneurship is risk taking. We will decide on firm size after mapping. On employees, there is need to decide on paid/unpaid; trainees; full-time equivalent; or rotating part-timers.

### 3. 4 Presentation of Country Plans

Teams met to develop their plans for the period 2012 – January 2013.

#### 3.4.1 Zambian Country Plan

ACTIVITY	TIME	RESPONSIBLE	OUTPUT
Registration of PhD Candidates	February-June, 2012		-Admission
Recruiting of Research Assistant(s) -responsible for visiting the business associations for the mapping process	- May 2012	-Team	-List of firms and their profiles -Background papers
Workshop -To discuss the working papers and list of firms	-August 2012	-Deliberate further on mapping -Visit various firms that will have been identified	Background papers on the sectors of interest -Some theoretical papers to be published  -Ownership characteristics -Year of establishment -Number of employees
Visit to CBS by the PhD Candidates	-End of August 2012	-Qualitative Research Methodology training	PhD Proposal
Approval of the candidates proposals	-November 2012		
Survey of all the firms that have been identified in the mapping stage	January 2013	-Research assistants, PhD students and	-Survey completed -Data analyzed -Papers produced
Joint Workshop	January, 2013		

### 3.1.7 Kenyan Country Plan

ACTIVITY	TIME	RESPONSIBLE	OUTPUT
PhD Student registration	Within next few months	Wamalwa	Admission
Identify M.A Students	February-June	Research team	-project paper research proposal
Project description card		Wamalwa	Card
Research permit		Research team	Permit
Key informants		Research team	Interviews
Background papers		Research team	Paper
Mapping -Ministry of Agriculture -Chambers of Commerce and Industry - Business Council - KEPSA	March - to Sept	Research team	Firm information: -firm name contact -No of employees -Year of establishment
Survey	After Zambia workshop in Q1 of 2013	Research team	
Case studies-20 FIRMS -Visit responsible organizations		Research team	-List of firms and their profiles -Background papers

Joint Workshop	January, 2013	Research team	Report
<p>Further discussion</p> <p>Kenyan Team workshop Lotte's role</p> <p>Future team meetings</p> <p>Survey instrument</p> <p>Timing of PhD visits to Denmark (August 2012 - stay on...)</p> <p>Theoretical refinement</p> <p>Country background papers</p> <p>Conferences ( PNEG and African Entrepreneurship)</p> <p>Joint workshop in Zambia</p> <p>Working papers and journal articles, issues of authorship.</p>	Q2 or later	Research team	Report

### 3.4.3 Tanzanian Country Plan

ACTIVITY	TIME	RESPONSIBLE	OUT PUT
Registration of PhD candidates	February-June, 2012	PhD candidates from TZ -Need a Concept Paper -Work on the comments provided during the Joint Workshop Goodluck will coordinate this activity	-Registration
Mapping of the firms in the selected sectors  -Desk work (secondary) eg. Bureau of Statistics, ESRF, REPOA etc	-Feb: Concept for the Mapping  -Feb-March : Template for the Mapping Framework  -July -Sept: Data Collection  -Oct-Nov: Data Analysis and Draft Report	Rutashobya and Goodluck  Marcelina  -Research assistants (1 <sup>st</sup> yr MBA students) and PhD candidates assisted by all Team Members  -PhD Candidates under the supervision of Lettice and Goodluck	-List of firms and their profiles -Background papers
Workshop -To discuss the working papers and list of firms	-January 2013- Lusaka Zambia	-SAFIC Members- Tanzania Team	-A firmed up list of firms for survey

### 3.4.4. Discussions and comments

Regarding visit to CBS, the PhD candidates will study a qualitative methodology course and stay on for two months (Sept to Nov 2012). This will give them ample time to focus on intensive literature review too. Since the students need to participate in the mapping process, the different country teams need to plan to have it when the students are around.

### 3.5. Budget, website, reporting and other issues

Søren highlighted the following issues regarding the budget, website, reporting and other issues.

#### 3.5.1. Budget

1. All expenses must be according to budget.
2. Allowed to transfer up to 10% between line item.
3. Request any increase in salaries/wages.
4. Allowed to move funds between years, e.g., moved forward if unspent in a given year.
5. Spending cannot exceed the total budget allocated
6. If not all money is spent, it is possible to prolong the project or use funds for related items that were not budgeted. The item must be in line with overall aims and objectives of the project. Søren should be informed in case of anything.
7. DFC guidelines and regulations: [www.dfcentre.research](http://www.dfcentre.research)
8. To submit accounts annually, no later than 1 June each year.
9. Reporting currency is DKK. Other partners may use local currencies

#### 3.5.2. Reporting Procedures

1. Submit annual status report
2. Submit progress reports according to outputs
3. Explain changes and suggested future adjustments
4. The report submitted no later than 1<sup>st</sup> March to Søren.

#### 3.5.3. Website

1. Now up and running; all members need to look at it. Link <http://www.cbs.dk/en/Research/Departments-Centres/Projekter/Successful-African-Firms-and-Institutional-Change>
2. Members to upload their CV short version – look at Danish team format
3. Master's projects could go on website
4. To facilitate sharing of documents, Google docs, Yahoo!, Drop box were considered. Copyright issues need to be taken into account. This needs continuous investigation.

#### 3.5.4. Other Issues

Lettice noted that in the theoretical refinements, other perspectives including sociological perspectives should be considered.

## Appendices

### A-1 Workshop Participants

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## A - 2 Workshop Program

### SAFIC (Successful African Firms and Institutional Change Project)

#### First joint workshop – Kenya/Nairobi – 21-23 Feb 2012

Venue: Lenana Mount Hotel, Ralph Bunche Road ([www.lenanamounthotel.com](http://www.lenanamounthotel.com))

#### Program (final version 20-02-2012) – 3 pages:

Monday 20<sup>th</sup> Feb: Arrival of SAFIC teams

#### Tuesday 21<sup>st</sup> Feb:

- 9.00-09.30: Welcome, by Dorothy McCormick (Country Coordinator, Kenyan team) and Søren Jeppesen (Project Coordinator, CBS)
- 09.30-09.45: Presentation of UoN/IDS team, Dorothy McCormick and team members
- 09.45-10.00: Presentation of UDSM-BS team, Lettice N. Rutashobya (Country Coordinator, Tanzanian team) and team members
- 10.00-10.15: Presentation of UNZA/DoG team, Godfrey Hampwaye (Country Coordinator, Zambian team) and team members
- 10.15-10.30: Presentation of DK (CBS+RUC) team, Søren Jeppesen and CBS team members and Peter Kragelund, RUC/IGS
- 10.30-11.00: Break – Coffee, tea and snacks
- 11.00-12.00: Project aims, objectives and outputs, by Søren and Comments to aims, objectives and output, by all SAFIC team members
- 12.00-12.45: Presentation of Kenyan country study (RQs, sectors, distribution of tasks), Dorothy + Kenyan country team (Paul Kamau, Jackson K Maalu, Radha Upadhyaya and Wamalwa H Nyukuri – minus Lotte Thomsen who is not participating)
- 12.45-13.45: Lunch
- 13.45-14.30: Presentation of Tanzania country study (RQs, sectors and distributions of tasks), Lettice+Tanzanian team (Marcellina Mvula Chijorga, Goodluck Charles, Japhet Gabriel Mbura, David Rwehikiza, including Michael W. Hansen and Thilde Langevang and new CBS PhD Eileen Dyer)
- 14.30-15.00: Break – Coffee, tea and refreshments

- 15.00-15.45: Presentation of Zambian country study (RQs, sectors and distributions of tasks), Godfrey +Zambian team (PhDs (Rudo Maambo Phiri Mumba and MutaleMwango), Peter and Søren)
- 15.45-17.00: Reflections on cross-cutting issues appearing from the country presentations (e.g. methodology, theoretical framework, timing), all members, moderated by Søren
- Note: PhD presentations to be circulated to discussants and
- Signing up for the tours Wednesday
- 19.00-: Dinner at The China Plate (Chinese restaurant)

**Wednesday 22<sup>nd</sup> Feb:**

- 9.00-09.30: Presentation of CBS-PhD project, by Eileen Dyer and Comments by Zambian team (led by Godfrey) and by other SAFIC team members
- 09.30-10.00: Presentation of UNZA-PhD project I, by Mrs. Rudo Mumba and Comments by Tanzanian team (led by Lettice) and by other SAFIC team members
- 10.00-10.30: Presentation of UNZA-PhD project II, by Mr. Mutale Mwango and Comments by Kenyan team (led by Dorothy) and by other SAFIC team members
- 10.30-11.00: Break, coffee, tea and snacks
- 11.00-11.30: Presentation of UDSM-BS PhD project I, by Japhet Gabriel Mbura and Comments by Zambian team (led by Godfrey) and by other SAFIC team members
- 11.30-12.00: Presentation of UDSM-BS PhD project II, by David Rwehikiza and Comments by Kenyan team (led by Dorothy) and by other SAFIC team members
- 12.00-12.30: Presentation of UoN/IDS PhD project, by Wamalwa Nyukuri and Comments by Tanzanian team (led by Lettice) and by other SAFIC team members
- 12.30-13.30: A) Supervision, timing and other cross-cutting issues (travel to Denmark and course work) for PhD projects and B) guidelines for Master thesis projects as part of the SAFIC project, by Søren, Lettice, Dorothy and Godfrey
- 13.30-14.30: Lunch
- 14.30- Sightseeing in and around Nairobi (either A) into town or B) to the Karen Blixen House and more - we split into two groups depending on choices)
- 18.00- Dinner at local restaurants - each of the groups find a place of convenience, assisted by representatives from the Kenyan team

## **Thursday 23<sup>rd</sup> Feb:**

- 09.00-10.00: Theoretical/analytical framework (part I): Empirical knowledge and gaps on (Successful African Firms), by Michael W. Hansen (presentation of the draft paper, which was attached to the mail of 15<sup>th</sup> Feb), and comments/discussion from Paul and Godfrey and by other SAFIC team members
- 10.00-11.00: Theoretical/analytical framework (part II) – fine tuning of outline in project application, by Peter and Comments/Discussion by Goodluck and by other SAFIC team members
- 11.00-11.30: Break, coffee, tea and snacks
- 11.30-12.30: Methodology and timing of data collection (with emphasis on phases 1 and 2), by Godfrey, Dorothy and Lettice. Comments/discussion by SAFIC team members
- 12.30-13.30: Lunch
- 13.30-14.30: Individual country team meetings, timing of 1<sup>st</sup> year's work (in three groups – Kenya, Tanzania and Zambia)
- 14.30-15.00: Presentations of plans, by a representative from each country team (10 minutes each), including coffee and tea
- 15.00-16.00: Plans for coming period/year and expected outputs (including issues relating to publishing (working papers/conference papers etc. and the country background reports); potential participation in the PNEG conference and timing of future joint workshops), by Søren
- 16.00-17.00: The budget, transfers, accounting principles, reporting procedures, web site (see SAFIC web) etc, by Søren
- 19.00-: Closing dinner in town (venue to follow) and Saying goodbye to all

Thursday evening/Friday (24<sup>th</sup>) morning: Departure by SAFIC team members

### **Practical information - Lenana Mount Hotel:**

On internet access:

- Networks to choose from: Lenana Mount 2 or Lenana Mount 3
- Password: pleaseletmein

Laundry:

- Available from day to day – for a fee

Pool:

- Open from early morning to sun down – nice and clean – for free

Health club:

- Sauna and massage – for a fee