CBDS Centre for Business and Development Studies
cbs.dk/cbds

Copenhagen Business School
HANDELSHØJSKOLEN

Understanding the Rise of African Business

In search of an analytical framework

By Kaja Tvedten, Michael Wendelboe Hansen and Søren Jeppesen

8/1/2012

CBDS Working Paper Series
Working Paper Nr. 2, 2012



ABSTRACT: In light of recent enthusiasm over the African private sector, this paper reviews the existing empirical literature on successful African enterprises and proposes an analytical framework for understanding African firm success. Overall, it is argued that we need to develop an understanding of African firm strategy and performance that takes into account the specificities of the African business environment and African firm capabilities. The paper starts by juxtaposing the widespread pessimistic view of African business with more recent, optimistic studies on African firms' performance. The latter suggests that profound improvements in African business performance are indeed under way: with the private sector playing a more important role as an engine of growth, with the rise of a capable African entrepreneurial class, and with the emergence of dynamic and competitive African enterprises. The paper proceeds to review the limited research on factors shaping the performance of African enterprises. It is observed that particularly the strategic component is often overlooked as is the role of internal capabilities and resources of African enterprises. Based on this identification of voids in the literature, the authors suggest an analytical framework for understanding African business performance, underlining the interplay between contextual specificities, firm capabilities, and firm strategy.

I. Introduction

From "The Hopeless Continent" (Economist, 2000) to "The Hopeful Continent" (Economist, 2010), African business lions are rising to fame. Media project that new generations of African firms and soaring consumption are turning Africa into "the new Asia" (Newsweek, February 2010). Development organizations are increasingly seeing private sector development as the solution to many of Africa's perils (World Bank, 2005; Commission on Growth and Development, 2008; Danish Africa Commission, 2010).

But behind this hype, what does the empirical evidence actually tell about African business success and the factors driving it? And which research gaps need to be addressed to ensure a better understanding of the new African business lions and the possibilities of sustained private sector growth? This paper endeavours to review the existent empirical literature on the rise of African firms, to identify voids in the literature, and to propose a framework that may guide future research on successful African enterprises.

The paper is organized as follows: first we will discuss the evidence of the recent rise of African enterprises. Second, we will review the debates on what the possible drivers and conditions of African enterprise growth are. Finally, based on the above, the paper will outline the contours of an analytical framework for understanding African enterprise development.

It should be noted that as this is an initial attempt to address a relatively un-chartered field of research, the paper takes a helicopter-perspective, trying to understand trends and developments across African countries and sectors. Moreover, as South Africa and northern Africa stand out from the remaining parts of Africa in many respects, the review will focus on the Sub-Saharan African (SSA) countries other than South Africa.

II. The rise of African business: hype or reality?

Traditionally, literature has painted a bleak picture of SSA firm performance. For instance, Pedersen & McCormick in a review from 1999 speak of the fragmentation of African business systems explained by the institutional environment in which it developed: lack of supportive institutions (financial, state and social/labour); low trust and accountability; limited access to capital and sub-contracting; and rent-seeking and corrupt practices combined with low law-enforcement. The historical heritage (inefficient parastatal industry, strong foreign presence, concentrated production, informal dominance, limited capital and lending, etc.) and specific management practices of the region (little delegation, hierarchical organisation, low skills, limited technology and R&D capabilities, etc.) are also highlighted as detrimental to firm performance. Similarly, the World Bank's Regional Program on Enterprise Development (RPED) collected data on a large set of manufacturing firms in several African countries from the early to late 1990s in order to gain an understanding of the limited performance figures and the difficulties many African firms seemed to have in internationalizing. Based on this data, other studies (e.g. Teal, 1999; World Bank, 2005) evaluated the competitiveness of certain African firms to be severely challenged. The list of constraints and performance barriers seem legion and dominate most analyses of African business.

Recently, however, a new wave of optimistic reports on the performance of the African private sector has started to surface. Accenture, in their study entitled "Africa: The New Frontier for Growth" (2010), claim it is time to move beyond BRIC to view Africa as the new emerging market, considering that the growth of Africa's gross domestic product (GDP) between 2002 and 2008 makes it the second fastest growing region in the world. This presents new opportunities for foreign firms, but also for African companies, who are growing faster than their peers in the rest of the world, at a compound annual growth rate of 10 percent over five years (Accenture, 2010, p. 52). McKinsey has similarly announced the progress and potential of African economies with their "Lions on the Move" report (2010), confirming African growth acceleration since 2000. McKinsey's figures project Africa's GDP in 2020 to be at $2.6 trillion, consumer spending will rise to $1.4 trillion in 2020, and 128 million households could have a discretionary income in 2020. As a result of these developments, McKinsey notes that a dynamic African business sector is emerging and will play an increasingly important role on the world economic stage in the future (already 100 companies with revenue greater than $1 billion can be identified in Africa). A 2011 report by Ernst & Young also paints a positive picture of African economic development based on interviews with 500 business leaders, who point to stronger Foreign Direct Investment (FDI) flows, improved investors' perception and a positive outlook. Although slightly less optimistic (referring to the barriers in the Doing Business and Enterprise Surveys), the Africa Competitiveness Report 2011 (WEF et al., 2011) announces that between 2001 and 2010, growth in GDP on the continent averaged 5.2 per cent annually, which is strongly anchored in improvements in the private sector: increases in exports and investments, privatisation of sectors and firms, etc. All in all, these figures indicate a new dawn for African business.

At the firm level, a number of developments are pointed out by the rising literature on African enterprise development. Firstly, it is argued that we are witnessing the emergence of an African entrepreneurial class, described in, amongst others, “Entrepreneurship in Africa: A Study of Successes” (Fick, 2002). These entrepreneurs are developing small businesses rapidly and even challenging some of the larger, protected firms, finding creative solutions to institutional challenges (Olomi, 2009; Bosma, Kelley and Amorós, 2010; McDade & Spring, 2005). Secondly, the advent of national champions (African Business, 2009) and global African firms are emphasized. Early African internationalizers, described in Sørensen & Kuada’s book “Internationalisation of companies from developing countries” (2000), first take a regional approach and then build their way into becoming global players. More recently, Boston Consulting Group (2010) released a report on the 40 fastest growing and globalizing African companies. This report suggests that ‘African challengers’ are emerging from the ‘overlooked continent’ as true global competitors, defining a new ‘African capitalism’. Thirdly, several reports emphasize the rapid increase in the presence of foreign multinational corporations (MNCs) in the African business sector (e.g. Accenture, 2010; McKinsey, 2010). Ernst & Young (2011) argues that foreign investors’ perception of Africa has improved significantly over the last decade and prompted a rapid increase in FDI. Finally, with more economic activity organized by the private sector, several authors emphasize how firms are moving from informality to formality as a result of improved governance and market institutions in many African countries (e.g. OECD, 2006). Removing barriers to formalisation was identified by the OECD (2006) as key for promoting pro-poor growth. McDade & Spring (2005) speak of a new generation of African entrepreneurs who own and operate medium- and large-scale businesses in the modern formal sector.

However, one should be cautious of the overly optimistic tone on African enterprise development in consulting reports. For one, it is argued that African enterprise development largely is confined to isolated enclaves of mainly resource extraction related activities, and that a deep and vibrant private sector has failed to take root in most African countries (Morrisey, 2012). It is also worth asking whether the apparent African success stories are mainly due to protectionism and state subsidies more than actual strengthened micro-level performance. Moreover, more research should identify whether private sector development is a result of foreign influences such as foreign direct investments by MNCs or activities of diaspora entrepreneurs rather than home grown initiatives. Finally, the rising African enterprise literature tends to focus on a few countries (typically Nigeria, Kenya, Ghana or Botswana) which are not representative for the whole African continent.

One of the major challenges in assessing the ‘hype or reality’ and moving the research agenda on performance of African enterprises forward, is the problem of defining and measuring performance in an African context. Several of the studies reviewed for this paper agree that there is ambiguity around what constitutes ‘successful performance’ for African firms (see e.g. Jackson, Amaeshi and Yavuz, 2008). For one, it is not clear if success is related to profitability or whether other measures are equally relevant, e.g. movement from the informal to the formal economy; evolution from small and medium-sized enterprise (SME) to large firm; or change from national market orientation to international market orientation. Moreover, notions of success may be different depending on the industry, the size and the structure of the firm, as will be discussed further on. Finally, to quantitatively measure success, advancements must manifest themselves in specific ways. Studies of African enterprise development use various proxies for performance, such as employment, export or sales. However, the problem is that data on such indicators generally are unavailable, unreliable or hard to access in an African context. All in all, what constitutes successful performance of African firms is subject to interpretation and there is an urgent need for researchers to clarify the criteria by which African enterprises should be measured. Moreover, huge challenges of generating reliable and comparable data on performance, however measured, remain.

III. Drivers of African enterprise growth

While acknowledging the problems of measuring performance and the many unanswered questions outlined above, it is no longer possible to ignore that there are important changes taking place in the African private sector. We need to explain how and why. As stated by the McKinsey report: “while Africa’s increased economic momentum is widely recognized, less known are its sources and likely staying power” (2010, p. 1). In trying to comprehend the sources of African enterprise development, the following sections will examine the literature on drivers behind the improved performance of African firms. We will start by reviewing the empirical literature on external and internal conditions – what we call contingencies - driving African enterprise growth, and then move on to review the literature on strategies adopted by African firms based on these contingencies.

External contingencies driving African enterprise growth

Understanding the external contingencies that impact business developments has been central in studies on private sector development in Africa. These are factors the firms have less control over, yet affect them (directly or indirectly) to a large degree. The studies typically focus on macro and micro economic foundations of firm growth. Along with Hansen et al. (2010), we will make a distinction between institutional, market, competitive and resource factors.

Institutional factors

Economic and political institutional stability are important conditions for sustainable and thriving business conduct and performance. The McKinsey report (2010) suggests that recent improvements in African business performance are related to an upgrading of the political and institutional climate (not only the continent’s natural resource boom), which is accompanied by a growing labour force, urbanization, more foreign investors and the emergence of middle-class consumers. In a recent study of 356 Kenyan and Ghanaian entrepreneurs (Hung, Benzing and McGee, 2007), government support and stability were mentioned as critical success factors. Ernst & Young (2011) also emphasizes improvements in the African business environment as drivers of private sector development. Studies by Fafchamps (2002), Eifert, Gelb and Ramachandran (2005), Biggs & Shah (2006) and the World Bank’s ‘Doing Business’ reports are amongst other studies that examine the improvements of the SSA institutional context.

However, several studies caution that the improvements in institutional business environments are slow and riddled with setbacks. Overall, African countries still rank bottom in the World Bank Doing Business index and a decade of manufacturing enterprise surveys in Africa shows grim results for many countries (Bigsten & Söderbom, 2006). The Hung, Benzing and McGee article (2007) referred to above underlines how the inability to obtain capital and poor (or extensive) government regulation remain key external barriers for the local firms. There is still debate about just how important institutions are for economic performance in SSA. It has for instance been suggested that market and resource pulls of African economies can counter the adverse impacts of weak formal institutional frameworks (Ernst & Young, 2011).

Moreover, informal institutions tend to be just as important shapers of enterprise development in Africa as more formal ones (see e.g. Pedersen & McCormick, 1999). Biggs & Shah (2006) present evidence of links between informal governance institutions and improved SME performance, through for instance increased credit supply for 'insiders' in these networks. Eschborn (2006), on the other hand, underlines the massive costs associated with informal firms and the benefits of formalization, a process which is unfortunately not always possible due to external factors. Informal institutions often arise due to the lack of formal structures, or in a combination with formal actors, and it can be difficult to decipher their distinct dynamics.

Market factors

Market conditions (growth, size, segmentation, market access, etc.) are central to the success of African enterprises and several studies have examined the changing market environment of African countries. Accenture (2010) mentions positive developments relating to five key dimensions: growing consumerism (despite rampant poverty), increased demands for Africa's resources (lack of infrastructure remains an issue), new talent and expanding labour market, capital flows more freely, and innovation. Thus, we are witnessing improvements in consumer markets, factor markets, labour markets and financial markets.

In the academic literature, numerous recent studies have also examined the alleged opportunities of targeting the bottom of the pyramid (BOP) market segment, also for foreign firms (Mahajan, 2008; London & Hart, 2004; Prahalad & Hammond, 2002).

Moreover, where poor infrastructure and weak communication channels previously lead to low market integration, improving infrastructure and communication technology has greatly facilitated market agents' opportunity to circumvent some of the barriers that hitherto prevented market integration. A study of non-farm rural enterprises in Tanzania, with face-to-face interviews and surveys with 150 communities, 1,239 enterprises and 1,610 households, found that in particular access to finance, road infrastructure and rural cell phone communication was associated with employment growth (Kinda & Loening, 2010). On the other hand, 200 Zambian enterprises still mentioned poor market information and bounded rationality as limiting their business performance (Phillips & Bhatia-Panthaki, 2007).

Investment climate possibilities and constraints have also been explored more generally by the World Bank's Enterprise surveys and Eifert, Gelb and Ramachandran (2005). Signs of improved access to capital for both micro- and larger firms and the rise of commercial banks are analysed in a other studies (see e.g. Danish Africa Commission report, 2010).

Finally, the prospect of sustainable African growth is also highly dependent on the access to international markets (Bigsten & Söderbom, 2011) and efficiency gains from the export market (Bigsten et al., 2004), as will be discussed in more detail further on.

Despite improvements in the functioning and accessibility of markets, most studies caution that the improvements are still limited, that markets are relatively small and that the integration in international markets often is shallow. A sample from 188 cities in SSA shows how African businesses still suffer from low foreign market access, weak supplier access and poor institutions (Elbadawi, Mengistae and Zeufack, 2006). Other scholars emphasize that fragmentation and lack of linkages – evils of African enterprise development already described by Hirshman in the 1950s - still characterizes large parts of the African business system (Pedersen & McCormick, 1999).

Resource factors

Historically, natural resources have been the source of much private sector development in Africa. Oil and other natural resources still represent an important source of business and FDI on the continent (McKinsey, 2010). However, it has been suggested that much of the FDI in natural resources have failed to create linkages and spillovers to the local economy (Morrissey, 2012) and have had adverse impacts on macro-economic conditions ('Dutch disease' types of impacts). Economic development overly based on natural resources may thus have limited or even detrimental effects (Hirschman, 1958) and African governments therefore try to avoid the resource curse.

Although an increasing diversification away from natural resources is taking place (Ernst & Young, 2011), there is no doubt that natural resources play an essential role in the recent African growth trajectory and there is huge untapped potential in the African natural resources as well as the agriculture sectors. A recent report by the OECD Centre for Development (2009) suggests African agriculture is a sleeping giant and that it is time to promote commercial agriculture on the continent. The McKinsey report (2010) likewise notes bright prospects for the African agricultural sector, especially considering the cultivation of new land, yield growth and a shift to high-value crops. The Africa Competitiveness Report (WEF et al., 2011) moreover argues for further emphasis on the unexploited endowments in the travel and tourism sector.

Access to specific human resources is also associated with enterprise growth. On the surface, it would seem that the abundant labour force and young populations of most African countries provides a limitless source of labour in the private sector. However, a recent review by Taylor (2009) highlights severe limitations in the quality of African labour resources. Lack of skills and training has been a serious impediment to exploiting human resources on the continent and African industries have been confined to low skill type of manufacturing aimed at protected home markets, rarely directed toward export markets. This 'low skill trap', Taylor (2009) suggests, leads to high underemployment and unemployment. While Taylor believes future prospects are bleak, the McKinsey report (2010) is more optimistic with regards to the new generation of educated young Africans.

Competitive factors

One of the most significant changes in the African business environment in recent decades is the change in the competitive environment. In the Africa Competitiveness Report (WEF et al., 2011) competition is understood as all the factors, institutions and policies that determine a country's level of productivity. It is noted that a country's trade performance, export sophistication and diversification are critical indicators of its competitiveness. FDI inflows are also decisive. The key to higher competitiveness, it is underlined, is close cooperation between the public sector, business, and civil society. The report concludes that the major challenge in Africa is making competitiveness sustainable. In practice, three factors have been crucial in developing African competitiveness: 1) the dismantling of previous state monopolies and increased privatisation; 2) the rise of domestic entrepreneurs challenging the incumbents; and 3) the inflow of foreign firms.

Esterhuizen & Van Rooyen (2006) underlined how intense competition was a key determinant of performance for agricultural export firms in that competition increased firms' need and desire to perform. In general, the firms mentioned the following major positive influences on competitiveness: intense competition in the local market, the recent devaluation of the currency, stringent regulatory standards in the industry, efficient supporting industries, a good macroeconomic policy and availability of internationally competitive local suppliers of primary inputs. Major barrier to competitiveness included crime, the cost and availability of capital and political/health issues.

The increasing FDI into Africa and its impact on the local business competition is also receiving attention (e.g. Gilroy, Gries and Naudé, 2005). Interestingly, surveys from a recent report by Ernst & Young (2011) indicate that emerging market investors are more positive towards Africa in comparison to developed country investors. The former see Africa as critical to own success, whereas the latter see it as a potential future market. The inflow of Chinese FDI has been subject to much debate recently. This inflow not only fundamentally changes the bargaining relationship between African host governments and MNCs by giving African governments an opportunity to play out Western investors against Chinese investors, it also seriously challenges domestic enterprises that now will be exposed to competition from low cost Chinese firms. Thus, while attracting growth-enhancing FDI can raise competitiveness, achieving this requires dynamic business possibilities in the host countries (WEF et al., 2011).

Internal contingencies driving African enterprise growth

The studies reviewed above suggest that external conditions for doing business in Africa are changing fundamentally: institutions are becoming more stable, markets are expanding, resources are diversifying and competition is rising. All these have pervasive influence on enterprise developments and competitiveness. Nevertheless, beyond these external contingencies, there is another take on the rise of African enterprises which focuses more on the changes in the internal resources and capabilities of African enterprises. According to this view, every firm has a unique set of internal resources and capabilities that are fundamental in determining its strategies and eventually performance (Barney, 1991; Teece, 1998).

In comparison to external determinants, little has been written about internal drivers of African firm growth (Bigsten & Söderbom, 2011). The limited literature identifies in particular four sets of resources and capabilities: entrepreneurship, firm size, human capital and relational capabilities.

Entrepreneurship

The entrepreneur plays an increasing role in recent African business literature, probably due to the fact that African economic life is dominated by small-scale firms (e.g. Fick, 2002; Spring & McDade, 1998). While state owned enterprises still have a dominant position in many African countries, the major changes in African business are expected to arise from entrepreneurial firms finding their own ways (Liedholm, 2002). The literature has thus tried to identify important features of African entrepreneurs, through three main aspects. Firstly, certain psychological and behavioural aspects of the entrepreneur are mentioned as decisive for business success. A study of 87 business owners in Namibia illustrates the positive effects of complete planning (strategy process where strategies have high goal orientation) and entrepreneurial orientation (autonomy, competitive aggressiveness, innovativeness) (Frese, Brantjes and Hoorn, 2002). Secondly, there are social differences, such as gender. For instance, Kuada's work on African entrepreneurs (2009) shows how female entrepreneurs tend to use their social capital and cultivate their social relationships actively to compensate for the difficulties they face in accessing financing. Thirdly, there is a branch of literature focusing on institutional determinants of African entrepreneurship (see e.g. Langevang & Gough, 2012). Beyond these three areas, the entrepreneur's work input and perseverance is also decisive, according to an empirical study from Kenya and Ghana (Hung, Benzing and McGee, 2007). The distinction between 'necessity' entrepreneurs, who do business in order to survive, and 'opportunity' entrepreneurs, who innovate with ambition and a desire to continuously grow and expand (Bosma, Kelley and Amorós, 2010) is particularly important in the SSA context, although the concept is currently challenged. While the literature on smaller informal entrepreneurial firms in Africa is growing, there is less research on entrepreneurs in medium and large-scale business in the formal sector.

Firm size/structure

Firm size and structure are often used as controls in the empirical studies mentioned in this paper. A more specific study on the subject, based on RPED data from nine SSA countries suggests that: a) large firms are more productive; b) large firms are more likely to survive; c) large firms grow larger and improve productivity faster; d) large firms remain large (van Biesebroeck, 2005). The same study also showed how smaller enterprises have a hard time advancing in size or productivity distribution, much due to the limited availability of credit. Another research project underlined the role of productivity as a determining factor in the survival of larger manufacturing firms, while not necessarily for smaller firms (Söderbom, Teal and Harding, 2006). However, Bigsten & Söderbom (2006) report that it is premature to affirm a clear association between enterprise size and growth, having found both small/young firms and large/old firms particularly successful. Micro and small- firms have tended to dominate the African business scene and literature, while the following size and structural advancements are largely unexplored: micro firms moving into bigger structures, informal firms moving into formality, and firms becoming commercialized.

Skills and technology

The aforementioned studies by McKinsey (2010) and Accenture (2010) underline how human resources and education/training are an increasingly important asset facilitating African firm conduct and performance. A study of 225 micro- and small enterprises (MSEs) in Tanzania confirms that trained microenterprise owners have higher levels of asset and sale revenues compared to owners without training (Kessy & Temu, 2010). Studying the determinants of microenterprise performance in Uganda, Okurut (2008) similarly found that returns in Ugandan microenterprises are positively and significantly influenced by education level, experience, and business assets. Technological capabilities (investment, production and learning capabilities) in African enterprises have moreover been suggested as key for efficiency (Biggs, Shah and Srivastava, 1996). Judging by the amount of professionally trained managers from the Diaspora as well as increasingly higher standards of local business schools, it would seem a new, highly educated African business class is on its way.

Relational capabilities

Firms' capability to access and take use of external resources and relations is fundamental for growth. This is also labelled relational capabilities. In SSA, the use of networks, either local or global, is highlighted as a key strategy for improved performance (Fafchamps, 2002; McDade & Spring, 2005; Bigsten & Söderbom, 2011). Relational capabilities are often used to circumvent deficient or absent market and institutional structures through non-market interactions. Beyond formal arrangements, informal networks and social/personal relations have distinctive advantages (and disadvantages) for African firms (Phillips & Bhatia-Panthaki, 2007; Meagher, 2010; Moore & Schmitz, 2008; Biggs & Shah, 2006). These networks are often intertwined and mutually dependent with more formal rules and relations (Abdel-Latif & Schmitz, 2010). For both formal and informal networks, trust is a key prerequisite for inter-firm benefits (Humphrey & Schmitz, 1998). Networks could also have negative effects on performance and market-based exchanges (Fafchamps, 2002).

In sum, a limited number of empirical studies suggest that the internal capabilities of African firms are improving: entrepreneurs are growing in impact and diversity; firms are building organizational and managerial capabilities that allow them to be successful not only in domestic markets but also in regional and global markets; and more firms are reaching a critical size that enable them to obtain scale and scope economies. Moreover, due to the particular nature of markets and institutions in many African countries, it is noted that a key characteristic of African enterprises is related to their network capabilities.

IV. A firm strategic perspective on African enterprise growth

In our review of the drivers of rising African enterprises, we have presented a number of empirical studies emphasizing internal and external contingencies. However, these studies tend to miss an important point regarding the translation of structures and capabilities into action. As the strategic management literature long has known (Hoskisson et al., 1999), the ways firms choose to act based on internal and external contingencies are decisive for their performance.

Therefore, it is imperative to investigate and understand the strategic actions of African firms. We will in the following review the (limited) strategy literature, based on a distinction between three key strategic challenges facing African firms; balancing traditional and modern ways of doing business; using networks to enhance performance; and moving toward internationalization.

Balancing traditional and modern ways of doing business

Zu & Meyer (2012) argue that strategic management is an inherently contextual activity as firms develop their strategies contingent on the context in which they operate. As contexts evolve, emerging market businesses meet new challenges and need to develop new solutions, creating strategies that balance between traditional and market-oriented approaches.

Several studies emphasize how many African companies manage to develop dynamic coping strategies in the face of institutional voids, balancing traditional and market-oriented approaches. Biggs & Shah (2006), for instance, have used RPED data to analyse how SMEs in SSA get around market failures and formal institutional voids by creating private governance systems in the form of long-term business relationships and tight, ethnically based, business networks. These, often informal, private support institutions are said to play an active role in determining SMEs growth and performance in the SSA region through facilitating credit supply, exchanging information and supporting transactions. Other such balancing networks are formalized and national, regional and international in their nature (McDade & Spring, 2005). Esuha & Fletcher (2002), on their part, examined the strategies firms use to deal with 'missing middle' constraints, namely: choosing markets carefully', 'keeping clean', developing a 'family culture' and maintaining 'low visibility'. Within the MNC literature, recent years have also seen the emergence of the so-called Bottom of the Pyramid (BOP) literature (e.g. Prahalad & Hammond, 2002) which essentially advocates that MNCs should reach out for BOP markets through 'unconventional' practices such as developing relationships with non-traditional partners, co-inventing custom solutions, and building local capacity (London & Hart, 2004). The OECD (2006) and ILO (2009) have moreover studied strategies for managing the important transition from informality to formality. These studies underline how, considering the same structural voids, some firms are able to develop balancing strategies to survive and sometimes even thrive, while others are not.

While it appears that many African enterprises are adopting more market-oriented strategies (Hallberg, 2000), there is also strong evidence that traditional strategies remain important. Hence there seem to be two views of African firm strategy. The first view is that they follow 'normal' trajectories and evolve into Western style enterprises. Following this view, Western-based models can be used to evaluate success factors. This view was dominant in the 80s and 90s, when institutions like the World Bank and the International Monetary Fund suggested policies and reforms that had worked in the West. However, with time it became evident that such direct transportation of strategies from one continent to the next did not yield the expected results. Blunt & Jones (1997), for instance, underlined the dysfunctionality of Western views on leadership when applied uncritically in developing contexts. The authors noted a highly ethnocentric Western thinking around issues of management and organization as well as a mounting reluctance of Africans to conform to these ideals. A more contextual approach, taking culture into account, emerged as a result.

This second view stipulates that African enterprises are idiosyncratic to the particular market, culture, political and institutional environment in which they exist. In line with this approach, Kuada (2010) suggests African management requires a distinct conceptual model and research agenda. A key difference between African business systems and Western ones, Kuada argues, is the importance of informality (in exchanges, institutions, networks).

In general, the impression from most studies is that strategies of African enterprises remain hybrids between Western style market-oriented strategies and traditional African strategies. In the end, the challenge for research is to untangle the normal business developments from a particular African model, uncovering the factors that truly matter for African firms (Gelb et al., 2007).

Network strategies

In continuation of the above, several studies emphasize the key role of network strategies in assisting African enterprises circumventing the various external and internal constraints present. Network-based behaviour influences how firms interact with each other and are common due to social traditions and as a consequence of the less efficient markets (Zu & Meyer, 2012). McDade & Spring (2005) speak of a whole new generation of African entrepreneurs networking to change the climate for business and private sector-led development. In particular, cluster strategies and strategies aimed at exploiting state-business relations have been propagated as powerful tools in the African context. For one, clusters can contribute to increased competitive advantage through local external economies and concrete joint action projects, together increasing collective efficiency (Schmitz, 1995; McCormick, 1999). The clustering of firms is particularly useful to small-scale industries in developing countries as the firms are able to pool resources and develop competencies together (while still competing) in a step-by-step manner (Oyelaran-Oyeyinka & McCormick, 2007). Secondly, state-business relations (SBR) have high political and economic significance for firm abilities to act and their subsequent performance (Leftwich, Sen and Te Velde, 2008). SBRs can impact firm performance by providing a solution to state, market and co-ordination failures in three ways: a) Efficient policies and institutions; b) Improved quality and relevance of government expenditure; c) Reduced policy uncertainty (Qureshi & te Velde, 2007). Qureshi & te Velde used enterprise survey data of the World Bank Group for Zambia for around 200 firms to discover how being a member of a business association improved firm performance in Zambia in the form of productivity improvements of 37 to 41 per cent. However, the difficulty in sustaining business associations and the prerequisites for synergies to develop from growth coalitions in SSA has been highlighted by Bräutigam, Rakner and Taylor (2002). More empirical attention is needed to understand networking strategies in Africa.

Internationalization strategies

Strategies to enhance participation in the global economy are a fundamental source of improved performance for African firms (Bigsten et al., 2004). A distinction between strategies aimed at direct internationalization (export and FDI), and indirect internationalization through linkages to foreign firms can be made. While a couple of studies have started to analyse the emergence of African MNCs and direct internationalization, most studies on African internationalization seem to address the indirect category.

Within this category, collaborations and networks with foreign firms is judged to have both intended and unintended spillovers for local business, for instance through the infusion of technical skills and know-how (Ernst & Young, 2011). Kuada & Sørensen (1999), using empirical evidence from Ghana, underline the importance of foreign input suppliers (upstream internationalisation) for the development of the local export sector. Such suppliers provide technology, managerial skills and foreign market information/access essential for further internationalisation. Other studies emphasize how the inclusion or exclusion of SSA firms into global value chains is significantly linked to chances of international success (e.g. Barnes & Morris 2008; Fold & Larsen, 2008). While firm internationalization has received increasing attention, precisely how African firms enter foreign markets and the strategies they use to benefit from these relations is underexplored (Rutashobya & Jaensson, 2004). As early as 1958 Hirschman argued that resource exporters could form enclaves with few forward and backward linkages into the rest of the economy.

The relationship to foreign firms is not only or mainly one of collaboration. Strategic response to the inflow of foreign firms is an important aspect of internationalization. A study comparing foreign and local firms in Tanzania revealed important differences in their innovation strategies and learning: foreign firms having stronger vertical linkages with other foreign firms and investing more in human and physical capital (Goedhuys, 2007). Goedhuys' study demonstrates the various coping strategies that African firms can adopt in face of the increasing number of foreign firms trying to enter the African market. Similarly, Ernst & Young (2011), suggest domestic companies should: 1)position company to be an indispensable facilitator of investment; 2) locate close to centres of production or infrastructure backbone; and 3) invest in growth areas ahead of FDI.

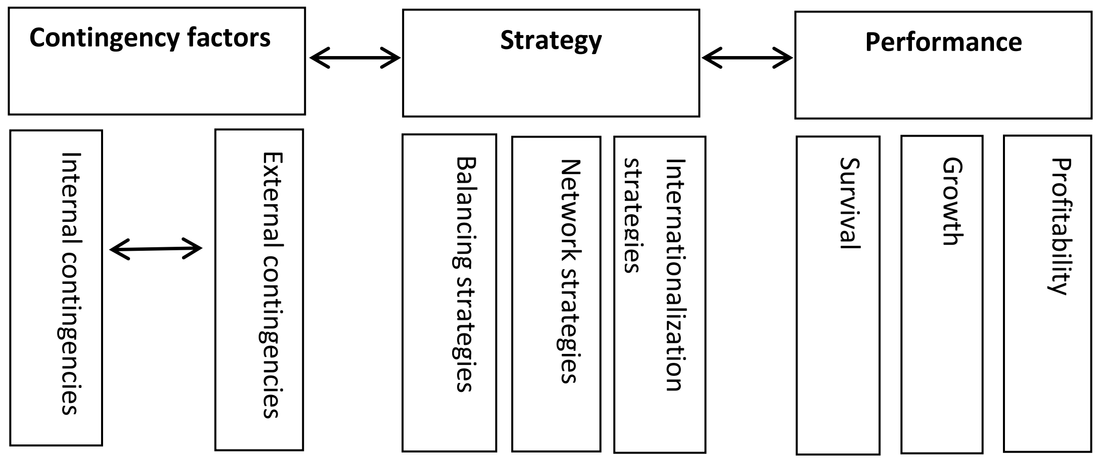
In sum, despite the importance of strategy implementation in Africa, the literature on African firm strategy appears relatively sparse. This is in stark contrast to the substantial strategic literature on for instance Asian enterprises (e.g. Zu & Meyer, 2012; Craig & Douglas, 1997; Khanna & Palebu, 1997/2010). In a recent review of 260 articles from this literature, Zu & Meyer (2012) underline how emerging economies provide a unique laboratory for investigating the interaction between firm strategies and local contexts. This is because strategic challenges arising from emerging market contexts are different from those in developed economies on several levels: markets are less efficient, governments are active players in the economy, network-based behaviours are common, risk and uncertainty are high, etc. Hence, the authors argue businesses find it harder to predict the contingencies they need for strategic decisions (for instance, business cycles or government actions). Despite substantial increases in the number of emerging economy studies in the top journals, African cases are largely ignored: of the 260 articles reviewed by Zu & Meyer (2012), 122 focused on China, 68 on other Asian economies, 37 on Central and Eastern Europe, 13 on Latin America and only 3 focused on the Middle East and Africa. This regional bias needs urgent attention.

V. Towards an analytical framework for African enterprise growth

All in all, while a literature on African enterprise development appears to be emerging, it is still in its infancy and huge lacunas in our understanding of performance, strategy and contextual factors remain. In particular, we argue that a better understanding of the relationship between the contextual factors and strategy and performance is needed. In organizational theory these contextual factors are called 'contingency factors'. Classic contingency theory stipulates that the optimal organization/ leadership/ accounting/ etc. is contingent upon various internal and external constraints. Based on Fiedler's work from 1964, it is suggested that there is no one best way to manage, that effective organizations must 'fit' with the environment and between its subsystems, and that organizational and management decisions are best when contextualized. While many authors have approached contingency theory from different angles (Kast & Rosenzweig, 1973; Lawrence & Lorsch, 1967; Otley, 1980), we will in this paper understand contingency theory broadly as concerned with the fit between structure and strategy (Hoskisson et al., 1999).

Our argument in the following is that we lack information and empirical evidence on how the contingencies and strategy relate to and influence each other in the specific African context. As Zu and Meyer (2012) suggest based on studies done primarily in Asia, dynamic contingencies provide pivotal challenges for strategy research in emerging economies. We will argue that the focus on context-specific nature of strategic management evident in recent research on Asian firms should be followed up by similar approach to strategy in an African context. How are strategic decisions informed by the internal and external contingencies in Africa, and how does this influence performance? Many firms master the contingencies of operating in the African business environment, for instance by creating strategies to deal with institutional voids and uncertainties or compensate for resource constraints, but we know far too little about how, when and why this is happening. There is thus a clear need for research to direct attention to firm strategy and the factors driving and constraining firm strategy. The following framework (Figure 1) outlines the relationships to be explored if we are to better understand the performance of African firms.

Figure 1: Analytical framework to study African firm success:



Research agendas on African enterprise development

Based on Figure 1, we can identify a number of resource gaps in the study of African enterprises. Firstly, considering the 'contingency' box, the majority of studies mentioned above examines the external components (institutions, markets, resources, competition), while fewer address the internal ones, such as entrepreneurship, size, skills and relational capabilities. We argue that future research needs to develop a better understanding of the internal resource configurations and the capability mixes that create African enterprise development. The second box, the 'strategic action' aspects of the model, also seems to be conceptually under-developed and empirically under-researched in an African context. Future research needs to understand why firms operating within similar contingencies adopt widely different strategies and perform in different ways. Indeed, excluding strategic action as a mediator between contingencies and performance would overlook the key role of agency in African enterprise development and in particular the role played by decision makers/entrepreneurs/managers. Finally, the review of the literature on performance of African enterprises suggested that more work is needed to understand the performance aspect. In particular, we argued that it is essential to make a distinction between survival, growth and profitability when assessing performance. Are 'survival without growth' or 'growth without profitability' sufficient indicators of performance? Research on performance would furthermore need to deal with the thorny issue of the sources of performance, for instance; is survival, growth and profitability based on political and kinship based strategies reflective of African enterprise development?

Emphasizing relationship between contingencies and strategy

Thus, there are lacunas in relation to each of the dimensions of Figure 1. However, more importantly, we need to understand the relationships and interactions between the three dimensions. The contingencies, strategies and performances of African enterprises can interact in any number of ways. In what follows, we will emphasize two interconnections between contingencies and strategies that in particular need to be addressed in future research on African enterprise development. The first concerns the heterogeneity of African enterprises. The second concerns the heterogeneity of African countries.

Accounting for the heterogeneity of African enterprises

There is no such thing as "an African firm" and recent debates have started to acknowledge the huge heterogeneity of African business and how this impacts firm strategy, conduct and performance. For one, comparisons between countries highlight national variations, for instance in terms of importance of external relationships, government regulations and financial support (see e.g. Hung, Benzing and McGee, 2007). Within the SSA countries, there are also variations between indigenous and non-indigenous entrepreneurs and firms (see e.g. Ramachandran & Shah, 1999) or between firms with different ethnic orientation, for instance between Kenyan African, Kenyan Asian and Kenyan British firms (Jackson, Amaeshi and Yavuz, 2008). Beyond cultural heterogeneity, it is possible (and necessary) to segment according to firm types (incumbents, entrepreneurial firms, etc). Even further segmentation is possible (based on age, location, sector, export orientation, etc.). Thus, conceptualizing the heterogeneity of African firms is a complex task. However, untangling the heterogeneity in choices and outcomes across firms within SSA countries is a vital part of making sense of the factors that shape firm behaviour.

Figure 2 provides one take on the relationship between firm characteristics and strategy, here based on a distinction between incumbents, entrepreneurial and foreign firms.

Figure 2: Accounting for the heterogeneity of African firms

	Incumbents	Entrepreneurial firms	Foreign firms
Resource configurations	Management politically connected Bureaucratic organization Strong path dependence Often obsolete technology and a large workforce Frequently a diversified portfolio of activities	Merit based reward system Commercial management mindset Severe resource constraints e.g. in terms of technology and capital	Partly or wholly controlled and managed from abroad Merit based reward system Often advanced management practice Part of global strategy and organization Global arbitrage advantages
Main strategic challenges	Drying out of public funds Removal of protective barriers against competition from below (SMEs) and from the outside (MNCs)	Enterprise barrier Accessing finance and other resources Dealing with government red tape and corruption	Liability of foreignness Lack of contacts and relations to local context Political and economic risks related to cross border activities
Firm's strategic response	Either move toward more commercial strategies through focusing, upgrading and internationalization or pursue political and economic shelter strategies	Challenge incumbents Move into/ create new markets Adopt network and cluster based strategies Acquire knowledge and technology Foster foreign alliances to upgrade	Challenge incumbents Fill voids in markets/ build new markets Form local linkages Seek first mover advantages
Examples	Typically SOEs and/ or hitherto protected monopolies	Typically SMEs	Typically MNC subsidiaries

Due to differences in size, mind-set and political affiliations between local incumbents, entrepreneurial firms and foreign firms, the strategic challenges these firms face vary: Incumbents are poised between restructuring strategies aimed at modernizing, focusing and/or internationalizing activities and shelter strategies aimed at resisting change and raising entry barriers. The latter strategies may be increasingly difficult to pursue due to institutional and market reform and the opening of many African economies. In contrast, entrepreneurial firms need to overcome the enterprise barrier, deal with bureaucratic obstacles, and tackle financial, organizational and technological resource constraints. Often, a feasible strategy for these firms will be to partner up with other firms in strategic alliances in order to compensate for the resource constraints endemic to SMEs. Linking up to other local firms will potentially provide external economies from collaboration. Linking up to foreign firms as suppliers and service providers will potentially provide market access as well as learning and upgrading opportunities.

There are thus huge opportunities, not only in the markets previously held by incumbents but also in evolving consumer markets and the new markets accompanying the entry of foreign firms. Finally, we have the foreign firms entering African host countries. On the one hand, their strategic challenges are to find ways through which they can overcome the liability of foreignness related to their lack of local market knowledge and contacts to authorities. This can be done, for instance by forming strategic alliances such as joint ventures with local firms. On the other hand, their strategic challenges are to exploit the obvious advantages they have in terms of products, scale, technology and knowledge to capture existing markets and to develop new markets.

Accounting for the heterogeneity of African countries

Another important aspect of the presented framework concerns the relationship between the nature of external business environments and strategy. In the institutional strategy literature it is argued that firms in emerging economies need to develop strategies that fit the particular emerging market context in which they operate. This has led scholars to develop conceptual frameworks that explicitly incorporate context into strategy decision making (Zu & Meyer, 2012; Peng, 2003). There are many ways in which we can organize our thinking about how the context interacts with firm strategy in Africa. Here we will, based on Dunning & Narula (1996), distinguish between three categories of developing countries namely 'Stage 1' countries (under-developed/post conflict), 'Stage 2' countries (starting market development, stable macroeconomic conditions, improving institutions) and 'Stage 3' countries (countries approaching economic 'take off' with improved infrastructures, emergence of competent local supplier industries, and strong market support institutions). This classification of countries is based partly on the quality of the macroeconomic business environment, partly on the quality of the micro economic business environment. While country classifications are subject to much debate and need to be seen as dynamic and changing, the point here is merely to explore how different country endowments lead to different strategies and eventually performances. Figure 3 depicts the possible relationship between country endowments and strategy based on Dunning & Narula’s framework.

Figure 3: Accounting for the heterogeneity of African countries

	Stage 1	Stage 2	Stage 3
Business environment	Underdeveloped Often post conflict	Fragile but increasingly stable market support institutions Emerging domestic demand undifferentiated comparative advantages	Relatively stable institutions and macroeconomic environment Improved micro economic conditions Increasingly differentiated comparative advantages
Main strategic challenges for local firms	Extreme economic and political risks Very weal or non-existent infrastructures and consumer and factor markets	Barriers to entering the formal economy Lack of market integration, deficient infrastructures and red tape and corruption Barriers to internationalization	Enhance competitiveness in local and international markets Develop markets
Firm strategic response	Stay informal and/or stay invisible Focus on regions and market segments with manageable risks	Cater to growing market demand Build markets Coping strategies to deal with institutional voids	Upgrade resources and capabilities through international linkages Internationalize toward regional markets and begin integration into global value chains
Examples	Congo, Zimbabwe, Mali, Sudan, Liberia, Sierra Leone	Uganda, Tanzania, Zambia, Mozambique	Ghana, Nigeria, Kenya, Botswana

Firms in Stage 1-countries have to perform in an external context of few locational advantages, extremely small domestic markets, few other local businesses to foster linkages with, and limited or mainly disruptive government presence (Dunning & Narula, 1996). This evidently affects firm strategies and performance in the sense that firms have to develop coping strategies in order to survive within the difficult environment. A main coping strategy will be about containment of the huge political and economic risks and in general, stay 'invisible' in the informal economy. For countries moving into Stage 2, there will be growth in domestic markets due to increases in locational and organizational advantages and government-induced push factors. Considering these new opportunities, firms will seek to exploit them by moving into formality, cater for the growing markets and seek to build new markets. In Stage 3 countries, we will see new types of business environments emerging, with better infrastructures and institutions, and with the emergence of a vibrant private sector. This allows for more integrated strategies where firms rely on backward and forward linkages both to the domestic and international economy. At this stage we see the emergence of a much more competitive environment and firms will move from predominantly import-substituting activities to efficiency-oriented activities aimed at regional markets first and then global exports.

V. Conclusion

Empirical data on performance drivers of African firms are scarce and do not adequately address or explain the dynamic relation between the contingencies, the strategies and the performance of the firms. Despite the recent media enthusiasm over African firm success, researchers are only beginning to understand the determinants of firm success in low-income countries. New lenses are needed to understand and explain the rising African “lions”, which despite often challenging environments succeed in growing their businesses. While studies suggest that Africa possesses a substantial reservoir of capacity endowments and best practices and that the solutions to African growth issues often are home-grown (Dia, 1996), exactly how this plays out is not thoroughly researched. Therefore, the focus needs to shift from solely analysing the multiple macro and micro- level barriers to examining firm strategy and capabilities in much more detail. More concretely, we proposed an analytical framework which directs attention toward three key dimensions: 1. The interplay between internal and external contingency factors; 2. The interaction of external and internal contingencies and firm strategy (balancing, network and internationalization strategies); and 3. The determinants of firm performance (e.g. measured through survival, growth and profitability). The interplay between these dimensions is a central element of the framework. A contingency approach to understanding African enterprise growth will, *inter alia*, take into account the heterogeneity of African firms as well as the heterogeneity of the business environments in which they are operating.

The framework has several advantages: first, it emphasizes the mediating role of strategy between contingencies and performance. Second, it emphasizes a dynamic perspective on firm behaviour and the resulting performance. Finally, the framework acknowledges that there is no one best way to strategize, but that strategy must be formulated through a fit between external and internal contingencies. As an example, we have shown how understanding firm and country heterogeneities have important implications for firm strategies.

The tide is starting to turn and a new and diverse generation of African firms is emerging, gaining grounds in local and global markets. It is high time that research gears up to enhance our understanding of this phenomenon, for instance by developing better conceptualizations of firm level factors behind African enterprise growth and/or by massively upgrading the effort to provide empirical data on African enterprises.

References

Abdel-Latif, A., & Schmitz, H. (2010). Growth Alliances: Insights from Egypt. *Business & Politics,* 12 (4), 1-27.

Accenture (2010). *Africa: The New Frontier for Growth.* Online access on February 13, 2012 http://nstore.accenture.com/pdf/Accenture_Africa_The_New_Frontier_for_Growth.pdf

African Business (2009). *Rising to the top* (cover story), 16-16.

Barnes, J., & Morris, M. (2008). Staying Alive in the Global Automotive Industry: What Can Developing Economies Learn from South Africa about Linking Into Global Automotive Value Chains? *European Journal of Development Research, 20* (1), 31-55.

Barney, J. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management,* Vol. 17 (1; 1), 99; 99-120; 120.

Biggs, T., & Shah, M. (2006). African SMEs, Networks, and Manufacturing Performance. *Journal of Banking and Finance*, 30(11): 3043-3066.

Biggs, T., Shah, M., and Srivastava, P. (1996). Technological Capabilities and Learning in African Enterprises. *African Technical Department Series, World Bank Technical Paper,* No. 288, World Bank.

Bigsten, A., & Söderbom, M. (2006). What Have We Learned From a Decade of Manufacturing Enterprise Surveys in Africa? *World Bank Research Observer,* 21(2), 241-265.

Bigsten, A., & Söderbom, M. (2011). Industrial Strategies for Economic Recovery and Long-Term Growth in Africa. *African Development Review,* 23(2), 161-171.

Bigsten, A., Collier, P., Dercon, S., Fafchamps, M., Gauthier, B., Gunning, J. W., . . . Zeufack, A. (2004). Do African Manufacturing Firms Learn From Exporting? *Journal of Development Studies,* 40(3), 115-141.

Blunt, P., & Jones, M.L. (1997). Exploring the Limits of Western Leadership Theory in East Asia and Africa. *Personnel Review*, Vol. 26 Iss: 1/2, 6 -23.

Bosma, N., Kelley, D., and Amorós, J. E. (2010). Global Entrepreneurship Monitor (GEM) 2010 Report. *Global Entrepreneurship Monitor*.

Boston Consulting Group (2010). *The African Challengers: Global Competitors Emerge from the Overlooked Continent.* Online access on February 13, 2012: http://www.bcg.com/documents/file44610.pdf

Bräutigam, D., Rakner, L., and Taylor, S. (2002). Business Associations and Growth Coalitions in Sub-Saharan Africa. *Journal of Modern African Studies,* 40(4), 519-547.

Commission on Growth and Development (2008). Strategies for Sustained Growth and Inclusive Development. *The Growth Report,* World Bank Publications, Washington D.C., USA.

Craig, C., & Douglas, S. (1997). Managing the Transnational Value Chain - Strategies for Firms from Emerging Markets. *Journal of International Marketing*, 5(3), 71-84.

Danish Africa Commission, 2010. *Growth and Employment: Visions at Work. Progress Report of the Africa Commission.* Online access on May 15, 2012: http://um.dk/en/~/media/UM/English-site/Documents/Danida/Activities/Growth/RapportFINALENG.ashx

Dia, M. (1996). Africa's Management in the 1990s and Beyond, Reconciling Indigenous and Transplanted Institutions. Washington, D.C: The World Bank.

Dunning, J.H., & Narula, R. (1996). The Investment Development Path Revisited: Some Emerging Issues. In J. Dunning, & R. Narula (eds), *Foreign Direct Investment and Governments: Catalysts for Economic Restructuring*, London: Routledge, 1-38=38.

Economist, The (May 13, 2000). *The Hopeless Continent (*Print addition).

Economist, The (December 3, 2010). *The Hopeful Continent: Africa Rising* (Print addition).

Eifert, B., Gelb, A., and Ramachandran, V. (2008). The Cost of Doing Business in Africa: Evidence from Enterprise Survey Data. *World Development,* 36; Vol.36(9; 9).

Elbadawi, I., Mengistae, T., and Zeufack, A. (2006). Market Access, Supplier Access, and Africa's Manufactured Exports: a Firm Level Analysis. *Journal of International Trade & Economic Development,* 15(4), 493-523.

Ernst & Young (2011). *It's time for Africa – Ernst & Young's 2011 Africa attractiveness survey.* Ernst & Young Publications. Online version retrieved on April 10, 2012: http://www.ey.com/Publication/vwLUAssets/2011_Africa_Attractiveness_Survey/$FILE/11EDA187_attractiveness_africa_low_resolution_final.pdf

Esterhuizen, D., & van Rooyen, J. (2006). Determinants of Competitiveness of South African Agricultural Export Firms. *Competitiveness Review,* 16(3), 223-232.

Esuha, J., & Fletcher, D. (2002). The Invisible Middle: a Critical Review of Small Business Development and the Political Institutional Environment in Kenya. *Paper for the 25th ISBA National Small Firms Conference.*

Fafchamps, M. (2002). Networks, Communities and Markets in Sub-Saharan Africa: Implications for Firm Growth and Investment. *Journal of African Economies 10*, AERC Supplement 2: 109-142.

Fick, D. S. (2002). Entrepreneurship in Africa, a Study of Successes. Westport, Conn: Quorum Books.

Fiedler, F. E. (1964). A Contingency Model of Leadership Effectiveness. *Advances in Experimental Social Psychology.* (Vol.1). 149-190. New York: Academic Press.

Fold, N., & Larsen, M.N. (eds.) (2008). Globalization and Restructuring of African Commodity Flows. Uppsala : The Nordic Africa Institute.

Frese, M., Brantjes, A., and Hoorn, R. (2002). Psychological Success Factors of Small Scale Businesses in Namibia: The Roles of Strategy Process, Entrepreneurial Orientation and the Environment. *Journal of Developmental Entrepreneurship,* 7(3), 259.

Gelb, A., Ramachandran, V., Shah, M. K. and Turner, G. (2007). What Matters to African Firms? The Relevance of Perceptions Data. *Policy Research Working Paper*. Series No. 4446. Washington D.C.: The World Bank.

Gilroy, B. M., Gries, T., and Naudé, W. A. (2005). Multinational Enterprises, Foreign Direct Investment and Growth in Africa, South African perspectives. Heidelberg: Physica-Verlag.

Goedhuys, M. (2007). Learning, Product Innovation, and Firm Heterogeneity in Developing Countries: Evidence from Tanzania. *Industrial & Corporate Change,* 16(2), 269-292.

Hallberg, K. (2000). A Market-Oriented Strategy for Small and Medium Scale Enterprises. Washington, D.C.; Washington, D.C: World Bank.

Hansen, M. W., & Schaumburg-Müller, H. (2010). Firms in Developing Countries: A Theoretical Probe into the Borderland of Business Studies and Development Studies. *European Journal of Development Research,* 22(2), 197-216.

Hirschman, A. O. (1958). The Strategy of Economic Development. New Haven; Yale University Press.

Hoskisson, R. E., Wan, W. P., Yiu, D., and Hitt, M. A. (1999). Theory and Research in Strategic Management: Swings of a Pendulum. *Journal of Management,* Vol.25 (3; 3), 417; 417-456; 456.

Humphrey, J., & Schmitz, H. (1998). Trust and Inter-Firm Relations in Developing and Transition Economies. *Journal of Development Studies,* 34(4), 32.

Hung Manh, C. H. U., Benzing, C., and McGee, C. (2007). Ghanaian and Kenyan Entrepreneurs: a Comparative Analysis of Their Motivations, Success Characteristics and Problems. *Journal of Developmental Entrepreneurship,* 12(3), 295-322.

ILO (International Labour Organisation). The Informal Economy in Africa: Promoting Transition to Formality: Challenges and Strategies / International Labour Office, Employment Sector and Social Protection Sector. - Geneva: ILO, 2009, 66 p.

Jackson, T., Amaeshi, K., and Yavuz, S. (2008). Untangling African Indigenous Management: Multiple Influences on the Success of SMEs in Kenya. *Journal of World Business,* 43(4), 400-416.

Kast, F., & Rosenzweig, J. (1973). Contingency Views of Organization and Management. Chicago: Science Research Associates.

Kessy, S., & Temu, S. S. (2010). The Impact of Training on Performance of Micro and Small Enterprises Served by Microfinance Institutions in Tanzania. *Research Journal of Business Management,* 4(2), 103-111.

Khanna & Palepu (1997). Why Focused Strategies May be Wrong for Emerging Markets. *Harvard Business Review*, July/August 1997, pp. 41-51.

Kinda, T., & Loening, J. L. (2010). Small Enterprise Growth and the Rural Investment Climate: Evidence from Tanzania. *African Development Review,* 22(1), 173-207.

Kuada, J. (2009). Gender, Social Networks, and Entrepreneurship in Ghana. *Journal of African Business,* 10(1), 85-103.

Kuada, J. (2010). Culture and Leadership in Africa: a Conceptual Model and Research Agenda. *African Journal of Economic and Management Studies,* 2010, 1; Vol.1(1; 1), 9; 9-24; 24.

Kuada, J., & Sorensen, O. J. (1999). Upstream and Downstream Processes of Internationalisation: Some Ghanaian Evidence. *Journal of Euromarketing,* 8(4), 7.

Langevang, T. & Gough, K. V. (2012). Diverging Pathways: Young Female Employment and Entrepreneurship in Sub-Saharan Africa. *The Geographical Journal*.

Lawrence, P. R., & Lorsch, J. W. (1967). Organization and Environment. Cambridge, MA: Harvard University Press.

Liedholm, C. (2002). Small Firm Dynamics: Evidence from Africa and Latin America. *Small Business Economics,* 18(1-3), 227.

Leftwich, A., Sen, K., and te Velde, D. W. (eds.) (2008). The Economics and Politics of State Business Relations in Africa. Manchester: University of Manchester.

London, T., & Hart, S. L. (2004). Reinventing Strategies for Emerging Markets: Beyond the Transnational Model. *Journal of International Business Studies,* 35(5), 350-370.

Mahajan, V. (2008). Africa Rising: How 900 Million African Consumers Offer More Than You Think. Wharton.

McCormick, D. (1999). African Enterprise Clusters and Industrialization: Theory and Reality. *World Development,* 27(9), 1531-1551.

McDade, B. E., & Spring, A (2005). Entrepreneurship & Regional Development**.** Jan2005, Vol. 17 Issue 1, 17-42.

McKinsey Global Institute (2010). Lions on the Move: the Progress and Potential of African Economies. Online access on February 13, 2012: http://www.mckinsey.com/Insights/MGI/Research/Productivity_Competitiveness_and_Growth/Lions_on_the_move

Meagher, K. (2006). Social Capital, Social Liabilities, and Political Capital: Social Networks and Informal Manufacturing in Nigeria. *African Affairs,* 105(421), 553-582.

Moore, M., & Schmitz, H. (2008). Idealism, Realism and the Investment Climate in Developing Countries. *IDS Working Paper,* No. 307. Sussex: Institute of Development Studies.

Morrissey, O. (2012). FDI in Sub-Saharan Africa: Few Linkages, Fewer Spillovers. *European Journal of Development Research,* 24(1), 26-31.

Newsweek (February 18, 2010). *How Africa is Becoming the New Asia* (Jerry Guo). Online access on February 13th 2012: http://www.thedailybeast.com/newsweek/2010/02/18/how-africa-is-becoming-the-new-asia.html

OECD (2006). *Promoting Pro Poor Growth: Private Sector Development.* Online access on June 14, 2012: www.oecd.org/dataoecd/43/63/36427804.pdf.

OECD Centre for Development (2009). *Turning African Agriculture into a Business, a reader.* OECD Publishing.

Okurut, F. N. (2008). Determinants of Microenterprise Performance in Uganda. *ICFAI Journal of Agricultural Economics,* 5(1), 77-87.

Olomi, D. R. (Ed.). (2009). African Entrepreneurship and Small Business Development: Context and Process. Dar Es Salaam: Otme Company Limited.

Otley, D. T. 1980. The Contingency Theory of Management Accounting: Achievement and Prognosis. *Accounting, Organizations and Society*, 5(4): 413-428.

Oyelaran-Oyeyinka, B., & McCormick, D. (2007). Introduction: Cluster and Innovation Systems in Africa. In Oyelaran-Oyeyinka, Banji and McCormick, Dorothy (Ed.), *Industrial Clusters and Innovation Systems in Africa* (2007 ed., pp. 1-20). Tokyo: United Nations University Press.

Pedersen, P. O., & McCormick, D. (1999). African Business Systems in a Globalising World. *Journal of Modern African Studies,* 37(1), 109.

Peng, M. W. (2003). Institutional Transitions and Strategic Choices. *Academy of Management Review,* 28(2), 275-296.

Phillips, C., & Bhatia-Panthaki, S. (2007). Enterprise Development in Zambia: Reflections on the Missing Middle. *Journal of International Development,* 19(6), 793-804.

Prahalad, C. K., & Hammond, A. (2002). Serving the World's Poor, Profitably. *Harvard Business Review,* 80(9), 48-57.

Qureshi, M., & te Velde, D. W. (2007). *State-Business Relations and Firm Performance in Zambia*. *IPPG (Research Programme Consortium for Improving Institutions for Pro-Poor Growth) Discussion paper*.

Ramachandran, V., & Shah, M. K. (1999). Minority Entrepreneurs and Firm Performance in Sub-Saharan Africa. *Journal of Development Studies,* 36(2), 71.

Rutashobya, L., & Jaensson, J. E. (2004). 'Small Firms': Internationalisation for Development in Tanzania: Exploring the Network Phenomenon. *International Journal of Social Economics,* 31(1-2): 159-172.

Schmitz, H. (1995). Collective Efficiency: Growth Path for Small-Scale Industry. *Journal of Development Studies,* 31(4), 529-567.

Spring, A., & McDade, B. (eds) (1998). African Entrepreneurship: Theory and Reality. Gainesville, FL: University.

Söderbom, M., Teal, F., and Harding, A. (2006). The Determinants of Survival Among African Manufacturing Firms. *Economic Development & Cultural Change,* 54(3), 533-555.

Sørensen, O., & Kuada, J. (2000). Internationalization of Companies from Developing Countries. New York: International Business Press.

Taylor, S. D. (2009). Labor Markets in Africa: Multiple Challenges, Limited Opportunities. *Current History,* 108(718), 214-220.

Teal, F. (1999). Why can Mauritius Export Manufactures and Ghana Not? *World Economy,* 22(7), 981.

Teece, D. (2000). Firm Capabilities, and Economic Development: Implications for NIEs. *In Kim and Nelson, Technology, Learning and Innovation.* Mass: Cambridge University Press, 2000, pp. 105-128.

van Biesebroeck, J. (2005). Firm Size Matters: Growth and Productivity Growth in African Manufacturing. *Economic Development & Cultural Change*, Apr2005, Vol. 53 Issue 3, p545-583, 39p.

Vroom, V.H., & Yetton, P.W. (1973). Leadership and Decision-Making. Pittsburgh: University of Pittsburgh Press

World Bank (2005). A Better Investment Climate for Everyone. *World Development Report 2005.* World Bank Publications: Washington, USA.

World Economic Forum (WEF), World Bank and the African Development Bank (2011). *Africa Competitiveness Report*. Geneva: World Economic Forum.

World Bank (2012). Doing Business. Online access on February 14, 2012: http://www.doingbusiness.org/

World Bank (2012). Enterprise Surveys. Online access on February 14, 2012: http://enterprisesurveys.org/

Zu, D., & Meyer, K. (2012). Linking Theory and Context: Strategy Research in Emerging Economies. *Forthcoming in Journal of Management Studies*.