

# **AFRICAN ENTREPRENEURS SHOULD PLAN AND ASPIRE BEYOND THE FENCE AT THE CURRENT COMPLEX GLOBAL BUSINESS ENVIRONMENT**

**By**

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## **1. INTRODUCTION**

Genuine Entrepreneurs are the engine of sustainable economic growth and innovation in African nations. Under proper governance and encouraging environment, they can make a pivotal contribution to the socio-economic development of the continent. However, entrepreneurs, particularly owning Small and Medium Enterprises (SMEs), have continued confronting formidable challenges. This is due to the new reality marked by increasing international business interactions and socio-economic and technological interdependency affecting all developed and developing economies around the globe. This in turn has brought enormous intricacies and complexities in conducting business both domestically and internationally. The impact of massive technological discoveries and innovations is now felt everywhere including in Africa with the ever expanding outreach. Unfortunately, Entrepreneurs in African nations are insufficiently aware of this phenomenon. Many of them have continued to devote their full time and energy in a limited local domain and static business styles which might not warrant them sustainability and growth. This conceptual paper attempted to provide some advice on how African entrepreneurs and owners of SMEs should strategically and tactically react to the demands of global business environment. I hope the discussion in this paper will give a general picture of this challenging scenario.

## **2. THE GLOBAL ECONOMIC INTERACTION AND THE CURRENT BUSINESS ENVIRONMENT**

The developmental reality of the 21<sup>st</sup> century is one of complex socio-cultural, economic, political and technological leaps forward and intricate challenges. During the last 60 years, extraordinary entrepreneurial novelty and frequent occurrences of ground breaking technological innovations and discoveries as “Killer Applications” have been observed. Killer applications (or “Killer apps”) are

not merely innovations that improve the way something is done. They are not even something that merely changes a market or an industry. Killer applications are milestones in the technological development continuum that change the way society itself lives, works and functions (Schindehutt, 2009). Given the present widespread interest in emerging global markets and rapid technological development, it is reasonable to expect internationalization will proceed in the future (OECD Report, 2008; Department of Community and Economic Development, 2007; Amjad Hadjikhani, 2002). Due to the blossoming of extraordinary innovations and progress in the information technology, our planet is becoming smaller and smaller at an accelerating speed. Within minutes, any noticeable event can be disseminated all over the world. Globalized businesses' *modus operandi* has continued to dominate the world and affect virtually all firms in both developing and developed nations. Indeed, this epoch of knowledge-based society and increased global integration of national economies has forced business ventures of all sizes to expand their business outreach and impact beyond their domestic domains. Increased competition and international cooperation are not contradictory. Rather, they are complementarities contributing to the process of global wealth creation and achieving sustainable socio-economic development. Due to these developmental phenomena, the world business community is no longer ignorant of what Africa can bestow. African entrepreneurs must seriously consider expanding their business outreach and impact beyond their domestic domains. They should do this before others do it on their behalf and -right in their backyard. The current global scenario has heightened competition in areas such as manufacturing, trade finance, construction and technology among other business activities. On the other hand, it has also created an atmosphere of cooperation and partnership at both macro and micro levels across business ventures, industries, countries and regional groupings for sustainable business growth (Morisson, 2002). Increased competition and inter/intra-country business cooperation and partnerships should not be seen as contradicting scenarios. Rather, African countries ought to see them as complementarities that contribute to wealth creation and indigenous entrepreneurial innovation. The new global reality is marked by sectoral shifts, policy reforms, greater global interactions and heightened influence of both economic and non economic factors (IFC, 2011). This has enhanced the multidimensional role of enterprises in the international business environment. African entrepreneurs need to realize that economic interactions are now filled with higher momentum for inter-company, bilateral, regional and global treaties, strategic business partnerships and major paradigm shifts that tend to make fundamental techno-economic and socio-cultural

transformations at every corner of the globe. Business ventures need to actively and skillfully engage in the rapidly internationalizing business environment by promoting strategic partnerships and cooperation in terms of subsidiaries, joint ventures, outsourcing, import-and-export links; technology transfer and business sharing, among others. These are mandatory prerequisites for African entrepreneurs if they are determined to remain competitive, vibrant and sustainable. As we are aware that more and more emerging countries, including African nations are in the process of transforming their mode of economies from agrarian based to manufacturing and service dominated ones. This is an obligatory process in order to make fundamental socio-economic transformations in accordance with the mandatory requirements of the business environment and economic interactions around the globe (McDade, & Spring, 2005). Therefore, African entrepreneurs should actively participate in international business interactions in order to run a viable and sustainable business.

As a home for more than a billion people, Africa is the biggest and most endowed continent with abundant human and natural resources coupled with a convenient climate and renewable energy. All these competitive factors can help the continent to uplift itself to one of vibrant economic centers of the world (Gu, 2009). To adequately exploit the economic potential and enhance competitiveness, African entrepreneurs have a pivotal role to play. They should acquaint themselves with regional, continental and global business dynamics in order to enhance their stakes in the international business environment. Nowadays, businesses are significantly affected by factors beyond their borders. It is time for African entrepreneurs to connect with one another within the continent and beyond. Globalized and regionalized (or continentalised) economic and business interactions are needed more than ever among African stakeholders and international counterparts. Unaware of what is pushing the global reality; most African entrepreneurs still devote their time and energy in local market domains (Ekeledo, and Bewayo, 2009). This narrow outlook might not guarantee business sustainability and growth. Unpreparedness to boldly confront the global business and socio-economic reality is one of the causes of the downfall and untimely death of many indigenous business ventures in the continent. This gloomy situation should be radically changed in the future by all means and through genuine cooperation and partnership leading to win-win outcomes. African entrepreneurs are expected to contribute towards achieving these noble objectives.

The modern and productive economic sectors in Africa are dominated by small businesses (Beyene, 2002). Most African entrepreneurs are owners of SMEs, and they have ultimate responsibility to nurture their firms in order to continue to play a principal role in promoting and nurturing a

widespread tradition of innovation and entrepreneurship across the continent. Other stakeholders including governments should also contribute their part as SMEs are potentially responsible for economic prosperity and innovative competitiveness of both developed and developing countries (OECD, 2009). African SMEs are now vividly affected by the growing global competition challenges in virtually all business areas including manufacturing, trade, finance, technology, transport and communication, information management, entrepreneurship, etc. This is largely due to the attitude and inactiveness of African entrepreneurs (Ekeledo and Bewayo., 2009). Anecdotal observations indicated that African entrepreneurs are more focused on local market domains which might not guarantee them long-term sustainability and growth given the current global business turbulence (Beyene, 2002). On top of that they are not kin as desired about the important impact of technology on business sustainability.

### **3. THE NEED FOR AFRICAN ENTREPRENEURS TO ACT LOCAL AND THINK GLOBAL**

It is true that African entrepreneurs have a lot of challenges as they operate in economically less conducive environment for entrepreneurial development, and more prone to market imperfections. Still many of them have insufficient awareness of the opportunities in global markets (Vermeulen, 2011). But, even with their current conditions, they need to enhance their awareness of the global reality. They have continued to devote their full time and energy predominantly in limited and local domains which may limit their business sustainability and growth. This lack of vision and awareness of global opportunities can become the major cause of underperformance in many of their business activities. Therefore, African entrepreneurs need to prepare for continuous searching business innovation and opportunities at all times and in any place in this epoch of global business turbulence and marked uncertainties. Of course, opportunities continue to emerge in all aspects of life and socio-economic and technological spheres in virtually all parts of Africa and the world at large. Unfortunately, not many entrepreneurs and business professionals in Africa are conscious of the need to seriously engage in the global business environment and take the necessary measures and action plans to ensure their readiness for capitalizing upon these short-lived opportunities. This readiness requires them to equip themselves with the desired appropriate knowledge technology and skills for active engagement in the global business environment. In fact, they need to evaluate the depth of their familiarities with the plethora of important related terminologies like global trade, exporting, diversity, economic trend, economic regime, business and trade cooperation and change

and lack of change. For example, they need to know the WHYs and HOWs of regional trade agreements and designated free trade areas such as: the Common Market for Eastern and Southern Africa (COMESA), the Southern Africa Development Coordination Committee (SADCC), Inter-Governmental Authority on Development (IGAD), Preferential Trade Area for Eastern and Southern African States (PTA), the North American Free Trade Area (NAFTA), European Union (EU), Association of South East Asian Nations (ASEAN) and many other Latin American, and African trade and economic cooperation blocks and bilateral agreements. African entrepreneurs can play a significant role within the ambit of international business if they are determined to enlighten themselves and clearly understand the details of the following: global trade regimes, regional and bilateral contexts in trade and economic partnerships, national socio-economic settings, industrial and economic productivity ambience, firm level corporate practices, and segment and sphere wise targets for the dynamics of business. An in depth knowledge of these can help them to negotiate the ins and outs of successful business practices in the potentially lucrative areas of business regionally, continentally and globally. Particularly SMEs' entrepreneurs should know that being ready for active engagement in international business requires a thorough understanding of: Why a company needs to actively engage beyond its local domains? How a company should go international? What managerial attitudes and practices entrepreneurs should adopt to successfully engage in international business as the new world realities demand at all levels?

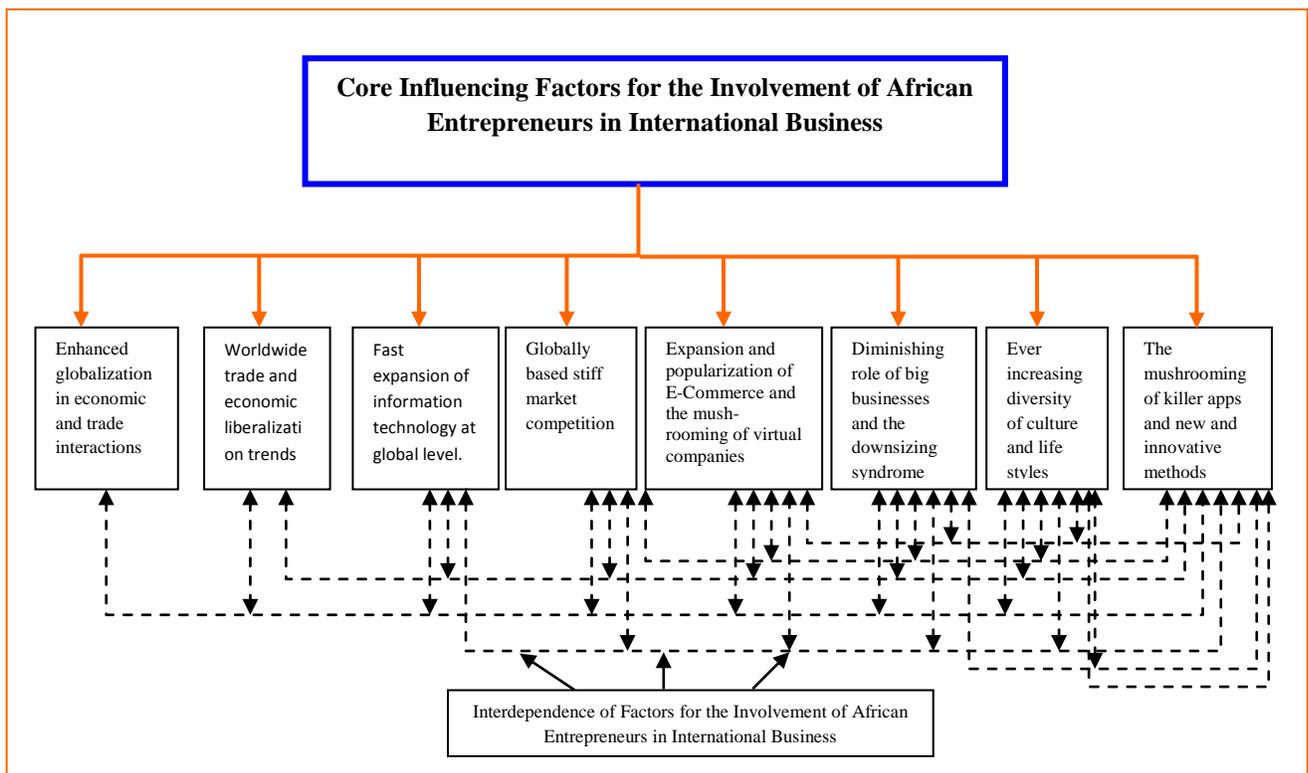
Korth (1985) has identified four degrees or levels of involvement in international business. The first level of involvement is expressed in terms of passive participation in the international business dealings and transactions. This means that a company deals indirectly through a third company. For example, when a company in Ghana wishes to invest in Eritrea or Ethiopia, it does this through a partner company in Kenya. The second level of involvement occurs when a company deals across borders by establishing representative offices or with the help of designated foreign trade agents (like import and export departments) with the exclusive mission of overseeing the international business dealings of that particular company. The third level of involvement in international dealings is reached when companies place a higher level of importance to international business in their overall structural framework and business strategy. However, they still regard themselves as domestically dominated. For example, Texas Instruments has many branches outside the United States, but the corporation still regards the US as its headquarters and main domestic market segment. The fourth and last level in the international business involvement process is the so-called

full engagement. Companies at this level regard themselves as multi-national. They are fully in tune with all types of international business operations including foreign trade, foreign direct investment, etc. In other words, companies must have global organizational structures and managerial attitudes inclined to promoting internationalization of business operations.

Entrepreneurs' attitudes remain important in guiding firms' endeavors in reaching higher levels of participation in international business operations. The existence of a truly international attitude among company entrepreneurs is important in shaping and determining the degree of venture success in the vital international business opportunity hunt. Perlmutter (1985) has identified three primary attitudes among entrepreneurs that are involved in international business at different levels and in different sizes. He categorized entrepreneurs' attitudes under three broader degrees: Ethnocentric; Polycentric, Geocentric. Entrepreneurs who entertain ethnocentric attitude see foreign countries, cultures, and even their people as inferior to their home country. They believe that home country entrepreneurial activities, managerial practices, culture, organization, planning, dressing, language is the best, and they try to impose their own entrepreneurial activities, living and interacting styles, working habits, managerial approaches, dress codes, etc. on the host country environment. Entrepreneurs with polycentric attitudes see all countries as being different and difficult to understand, and they consider this a good opportunity to learn and further develop their entrepreneurial and business acumen to successfully deal with the reality on the ground. They are inclined to let their foreign offices make their own decisions as they firmly believe that host country entrepreneurs know what is best in their own environment in terms of entrepreneurial innovation, language, government practices, political system and cultural heritages. The third one is the geocentric attitude and entrepreneurs who have this attitude fully recognize both the similarities and the differences among nations. They are savvy enough to broaden their pursuit for the intelligent human and entrepreneurial assets no matter where they are located. They persistently attempt to draw the most effective entrepreneurial and business operational methods from any place and at any time. They fully focus on drawing the best qualified for the higher entrepreneurial alertness and best managerial and operational practices for achieving quality, efficiency, effectiveness, innovation and sustained competitive advantage. The reality check reveals that entrepreneurs show varying degrees of each of these attitudes. However, it is good for their firms if entrepreneurs undermine the ethnocentric attitude and endorse the geocentric attitude. This can help to successfully deal with the

Herculean task of engaging in international business within the contextual aspects of best enterprising, globalization, sophisticated and customized based consumerism, culture dynamics, new standards, and cost-benefit of challenges and opportunities. Successful engagement in the international business environment demands active involvement in decision making under uncertain scenarios. At least, the involvement should cover the broad areas of resources and investment mobilization even in a rudimentary business environment, skills and talent acquisition, transfer of technologies and venture management skills. African entrepreneurs need to know that all these require the commitment of time and resources and the joint efforts of all stakeholders at mega,

macro, mezzo and micro levels. Figure 1 depicts these factors.



As previous studies revealed that, there are numerous generally expressed positive and negative factors influencing entrepreneurs' internationalization endeavors in developing nations including those in Africa (OECD, 2009; 2008; ECA, 2000; Keith, 1990). They are summarized more or less as follows: Import tariffs; cumbersome procedures and regulatory problems; scarcity of firms resources including required entrepreneurial and managerial acumen and limited international contacts; lack of the desired motives for growth and knowledge related motives for internationalization; policy

implementation problems; the attitude of regulatory governmental and public institutions; poor administrative practices; corruption and discrimination; weak domestic institutional capacities; the legal and judicial system governing international business activities. African entrepreneurs' scant orientation on the mechanisms of borderless mobilization of business is also another important factor. To marginalize the negative factors, entrepreneurs' and other stakeholders should make helpful efforts to enhancing the ability to benefit from external environment such as external links, social ties, foreign investors and entrepreneurs links and other infrastructures facilitating internationalization is also fundamental (OECD, 2009).

#### **4. IMPLICATIONS FOR SURVIVAL GROWTH AND SUSTAINABILITY**

As briefly discussed earlier, the degree of direct and indirect implications of internationalization efforts exerted by African entrepreneurs for growth and sustainability of their business ventures have created significant disparities on firms' confidence and effectiveness (Ekeledo, and Bewayo, 2009). Implications are situational and influenced by a variety of internal and external factors attributed to economic, social, cultural, political or environmental realities. In line with this, African entrepreneurs need to know the fundamental fact that they are primarily responsible for their sustainable survival, viability and progress. This means that their vision, strategic and operational competence, entrepreneurial innovativeness, organizational and managerial resourcefulness, flexibility, skillful use of technology and superior performance largely determine their level of involvement in the international business. This means, they should improve their current nominal efforts towards broadening their business activities beyond the local domain. International competition even in the classically monopolized domestic market is stiff and entrepreneurs in general have continued facing difficulties in securing their market share persistently. A widespread global competition has continued to diminish the role of the bricks and mortar business activities. African entrepreneurs' excessive focus on domestic market and clinging on conservative business culture has become potentially detrimental even to the broader national economies of African nations. Taking the necessary actions to change this traditional approach is fundamental. All stakeholders at both public and private capacities should play a joint supportive role to improve the situation (Zucchella & Palamara, 2007).

## 5. WHAT ENTREPRENEURS NEED TO KNOW

Active participation in business activities internationally demands dedication and readiness to face intricate challenges skillfully. African entrepreneurs are primarily responsible for strengthening their internal resourcefulness to meet the plethora of requirements. Many entrepreneurs inappropriately assume that conducting business internationally is solely involving import-export activities. However, as earlier mentioned, they should be aware that international business activities also involve numerous other activities namely: direct investment; business partnership and joint ventures; consulting; technology and skill transfer; participation in mining exploration and transport services, etc. Potentially Africa is probably the wealthiest continents on earth. African entrepreneurs should be at forefront in exploiting the potential and building massive capacities in all socio-economic sectors. Improvement and development are continuous processes that are necessary for countries to redouble their efforts to improve their efficiency and effectiveness for achieving sustainable economic development. This is mandatory under any circumstance. It is true that entrepreneurs, I wouldn't say all, are always eager to boost their business activities locally and internationally. However, sheer wish alone doesn't help. Rather, they should take practical action to keep up their viability and competitiveness by rejuvenating their strength, marginalize their weakness, exploit their foreseeable opportunities and avoid threats that might come from potential rivals at both local and international levels. This requires hard work and meticulous efforts in all aspects. They should also take into consideration the importance of hiring well trained, globally exposed, knowledgeable managers and professionals at large. This action is mandatory for active engagement in global business. Entrepreneurs collectively and academic institutions can collaborate in training qualified professional that can play a catalyst role in enhancing involvement in international business activities. This means that entrepreneurial community and academic and training institutions should establish partnership and collaboration in producing the desired young talent as important actors towards the efforts to enhance entrepreneurial engagement in the internationalization of business activities.

African entrepreneurs should also endeavor to learn and adapt to unfamiliar cultures, formalities, courtesies and other socio-cultural values and life styles of different societies. For example, the African *Ubuntu*, the Indian Caste System, the Latino *Amigo*, the North American Informalities, and the European protocol conscious approaches are shrouded with different socio-cultural values and

life styles rooted in the different milestones of human history. African entrepreneurs should have open mindedness to embrace these challenges for mutual benefit. Increased globalized business interaction means more challenges and more opportunities for entrepreneurs to conduct business. Greater international competition means more complexity for local enterprises as they enter into a fray of stiff competition in the international markets.

## **CONCLUSION**

I attempted to briefly discuss some issues focusing on the WHYS and HOWS of African entrepreneurs' involvement in global business environment. Changes and developmental dynamics are happening every day and every hour around the globe. Whereas African entrepreneurs express their eagerness to boost business activities locally and internationally, sheer wish alone is not sufficient. They need to prepare themselves more than ever to face the current and forthcoming challenges. This requires hard work and collaborative efforts in all fronts and at all levels. The world's stock of knowledge is currently doubling every three years. The remotely observed events are here with us with the whole context of global business environment. Let African entrepreneurs expand business across Africa and beyond, this is not utopian rather possible. It should be primary by them and for them. This is a call for the able and talented African entrepreneurs. There is no doubt that the current and future African entrepreneurial talent will do that. This is an era of technology and information that all stakeholders need to capitalize for the best socio-economic purposes. Academic and training institutions have a cardinal role to shape professionals of tomorrow that entrepreneurs desperately looking to hire for internationalizing business activities. The future will continue to bring many surprises and breakthroughs in all aspects of life and in all economic and non-economic events and land marks all over the world. African entrepreneurs need to engage in all dimensions of current realities and prepare themselves for the future realities in order to make the continent a better place. Above all, African entrepreneurs need to work together and collaborate with other stakeholders across the continent and beyond in order to push their agenda of active involvement in the fast globalizing business interactions.

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