

Entrepreneurial Success In Africa: Exploring A Multi-Decision Model

Ntiedo J. Umoren*

This paper explored the numerous entrepreneurial strategies adopted by multilateral agencies and developmental institutions in developing nations, and examined their applications in rural settings in order to determine their workability in Akwa Ibom State. The result of our analysis indicates that there are four interrelated strategies that are very relevant and adaptable for small and medium enterprises in Akwa Ibom State. We also observed that though each approach can stand alone under certain conditions, a multi-decision model serves the firm better. We recommend this model for all categories of businesses, and urge researchers to test this model in a firm that has a single product and operates from a single facility in order to determine its robustness under such conditions.

Key Words: Entrepreneurship, Decision Analysis, Management, Business Strategy

1. Introduction

Experts have always maintained that developmental changes and societal transformation involve all of society, including its historical, ecological, cultural, political, scientific and technological aspects. As individuals in our rural communities who face contemporary challenges daily, we need to understand the contexts within which change takes place. In other words, we must understand the variety of forces that operate to bring about changes in different ways, the consequences of change at different levels, and our own roles as individual agents of social, economic, and cultural changes.

For example, if a large factory decides to relocate to your neighborhood, you must become interested (if you accept your role as a change agent) in the consequences of this development in your community. In particular, you must understand the forces behind the decision to move the factory to your vicinity, those behind such a decision, and the economic, social, and cultural benefits derivable from this decision, as well as the challenges associated with such decision. Obviously, there are those that may never be bothered by this development in any way. But as you can imagine, this new factory will bring with it new jobs for some people, opportunities for a good number of small businesses such as restaurants, drinking parlors, barbing/hairdressing salons, supermarkets, etc. Therefore, change agents must be interested in developments of this nature.

In practice, economic and social changes take place when individuals decide to be involved in the running of the economic infrastructure by exploiting economic opportunities. What this means is that developmental changes are planned by individuals and groups in order to satisfy certain needs and demands. Hence

* Department of Banking & Finance, University of Uyo, AKS, Nigeria, Email: tosab1@yahoo.com

Umoren

business men or women must see themselves first of all as agents of social and economic transformation. Without them, the economy dies. Arising from this line of argument, the two questions that follow logically are a) who is a business man/woman? And b) how does the business person operate successfully in Africa?

The purpose of this paper therefore is to develop a multi-decision model that may be adapted by business entities in Africa to enhance their success and growth. This is against the background that small businesses in Africa are “informally structured with business decisions anchored on the gut-feelings of the business owner rather than a systematic process of planning and evaluations” (Umoren, 2010). It is presented in five parts. The section following this introduction discusses the entrepreneur in a bid to distinguish between a petty trader and a business person. In the third segment we present the success strategies and the resultant model, while the conclusion and references are contained in the fourth and fifth sections respectively.

2. Concept and Literature

Based on an empirical study of small and medium enterprises (SMEs) in Australia, Burke and Jarratt (as cited in Majundar, 2008) described strategy as an explicit plan and an implicit pattern of behavior. This does not in any way contradict Mintzberg (as cited in Hamel & Prahalad, 2002) who described strategy as an evolutionary, organic process which is unpredictable. A strategy must however be specific in detail and directional to the extent that the outcome is clear and unambiguous. For a new entrepreneur, a strategy should be seen as both predictable steps leading to an unpredictable outcome, and a control mechanism. Where expectation is not based on any predetermined structural arrangement, there is the chance of uncoordinated actions and unimaginative reactions. Entrepreneurial success strategies have been discussed extensively in the literature. Kumar (2004) for instance, associates entrepreneurial success with active interactions between the individual entrepreneur and the environment based on a construct incorporating cognitive complexity, threat to identity, and status inconsistency. By the same token, Majundar (2008) ties entrepreneurial success to one of three propositions. The first is that attitudes and vision of the entrepreneurs drive growth of small organizations. The second is that entrepreneurs of small organizations conduct early search for strategic fit in the market and the environment. The third and final proposition is that entrepreneurs of small organizations persist in their search for better fit in the market.

At every stage of development therefore, an entrepreneur requires the directional input that a strategic plan provides for a business. And some of the strategies that are fundamental for enhancing business development and growth are managerial and financial. In each strategic area however, there are core elements that deserve greater attention if success must be assured. For example, the management team which is a major component of the management strategy is the bedrock of every business success. That is why Carton (2004) indicated that there is little question that entrepreneurs starting new ventures must build a top management team (TMT) that is knowledgeable in all of the key strategic, technical, and functional areas of their business to be successful.

Umoren

The TMT is a direct result of the entrepreneur's business plan. As indicated by Allen (2007), the business plan is like a fast moving storm, changing direction from minute to minute and never looking quite the same way twice. This is because the business plan documents how information concerning exploitable opportunities, potential risks, and projected financials will be used to create a new business or grow an existing one. In other words, the business plan is the main tool used in establishing a foundational construct that captures the core components of the managerial process.

Similarly, financial strategies drive growth and survival of the business particularly because most small start-ups are cash-driven. Solvency and liquidity depends to a large extent on the businesses' cash flow management, as well as revenue and expenditure forecasts. According to Allen (2007:380), "no business ever reaches the point where the owner can stop thinking about cash flow". It is for this reason that Scarborough and Zimmerer (1993:292) opine that "managing cash flow is an acute problem especially for rapidly growing business". This view is based on a 1985 survey that shows that 61% of respondents cited cash management as their chief problem.

In spite of the fact that a considerable amount of work has been done in the field of entrepreneurship, there appear to be enormous difficulties on the part of researchers to arrive at theories and explanations of entrepreneurial success (Phan, 2004; Wortman, 1987; Shane and Venkataraman, 2000). One of the reasons behind this difficulty is the inability to apply multilevel analysis and new constructs (Phan, 2004). In other words, there is the absence of multi-decision criteria necessary to define success. It has also been argued by other researchers (Smith et al., 1989; Vanderwerf and Brush, 1989) that a major challenge is in the area of development and measurement of constructs used. What this means is that analysis at every level should be connected to provide a holistic picture.

As indicated in the literature, (Singh, 2009, Oborgu, Onuoha and Esin, 2008, Sikder, 2008) some of the major parameters of growth are employment, profit, value addition, turnover, total assets and market share. In recognition of the non-homogeneity in small businesses some theorists (Mondy and Premeaux, 1995, Chiang, Cheng, and Xu, 2007, question the pathways to success across the board. Nevertheless, in this study we capture two managerial strategies, namely development of business plan, and top management team on the one hand, and two financial strategies, namely, revenue and expenditure forecasts and cash flow management on the other hand. It is then hypothesized that a multilevel model that incorporates all four strategies will enhance entrepreneurial success.

3. The Entrepreneur

The shortest definition of an entrepreneur is "an opportunist". Boone & Kurtz, (1999:202) defines an entrepreneur as "a person who seeks a profitable opportunity and takes the necessary risks to set-up and operate a business". What this means is that an entrepreneur is that individual who is hungry for change and eager to make a difference. This individual will scout round for opportunities anywhere, then employ his/her time, talent, and money to pursue those opportunities with the sole aim of making profit.

Umoren

From this standpoint alone, it is safe to assert that the moment an individual starts a new business he or she contributes immediately to the economic development of the community. This is because he/she becomes an independent income earner, an employer, a tax payer, and if you like a philanthropist (since he/she is now wealthy). To that extent too we can understand why entrepreneurs are described in the literature as:

- The creative individuals who love freedom and attempt to be independent.
- Those who love challenges and are delighted each time they see the evidence of what they have accomplished.
- Those who are never afraid of taking moderate risks.
- The individuals that may be described as opportunistic.
- Those who are willing and able to tolerate uncertainty.

In other words we may simply describe entrepreneurs as “can dos”, because they are never satisfied with being average and ordinary. They constantly seek for ways of improving on existing situations, knowing that “the world will pay you whatever you want if you give the world what the world needs” (Umoren, 2006). Entrepreneurs are known to be the driving force behind every new idea that directly benefits society. But by far the most important contributions that entrepreneurs bring to society are a) their capacity to be innovative, and b) their ability to generate new jobs. These efforts by the entrepreneurs tend to dictate the way every society thinks and reacts to the environment. The clearest example is that Western societies changed for good the moment an entrepreneur invented electricity. In similar manner, the African society changed with the introduction of GSM phones.

Following this argument therefore, one may be inclined to ask whether all inventors are entrepreneurs or if every entrepreneur must necessarily be an inventor in the tradition of Thomas Edison and other notable inventors. No. But we must understand that invention involves the filling of a gap or the provision of a product or service that satisfies the need of society. To the extent that you are prepared to engage in any economic activity in your own way (legally that is) for profit, you are extending the baton of excellence in your community. That action will put the actor on the same pedestal as those that may have invented the television or other tangible goods. What this means therefore is that it is not too difficult to become an entrepreneur. All it takes is commitment and the desire to make a difference. Moreover, if no one ventures into the world of entrepreneurship, the community remains dead economically. Interestingly, entrepreneurs have a way of using natural resources and other factors of production to transform whatever economic landscape that they find themselves. That explains why it is the entrepreneur that creates new factories, improve services, and stimulate healthy competition.

4. Success Strategies

New aspirants into the world of business naturally begin by saying “I know what to do but don’t have the money”. Other aspirants on the other hand would often say that they have the money but don’t know what to do, and how to do it. For this category of individuals, Williams (1988) says “the answer is as easy as three short steps:

1. Have a dream (Stand for something)

Umoren

2. Be convinced that you can achieve it
3. Start it”.

The Thomas’ of this world have always dismissed this prescription as too simplistic, saying, if it were that easy, why is everyone not doing it? But the short answer to that defeatist attitude is that all fingers are not equal. In particular, there are those that are willing to lead, and there are also those who are quite happy to follow. The average and ordinary individuals are natural followers who would complain when things are not going well, but would be unwilling to proffer a solution and engage in actions capable of producing required results.

The leaders on the other hand, are those that scout round for the tinniest of opportunities in order to make things happen. These groups of individuals see failure as a stepping stone to success, and not the collapse of their dreams. As Williams (1988:19) once said, “the only real credentials (qualifications) that you need to succeed are a) a willingness to work and b) a burning desire to ‘be somebody’”. What this means is that you do not need to have any extraordinary abilities to succeed. You may see yourself as the most common person in the world, yet you can do something uncommon in your community.

Individuals may choose to become a small business owner or choose to become an entrepreneur. The distinction between the two is that a small business owner remains small probably for the rest of his/her life, whereas an entrepreneur may start small but grow the venture into a large corporation, or sell it, and go on to found other ventures. Those that are involved in either capacity can transform the economic landscape of their immediate environment. To help them arrive at their destination, we offer two broad strategies, namely, managerial strategy and financial strategy. Both are further subdivided into two specific strategies each.

4.1 Managerial Strategies

The shortest path to business success has two legs. The first is a good business plan, while the second is the business’ human resource. These two pathways to success are so crucial to the life of a business that no matter the amount of money invested, where these two are lacking, the business faces the possibility of failure or outright extinction.

4.1.1 *Business Plan*

A business plan may be defined simply as “a road map”. This road map establishes limits and provides control valves. Other ways of describing a business plan include;

- I. A game plan for managing the business successfully
- II. A systematic, realistic evaluation of the company’s chances of success
- III. A tool for comparing actual results against targets
- IV. A way to identify primary risks confronting the business
- V. The main instrument for attracting external investment

In order to develop a business plan, the business man/woman gathers information about the business opportunity that he/she wishes to exploit, identifies potential risks, develops strategies to deal with the identified risks, and makes financial projections. What this action does for the business is the provision of a step-by-

Umoren

step display of the information that the business person needs to grow an existing business or create a new one. In theory and in practice, there is ample evidence to show that when you plan before taking action, you improve your chances of the desired outcome. In other words, you can achieve what you want if the plan is in place, and you follow it to the letter. That is not to say that your plan will be one hundred percent right the first time. Hence a good business plan has room for evaluations and adjustments. According to Allen (2007) planning has three distinct advantages for business people:

1. It enables them make faster decisions once they are in business; they do not lose time in trial-and-error efforts.
2. It helps them manage the supply and demand of resources more efficiently.
3. It enables them to achieve their goals in a timely fashion by defining steps to that achievement.

What this means is that a business plan enables the business to build necessary checkpoints for major activities in a comprehensive manner. Businesses can focus on longer-term issues that are capable of leading to business failure if a good business plan is put in place. Hence a business plan enables a company to develop strategies for coping with unforeseen circumstances, and changes in the business environment.

4.1.2 Management Team

Another very important component of the managerial strategies is the management team of a business. As the owner of a small business, you are responsible for and must significantly affect the performance of your business, including cohesion, goal selection, performance norms, and goal attainment. However, you cannot accomplish all these alone. You need workers to help in implementation. Recruitment and selection is of fundamental importance for business success. The recruitment and selection process is scientific because it concerns the putting of the right perk in the right hole, and above all the hiring of people with integrity.

4.2 Financial Strategies

Some of the key questions that all business people have to deal with in the course of setting up their businesses are a) how much do I need as an entrepreneur?, b) how can the needed funds be raised to support a growing business? What are the convenient sources of venture capital? When will it become safe and what is the process of transforming the private enterprise into a public business? Beyond these questions however, other critical issues begin to emerge as you talk about entrepreneurial financial management. A business person must be able to manage his/her financial resources. The two most important issues here are the development of revenue and expense forecast, and the management of cash flow.

4.2.1 Revenue and Expense Forecasting

During the course of developing a business plan, many organizations are careful to state their financial goals clearly and succinctly. For some the long term income goal for the business is clearly spelt out. But as they become caught up in the excitement of becoming their own bosses, most entrepreneurs forget to set their personal financial goals as distinct from that of the business. For example, most

Umoren

entrepreneurs never consider retirement from their own businesses as an option, thus not interested in determining when they will retire and how much they will need at retirement. Besides, there are a number of non-financial goals that are often overlooked such as their hobbies, family, friends, etc. Once this is done, the next logical step is to develop a detailed revenue and expense forecast. This is the mirror of your business operation. For example, if N100,000 was the projected revenue for the month of March, and that was not achieved, efforts must be made to determine the cause of the shortfall.

4.2.2 Cash Flow Management

We have been told time and again that the most important, yet the least productive asset that a business has is cash. Although cash is required for the procurement of inventories and for meeting other financial obligations, it is not in the best interest of the business to maintain idle cash. The dormant cash remains unproductive until it is invested otherwise its huge earnings potentials would be lost. This is one way of restricting the growth of the business. As the most liquid of all assets, cash serves three main purposes, namely, the medium of payment for transactions, investment, and security. For the entrepreneur therefore, cash becomes of vital concern when it is too little to cover business obligations, and equally critical when there is a surplus. Proper cash management allows the enterprise to:

- adequately meet the cash needs of the business
- avoid retaining excess cash balances,, and
- extend the profit-generating capacity of cash

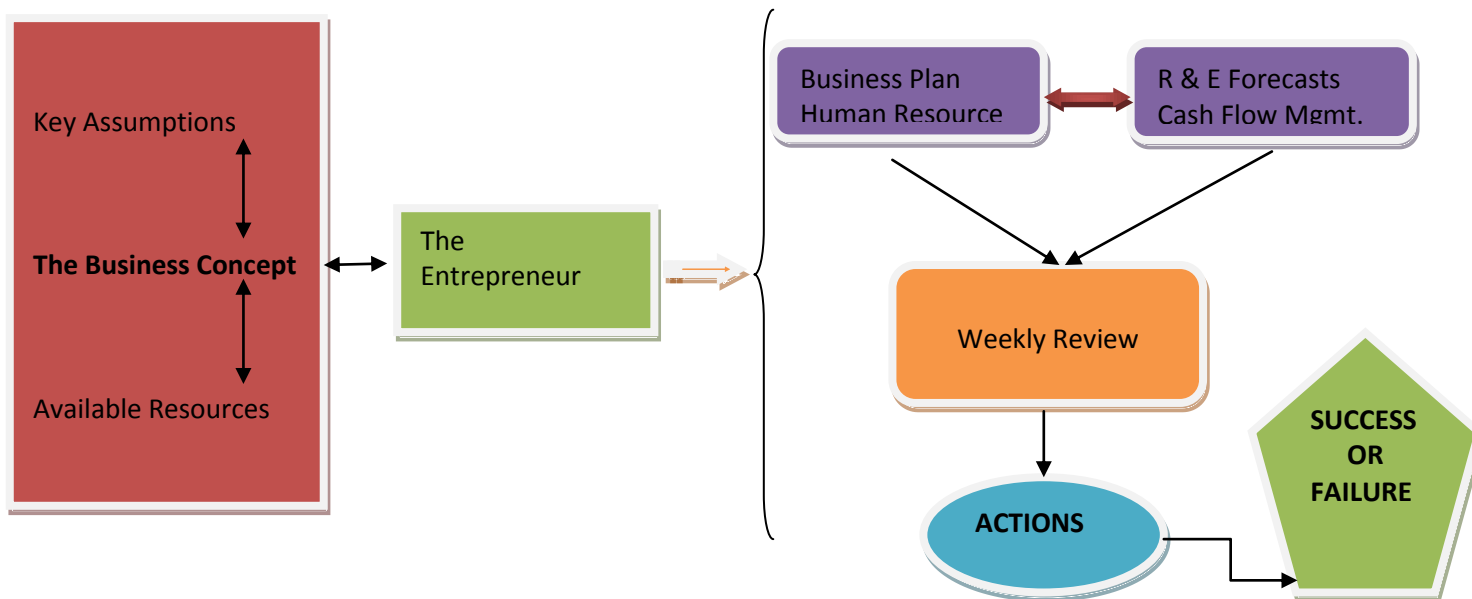
Sadly, managing cash flows has become a serious problem for small businesses especially when they move on to the growth phases of their ventures (see Scarborough and Zimmerer, 1993). Some businesses grow beyond their cash holding capacity and experience setbacks due to cash shortages. A business is said to be insolvent when it does not have adequate cash to meet its financial needs. Beyond the management of cash however, there is need for the evaluation of the company's financial performance. The business plan established the financial boundaries that serve as a guide. In order to be successful therefore, the enterprise must constantly review its financial estimates to ensure that variances are adequately addressed in a timely manner.

4.3 The Model

Each of the strategies identified above have sufficient strength and capacity to facilitate the success of a business venture. It is our view however that together, they form a more formidable, coherent, and very strong web with all the advantages of co-planner forces. This informs our decision to bring their individual strengths to bear in the development of the business success framework that will enhance the development of a testable model.

Umoren

Fig. 1
The Framework for A Multi-Decision Business Model



As the framework indicates, an entrepreneur naturally begins from the known and then navigates through the unknown to a final destination of either success or failure. The Known here are the business concept, the key assumptions and the available resources. These key assumptions guide the development of a good vision, mission, and business plan. This framework thus allude to the fact that whereas a business plan is a road map, it has to be reviewed regularly alongside key personnel, whose responsibility it is to establish revenue and expenditure forecasts and stay focused on the business' cash flow. A systematic interplay of the elements in all four strategic areas allows the entrepreneur to take actions without losing the fundamentals. The frequency of the multi-level review process enhances decision-making following the outcome of all actions taken.

From this standpoint therefore, we hypothesize that entrepreneurial success is a function of a good business plan, competent workers, cash flow management, and accurate financial forecast. There is a strong relationship between the business plan and key personnel to the extent that plans must be interpreted and implemented by people. In the same vein, there is also a strong relationship between revenue and expenditure forecast on the one hand and cash flow management on the other to the extent that liquidity is the ultimate strength of any business entity. Each strategic area contains some elements of the other three strategies. But each strategy has its own unique loud point in the multi-set, thus enabling the whole (the model) to generate the desired level of effectiveness. That is why the entrepreneur does not need to see the business collapse before attempting to rescue it. Rather, the moment the liquidity position becomes shaky, it is readily captured at the level of weekly evaluation and a remedial action is instituted before it is too late. Similarly, businesses are built around the collective strength of the key personnel. If one of the key personnel becomes ineffective, an immediate replacement is sought in line with the provisions made in the business

Umoren

plan. Again this is captured at the level of the weekly evaluation of all four strategies.

Businesses around the world have a lot in common. However, there are regional peculiarities that either enhance or impede business development and success. For example in Africa, the hostile economic climate, and the dearth of reliable legal and regulatory framework is a major impediment. The dearth of data too contributes in no small measure to the slow pace of entrepreneurial success in Africa. In spite of these drawbacks, businesses still spring up and grow in Africa thus bringing about societal transformation in various parts of the continent. Our model is designed to provide African entrepreneurs with some of the fundamental tools that are needed to overcome some of the challenges associated with business failure.

5. Conclusion

We have argued in this paper that businessmen and businesswomen are agents of developmental change and societal transformation. This is so true because no meaningful development can take place without the participation and commitment of the business class. We also defined an entrepreneur as an opportunist, constantly thinking, and tinkering with new ideas either by creating new businesses or by doing existing businesses differently. To help the business people perform optimally and remain successful, we identified four strategic areas that we consider to be indispensable if success and growth must be assured. We believe that the application of these strategies independently with the technical sophistication that they deserve will surely guarantee business success. However, we found it even more expedient to unite the four strategic areas into a multi-decision model. The interface between the managerial strategies and the financial strategies simplifies the evaluation of key variables, and permits efficient use of the what-if-scenario framework for quick decision-making. Due to the nature of this paper, we have not tested the efficacy of this model. We therefore urge other researchers to develop testable model and test it at two levels. The first test should target a single product and single facility business, while the second should be applied to a multi-line, multi-facility business.

References

- Allen, K.R. 2003. *Launching new ventures: An entrepreneurial approach*. Boston: Houghton Mifflin.
- Allen, K. R. 2007. *Growing and managing small business: An entrepreneurial perspective*. Boston: Houghton Mifflin.
- Boone, L. E. & Kurtz, D. L. 1996. *Contemporary business*. (8th. Ed.). New York: The Dryden.
- Carton, R. B. 2004. The impact of newness and novelty on the fit between the New venture and the top management team. *Academy of Entrepreneurship Journal* Vol. 10 no. 1, 17 – 34.
- Chiang, W., Cheng, J. C. H., & Xu, X. 2007. An overview of research on revenue management: current issues and future research. *International Journal of Revenue Management*, Vol. 1, no. 1, 97 – 128.
- Hamel, G. & Prahalad, C.K. 2002. *Competing for the Future*. New Delhi: Tata McGraw-Hill Publishing Company Limited.

Umoren

- Hatten, T. S. 2003. *Small business management: Entrepreneurship and beyond*. Boston: Houghton Mifflin.
- Kumar, M. 2007. Explaining entrepreneurial success: A conceptual model. *Academy of Entrepreneurship Journal*. Vol 13, no1, 57 – 78.
- Majumdar, S. 2008. Modelling growth strategy in small entrepreneurial business organisations. *The Journal of Entrepreneurship*, Vol. 17, no. 2, 157–168
- Oborgu, F. U., Onuoha, C. B., & Esin, A. A. 2009. Globalisation and its promises *South South Journal of Culture and Development*, Vol. 11, no. 2, 70 – 103.
- Phan, P. M. 2004. Entrepreneurship Theory: Possibilities and Future Directions. *Journal of Business Venturing*, Vol.19, no.5, 617-620.
- Scarborough, N. M. & Zimmerer, T. W. 1993. *Effective small business management*, 4th ed. New York: Macmillan
- Shane, S. & Venkataraman, S. 2000. The Promise of entrepreneurship as a field of research. *Academy of Management Review*, Vol. 25, no.1, 217 – 227.
- Sikder, I. U. 2008, Discovering decision heuristics in collaborative planning *International Journal Management and Decision Making*, Vol. 9, no. 1, 1 – 15.
- Smith, G. K., Gannon, J. M., & Sapienza, J. H. 1989. Selecting methodologies for Entrepreneurial Research: trade-offs and Guidelines. *Entrepreneurship Theory and Practice*, Vol. 14, no.1, 39-50.
- Umoren, N. J. 2004. Financing rural industrialization in Akwa Ibom State: The strategic options. *Uyo Journal of Management Sciences*. Vol.1, no. 3, 1 – 10.
- Umoren, N. J. 2006. Private Placement Memorandum for First Insurance LLC, Maryland, USA
- Umoren, N. J. 2010. Dearth of Entrepreneurship in Africa: Evidence & Challenges. *Journal of Applied Management and Entrepreneurship* 15, (4).
- Vanderwerf, A. P. & Brush, G. C. 1989. Achieving empirical progress in an undefined field. *Entrepreneurship Theory and Practice*, Vol. 14, no.2, 45-59.
- Wortman, M. S. 1987. Entrepreneurship: An Integrating typology and evaluation of empirical research in the field. *Journal of Management*. Vol. 13, 259-279.
- Williams, A. L. 1988. *All you can do is all you can do: But all you can do is enough*. Nashville: Oliver Nelson.