



## **KEY SUCCESS FACTORS FOR AN ENTREPRENEURIAL ECONOMY**

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**WEST AFRICAN BANKERS' ASSOCIATION  
ENTREPRENEURSHIP AND THE  
DEVELOPMENT OF NATIONS**

DECEMBER 13 2002



### **Three Key Messages**

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- Entrepreneurs can not be cloned, but they can be nurtured
- Entrepreneurship will thrive when the climate is put right
- Success can be fostered by focusing on:
  - Encouraging entrepreneurship
  - Supporting resources
  - Attracting equity capital
  - Providing access to markets

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## Outline

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- Global Success Formulas
- Outside → In Analysis
- Drivers of Entrepreneurial Success
- Creating the Enabling Environment
  - Key Success Factors
- The Way Forward

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## Global Success Formulas

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- Considerable empirical knowledge and various schools of thought
  - Macro
  - State
  - Enterprise
- The challenge is to transplant the right ***seeds*** and nurture them to bountiful ***harvest***

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## What Drives Success?

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- Success goes beyond GDP to HDI – the goal is steadily improving quality of life
- Our challenge is to create an enabling environment conducive to success in a ***specific state or region***
  - “Global experience is great but how do I get it to work for me?”

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## What Drives Success?

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- Various schools of thought
  - Free markets
  - Good governance
  - Geography/demographics
  - Culture

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## Free Markets

- Victory over communism in 1989 has led to –
  - Most nations adopting liberal democratic institutions, market oriented economies, and integration into global markets
  - Strong pressures for developing countries to adopt similar economic strategies
  - Does the 80/20 rule apply?

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## Good Governance

- Strong external support/pressure to follow democratic path
- West Africa history shows there is considerable upside potential –
  - Colonial legacy
  - Military rule
  - Crises/civil wars

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## Good Governance

- Private sector thrives where rules of the game are predictable, risks are known and uncertainty is minimized
- Priority should focus on –
  - Rule of law
  - Corruption
  - Sound institutions
  - Stable economic policies

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## Geography/Demographics

- This school focuses on in-built determinants of growth including –
  - Climate
  - Disease
  - Soil fertility
  - Infrastructure
  - Natural resources
  - Population growth

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## Geography/Demographics

- Trade opportunities
- Productivity
- Landlocked countries
- Fragmentation/arbitrary boundaries
- Related negative thinking can reinforce "Afro Pessimism"
- Our challenge is to overcome such impediments and to learn from comparable leadership examples

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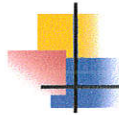


## Culture

- This school focuses on how values drive progress, including –
  - ~ Social structure
  - ~ Religion
  - ~ Gender roles
  - ~ Ethnicity
  - ~ Work ethic
  - ~ Languages
  - ~ Human nature
  - ~ Etc.
- Cultural factors drive business decisions in terms of market focus, building strong work environments, transferring technology and best global practices, and company fit with local socio-cultural structures

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## Culture

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- Three key questions emerge as to how –
  - Cultures can change to foster economic development
  - Global skills and technologies can be integrated to improve productivity and market linkage
  - Entrepreneurs can play a positive role as change agents

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## Outside → In Analysis

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- How do private investors look at business opportunities in developing countries
- They use an analytical structure which is also useful for entrepreneurs and policy makers

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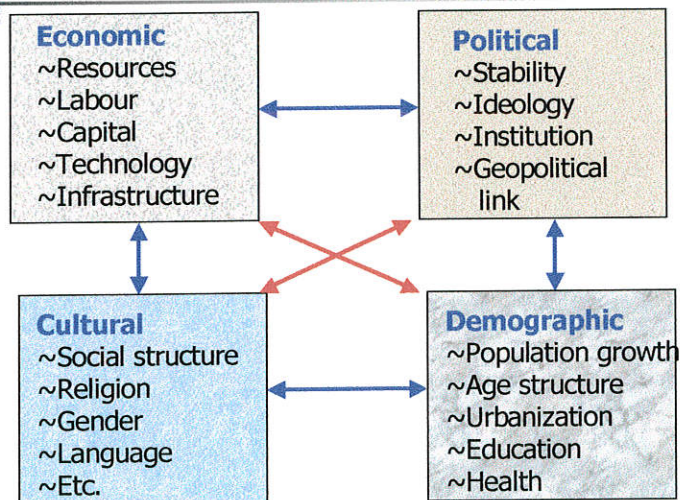
## Outside/In

- Industry
  - Structure and dynamics
- Company
  - Strategy and operations
  - Management

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## Factor Linkages



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## Business Plans

- External Environment
- Products and Services
- Market and Competition
- Marketing, Production & Operations
- Management
- Financial Projections and Funding
- Risk Management

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## Drivers of Entrepreneurial Success

- What is Entrepreneurial Success?
  - Creation of sustainable **new** businesses either from scratch or within existing businesses
  - Success usually combines vision and a unique concept with proven management practices
  - The champion who can do this plays a vital leadership role

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## Drivers of Entrepreneurial Success

- Who is an Entrepreneur?
  - Entrepreneurs are simply those who understand that there is little difference between obstacle and opportunity and are able to turn both to their advantage.

**Victor Kiom, Remington CEO (1986)**

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## Drivers of Entrepreneurial Success

- How Can Entrepreneurs Be Nurtured?
  - Investors and top managements continuously look for champions to build businesses around
  - Support institutions target entrepreneurs with wide array of products and services
  - Governments try to attract and foster entrepreneurial ventures
  - The overall enabling environment for private investment is the main driver of entrepreneurial initiation

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## **Creating the Enabling Environment**

- What are the Key Success Factors which foster private equity investment and entrepreneurship?
- Three levels
  - Regional
  - National
  - Enterprise

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## **Creating the Enabling Environment**

- KSF's – Regional Level
  - Political stability
  - Free trade
  - Convertible (or common) currencies

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## Creating the Enabling Environment

### **KSF's – National Level (Global Lessons)**

- Free trade
- Low tax burden
- Downsizing Government
- Light regulation
- Low inflation
- Competitive skills
- Free financial flows
- Private property rights
- Free/competitive banking system
- Level playing field

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## Drivers of Entrepreneurial Success

- What do Private Equity Investors look for

### **External Factors**

- Predictable economic policies
- Growing markets
- Infrastructure
- Skills and technology
- Law and order
- "Light" regulation
- Government privatizing/downsizing
- Level playing field

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## Drivers of Entrepreneurial Success

- What do Private Equity Investors look for  
**Enterprise Factors**
  - Niche markets with growth potential
  - Concepts/strategies → competitive advantage
  - Sound management → major commitment
  - Viable business plans with manageable risks
  - Entrepreneurs who are **Champions**

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## Creating the Enabling Environment

- **KSF's - Enterprise**
  - Specific Incentives/Disincentives
    - **Low taxes**
    - **Low cost of doing business**
    - **"Light" regulation**

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## Creating the Enabling Environment

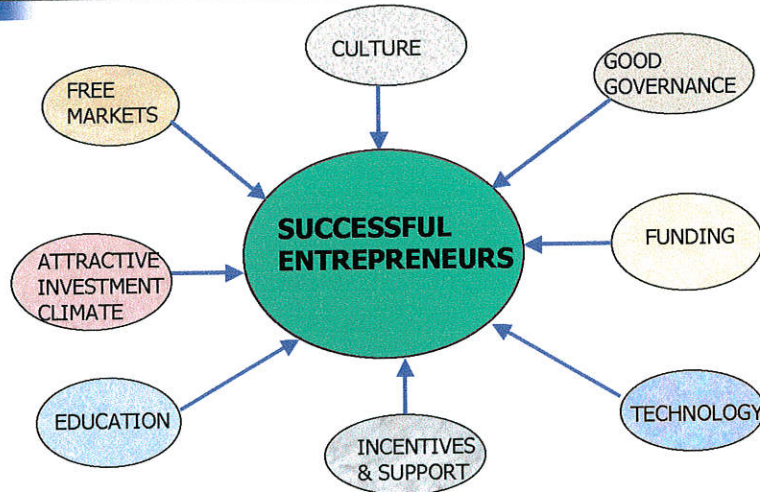
### KSF's - Enterprise

- Specific support
  - Training
  - Access to technology
  - Access to markets
  - Access to funding

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## The Way Forward



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