

Repositório ISCTE-IUL

Deposited in *Repositório ISCTE-IUL*:

2023-11-15

Deposited version:

Publisher Version

Peer-review status of attached file:

Peer-reviewed

Citation for published item:

Pereira, R. & Maia, R. (2019). The role of foreign organizations on African entrepreneurial development: A case study from Mozambique. In III International Forum on Management: Value creation and local heritage, Book of proceedings. (pp. 371-383).: Universidade de Évora.

Further information on publisher's website:

--

Publisher's copyright statement:

This is the peer reviewed version of the following article: Pereira, R. & Maia, R. (2019). The role of foreign organizations on African entrepreneurial development: A case study from Mozambique. In III International Forum on Management: Value creation and local heritage, Book of proceedings. (pp. 371-383).: Universidade de Évora.. This article may be used for non-commercial purposes in accordance with the Publisher's Terms and Conditions for self-archiving.

Use policy

Creative Commons CC BY 4.0

The full-text may be used and/or reproduced, and given to third parties in any format or medium, without prior permission or charge, for personal research or study, educational, or not-for-profit purposes provided that:

- a full bibliographic reference is made to the original source
- a link is made to the metadata record in the Repository
- the full-text is not changed in any way

The full-text must not be sold in any format or medium without the formal permission of the copyright holders.

THE ROLE OF FOREIGN
ORGANIZATIONS ON
AFRICAN ENTREPRENEURIAL
DEVELOPMENT : A CASE STUDY
FROM MOZAMBIQUE

Autores:
RENATO PEREIRA
REDENTO MAIA

The role of foreign organizations on African entrepreneurial development:

A case study from Mozambique

O papel das organizações internacionais no desenvolvimento do empreendedorismo africano:

Um estudo de caso de Moçambique

Abstract

This work investigates the impact of foreigner organizations on the development of entrepreneurship in Africa with a case study from Mozambique. Taking a literature review approach and using collected empirical data from one international NGO acting exclusively on the development of entrepreneurship, this research could highlight the key features of international action on African entrepreneurial development.

Keywords: Foreigner Organizations, FDI, Entrepreneurship, Mozambique, Africa

Resumo

Este trabalho investiga o impacto das organizações internacionais no desenvolvimento do empreendedorismo em África com um estudo de caso elaborado em Moçambique. Seguindo uma abordagem baseada na revisão da literatura e utilizando dados empíricos recolhidos junto de uma ONG internacional que atua exclusivamente no desenvolvimento do empreendedorismo, este trabalho põe em evidência os elementos-chave da ação internacional relativamente ao desenvolvimento do empreendedorismo africano.

Palavras-chave: Organizações internacionais, Investimento Direto Externo, Empreendedorismo, Moçambique, África

1 INTRODUCTION

The role played by the foreign organizations, NGOs, firms, and foreign direct investment as a whole on entrepreneurship development has been object of different investigations in recent years in different disciplines within social sciences.

In what matters Africa, and particularly sub-Saharan Africa, the importance of researching this subject is of highest importance because of the studied relationship between entrepreneurship and economic growth in the region (e.g. Adusei, 2016) and the economic struggles of most African countries.

Some of the key elements that relate foreign organizations with entrepreneurship are the nature and purpose of those organizations, the way they interact with international organizations, the level of environmental (technological) upgrade made available, cooperating strategies between domestic and foreigner entrepreneurial ventures, at both innovative and commercial levels. Foreign direct investment (FDI) is an umbrella for different forms of foreign organization action.

The purpose of this work is to empirically explore the key relationships identified in existing literature in one of the least developed countries in Africa, thus contributing to increase the knowledge on both entrepreneurship and foreigner organizations role in Mozambique.

2. ENTREPRENEURSHIP AND FOREIGNER ORGANIZATIONS IN AFRICA

2.1. Entrepreneurship, economic development, and foreigner organizations

The role of different players on entrepreneurship environment development has long been a concern of scholars within entrepreneurial field (e.g. Ács & Varga, 2005).

Recently, different studies have tested the impact of international players of different natures for local entrepreneurial development, and more broadly, for economic development and global sustainability (e.g. Payaud et al, 2014).

Given the economic fragilities of Africa, the importance of foreign players for economic development, in all its forms, it is obviously of great (theoretical) value, regardless of the way they could be treated according to the Cooperation literature (e.g. Naudé, 2013).

Abioye et al (2017) investigated the role of specific local entrepreneurial agencies, the Entrepreneurship Support Agencies in Nigeria and how they were inspired by foreigner organizations for defining their mission, and also how they work along with international institutions to reach global targets. Despite operational setbacks, the impact is judged positively.

Brière et al (2015) highlight specific factors affecting positively the local African environment for entrepreneurship when developed by foreigner organizations: contact with business models used in more competitive environments, high-quality services available to entrepreneurs, and new avenues for culture alignment.

Bruton et al (2013), among other elements, mention that 'competition from foreign entrepreneurial firms brings new modes of delivery that may stimulate more innovative entrepreneurial behavior [and also opportunities for] learning spillovers for domestic entrepreneurs'.

Clark & Frost (2016) pledge the importance of foreigner innovation, international innovation processes, and innovation interaction for African development and for African entrepreneurial development.

But also at the informal economy and necessity-driven entrepreneurship levels, there is a significant role for foreigner organizations, as suggested by Dolan & Rajak (2016) conclusions on how hard is to overcome extreme poverty for anthropologic reasons.

Collins & Reutzel (2013) research conclude that 'entrepreneurial firms can find themselves at a competitive disadvantage to foreign competitors' suggesting a natural nexus for cooperation between domestic and international ventures.

Foreign direct investment (FDI) seems to be the most virtuous form of foreigner organizational action on domestic entrepreneurial development for Coulibaly et al (2018).

Issacs (2007) present evidence of small business weaknesses in Africa and the need for supporting services. In the case of South Africa, like in many other African countries, these professional services must be rendered by foreign firms with strong capabilities.

Leenstra (2018) stress the importance of the 'human factor' in development cooperation which is another interesting input for foreign impact on entrepreneurial development.

Robson et al (2009) found that 'in sub-Saharan Africa there is empirical evidence that foreign involvement by domestic firms enhances their innovation and technological capabilities'. The contact with foreign firms, in a two-way relationship, is a way of developing innovative entrepreneurship.

Washington & Chapman (2014), studying emerging economies, among which South Africa, 'provide empirical evidence of later stage entrepreneurial activity as a spillover effect of inward foreign direct investment'. These outcomes arise from imitation of processes and practices of foreign firms and impact 'productivity, innovation, management practices, export intensity or market access of host country firms' thus leading to local entrepreneurial development.

A common actor in international cooperation in Africa are NGOs. In nearly all cases, these NGOs are international organizations acting in basic societal fields, such as education, health, water and power infrastructure, etc. They have been criticized for several reasons, the most significant being their lack of (positive) impact on economic development (e.g. Bebbington et al, 2008).

Nevertheless, NGOs are widespread in Africa and play a significant role on entrepreneurship support, mainly on necessity-driven entrepreneurship, acting as 'social enterprises' or by leading multinational companies to increase their corporate social responsibility (Martinet & Payaud, 2008).

Among corporate social responsibility strategies, foreign firms are encouraged to develop 'bottom of pyramid' strategies (Martinet & Payaud, 2010) in countries like African ones. These strategies should prioritize feeding, housing, transportation, health, power, hygiene, and could be a contribution to trigger local entrepreneurship.

2.2. International organizations in Mozambique

Mozambique is one of the least developed countries in the world and consequently it has been a privileged target of ONG action and broad international cooperation.

According to the country's Foreign Affairs Department, in the 20-year period from 1997 to 2016, 430 international ONGs were registered in Mozambique, from the following 36 countries: Italy, Japan, Kenya, United States of America, France, United Kingdom, Netherlands, United Arab Emirates, Portugal, Kuwait, Germany, Spain, Switzerland, Australia, Belgium, Norway, Austria, South Africa, Ireland, Canada, Sweden, Thailand, Zimbabwe, Denmark, Finland, Saudi

Arabia, Sudan, India, Ethiopia, Libya, South Korea, Angola, Zambia, Polónia, Brazil, and Malawi.

Unsurprisingly, United States with 62, Italy with 44, Spain with 29, Portugal with 28, and United Kingdom with 24, are the most represented countries.

Surprisingly, six of these countries are extreme-poverty countries themselves.

None of them has any explicit action on entrepreneurship development, support, or empowerment, although some act at the informal economy level, at the private sector supporting side, and microfinance support.

Their focus of activity are: health, education, water, agriculture, social and economic development, social assistance, culture, environment, democracy, governance, human rights, gender, tourism, demining, sanitary infrastructure, informal economy, civil aeronautics, urban decentralization, resettlement, housing, civic education, union training, jail system, rural development, media training, political parties institutional training, professional training, food production, private sector support, religious assistance, animal production, microfinance, sports, libraries, justice, wild life, country development, civil society organization, institutional training, fishing.

Only thirty-five of all NGOs ($\pm 8\%$) filed to act in the whole country. All the others seek for a local or regional focus.

3. EMPIRICAL STUDY

2.1. Case study description

In this section we provide a description of the only international NGO operating in Mozambique with the sole purpose of entrepreneurship support.

The organization is called 'Association for Entrepreneurship Development - Make it Happen Mozambique' and was legally authorized to develop its activities by the Justice Department on June 28, 2017.

This organization is the joint initiative of 10 individuals with international experience in entrepreneurial support, acting on teaching, training, mentoring, incubation, acceleration, and internationalization.

According to their articles of association, the purpose of the organization is to:

- (i) Undertake and participate in surveys, researches, projects and reports, national and international, public and private, technical and scientific, individual and collective, about the status, the context, the capabilities, and the development strategies of entrepreneurship in Mozambique;
- (ii) Develop and act on training actions, academic and professional, short, medium and long-term, coaching, mentoring and empowerment of actual, future and potential entrepreneurs, and other entrepreneurship-related actors, public and private;
- (iii) Produce and supply, to policymakers and to the general population, technical information correct and accurate, as well as scientific knowledge, useful and validated, about entrepreneurship thematic and its implications to Mozambique, at all different levels that matter to the supreme interests of the country.

This NGO has not one single or pre-determined funding source but rather appeals to different possible donors and project sponsors. Actually, it works as a project-oriented organization, like many of this kind, with no permanent or ongoing activities as such.

The first action plan approved immediately after its incorporation stated that the number one target would be to form a Mozambican national team to join the Global Entrepreneurship Monitor for the first time ever.

According to GEM's website, 'the Global Entrepreneurship Monitor is the world's foremost study of entrepreneurship. Through a vast, centrally coordinated, internationally executed data collection effort, GEM is able to provide high quality information, comprehensive reports and interesting stories, which greatly enhance the understanding of the entrepreneurial phenomenon - but it is more than that. It is also an ever-growing community of believers in the transformative benefits of entrepreneurship. GEM is a trusted resource on entrepreneurship for key international organisations like the United Nations, World Economic Forum, World Bank, and the Organisation for Economic Co-operation and Development (OECD), providing custom datasets, special reports and expert opinion. These important bodies leverage GEM's rich data, tried-and-tested methodology and network of local experts to promote evidence-based policies towards entrepreneurship around the world.

In numbers, GEM is:

- 18+ years of data
- 200,000+ interviews a year
- 100+ countries
- 500+ specialists in entrepreneurship research
- 300+ academic and research institutions

- 200+ funding institutions

In each economy, GEM looks at two elements:

- The entrepreneurial behaviour and attitudes of individuals
- The national context and how that impacts entrepreneurship

The information gained, carefully analysed by local GEM researchers, allows a deep understanding of the environment for entrepreneurship and provides valuable insights. GEM began in 1999 as a joint project between Babson College (USA) and London Business School (UK). The aim was to consider why some countries are more 'entrepreneurial' than others. 18 years on, GEM is the richest resource of information on the subject, publishing a range of global, national and 'special topic' reports on an annual basis'.

According to Brígido Mahoche, Make It Happen's executive director, 'the idea behind joining GEM has to deal with both the credibility and the knowledge base provided by this huge project. We want to go to the field with a solid scientific background which only GEM can provide us'.

In its own words, GEM is unique by the following reasons:

- GEM collects primary data on entrepreneurship. This distinguishes it from other indices.
- GEM focuses on the individual entrepreneur. Most businesses start with a single individual, or a team of individuals.
- GEM's approach is the same throughout the world, facilitating detailed international comparisons.
- GEM recognizes entrepreneurship as a process. Its measures capture all the different stages - from seeing an opportunity, making the first steps towards starting a business, nurturing a baby business and scaling it up.
- GEM's historical global dataset is extremely comprehensive, with well over 2 million observations across over a hundred economies. It is an invaluable resource for researchers and has made a significant academic contribution.
- GEM is home to over 500 specialists in the field of entrepreneurship research - an impressive global network of expertise.
- GEM is able to track the informal entrepreneurial activity which official statistics do not capture. This is particularly prevalent in developing economies.

'Because of the way it works, GEM would definitely put us in a completely different level when compared to any of the existing players in the entrepreneurial arena in Mozambique' says Ivan Mindo, the NGO's chairman.

And how does GEM work?

'The data collection engine powering GEM research is composed of two complementary tools - the Adult Population Survey (APS) and the National Expert Survey (NES).

- The APS tracks the entrepreneurial attitudes, activity and aspirations of individuals. It is administered to a minimum of 2,000 adults in each country.
- The NES monitors nine factors that are believed to have a significant impact on entrepreneurship, known as the Entrepreneurial Framework Conditions (EFCs). It is administered to a minimum of 36 carefully chosen 'experts'.

Data collection is centrally coordinated; GEM data experts work closely with GEM National Teams to guarantee the quality of the data. Each country's survey is subject to a range of checks before data collection begins. The resulting data is scrutinised repeatedly before release. These processes, developed over many years, ensure that GEM data is of the very highest quality. In GEM, each country is represented by a 'National Team', led by an academic or research institution, responsible for collecting the data and reporting on their findings. The project is overseen by the Global Entrepreneurship Research Association (GERA), a private limited not-for-profit company in the United Kingdom'.

Effectiveness is another feature related to GEM by both interviewees. 'If money is going to be spent in surveying entrepreneurship in this country, it better be good!' adds Mr. Mahoche, a computer-science graduate and entrepreneur himself right after graduating.

'GEM provides world-class data on entrepreneurship which is used to identify policies and make evidence-based recommendations to increase the level and quality of entrepreneurial activity. GEM enables reliable cross-country comparisons - so policymakers can make comparisons with similar countries and discover which policies are working elsewhere. In many countries, GEM indices are used as targets for development and improvement. GEM promotes greater sophistication and nuance in policymaking towards entrepreneurship. Thanks to GEM, governments are beginning to understand the various types of entrepreneurship that GEM identifies and recognise the failings of a 'one-size fits all' approach'.

On the data quality, both representatives were impressed with the papers conducted on GEM's data. 'We believe that it was a very good idea to produce papers and methodological information about GEM. We think that Bosma et al (2012) is very useful and Sternberg & Wennekers (2005) is quite illustrative' they both stated.

'GEM is one of the world's largest cross-national collaborative social science research projects. With a growing archive of high-quality data and a network of entrepreneurship experts, GEM has had a significant impact on the field of entrepreneurship scholarship. GEM is a particularly rich resource for researchers looking at:

- The factors influencing entrepreneurship

- The link between entrepreneurship and the economic performance of nations and regions
- The interplay between institutions, entrepreneurship and development
- The different types of entrepreneurship

GEM is regularly cited in high quality academic publications such as The Journal of Business Venturing, Small Business Economics, Entrepreneurship Theory and Practice, and the Journal of International Business Studies. In addition - with the assistance of Canada's International Development Research Centre - GEM is building research capacity in developing countries, where academic knowledge and debate on entrepreneurship is currently limited. Recent years have seen the formation of a growing number of National Teams in sub-Saharan Africa, with special workshops held to train junior researchers in publishing strategies'.

Finally, Mr. Mindo addressed GEM's approach: 'I don't know if being a civil engineer has affected my perception on GEM, but if I want to make things happen in country like Mozambique, I definitely must take one very easy to understand value proposition. And that's what GEM did!'

'The important of the research done by GEM in countries around the world is that it gives that country a good insight into what is happening in their entrepreneurial space and an understanding of what is needed to promote SMME development. This is critical to enable policy makers to formulate informed decisions and strategies to promote the levels of entrepreneurial activity in their country.

The benefits are:

- It reinforces the commitment to develop entrepreneurship and business development in the country
- The information obtained helps and influences different national actors on their strategies towards SMMES
- Sponsor's name and logo would go onto the cover of the national report and short summary of their activities in the main body of the report, if desired'

3.2. Case analysis

This case reveals the existence of an international organization in Mozambique focused exclusively on entrepreneurship.

This ONG approached its role in a scientific perspective, trying to make a difference by studying thoroughly the entrepreneurial situation and potential of the country prior to establish a strategic long-term action plan.

GEM is the key database for policymaking on entrepreneurship. The purpose of joining GEM seems to be smart and a possible breakthrough for entrepreneurial action in the country.

To join GEM, each national team must partner academic and research knowledge with committed sponsors from the business landscape. A possible partnership with other ONGs and 'social companies' is another option.

We believe this funding strategy to be the key weakness of Make It Happen. Being fully dependent of possible donors with no contracted funding leaves this ONG at the mercy of charity, which is a model with no tradition in Mozambique.

In this country, ONGs and international organizations' modus operandi is call-based. It is very difficult for Make It Happen Mozambique to find a match between the founding GEM project and funding partners' targets.

Entrepreneurship in Africa is still seen as (very) small business, informal economy affair. For that reason, an 'evangelic' approach is required to put entrepreneurship at the heart of development preoccupations.

Opportunity-driven entrepreneurship requires structural, systemic conditions that are not present in Mozambique. In same extent, this may be influencing financial decisions. Another important reason is the lack of political feedback on the subject. Although Mozambique's current government included entrepreneurship at the agenda top priorities, actors seem to lack evidence to back this up.

The 2nd government's top priority, according to the 2015-2019 five-year plan, is 'to develop human and social capital'. Within that priority, the strategic goal #1 is 'to promote an inclusive educational system, effective and efficient, which guarantees the acquisition of required capabilities in terms of abilities, management and attitudes that answer the needs of human development'. Within that strategic goal, the priority action I) is 'to establish programs and synergies with higher, technical, professional, research, and technological education institutions that contribute to stimulate innovation and entrepreneurship'.

The 3rd government's top priority, according to the same 2015-2019 five-year plan is 'to promote job creation and increase productivity and competitiveness'. Within that priority, the strategic goal #1 is 'to increase production and productivity in all sectors of economic activity,

especially in agriculture'. Within that strategic goal, the priority action i) is 'to consolidate and expand poles of research and dissemination of technologies and innovation for communities, and the priority action n) is 'to promote funding for innovation and research projects addressing socio-economic development challenges'.

4. Conclusion

The literature review and case study conducted allowed to better understand the role of foreign organizations on African entrepreneurship in general and in Mozambique's in particular.

We have acknowledged the role of foreign direct investment, the role of multinational corporations, and the role of 'social firms' on African business environment and entrepreneurship development.

We have understood the avenues opened by new corporate social responsibility strategies for 'bottom of pyramid' people.

We have highlighted the importance of the Global Entrepreneurship Monitor for understanding a country's entrepreneurial status quo and policymaking.

We have also explored the role of NGOs in general and presented a brief outlook of these organizations in Mozambique.

Using official data from the country's Foreign Affairs Department, we have identified, on a 20 year-period from 1997 to 2016, 430 application files for new international ONGs operating in Mozambique.

Through the example of Make It Happen Mozambique, a specific case study for entrepreneurship development, we have explored the possibilities of this type of organizations on African entrepreneurial development.

REFERENCES

- Abioye, L.A & Adeniyi, A.W. & Mustapha, W.B. (2017). The Status of Entrepreneurship Support Agencies (ESAs) in Lagos State, Nigeria. *Iranian Journal of Management Studies*. 10 (4): 853-881.
- Ács, Z.J. & Varga, A. (2005). Entrepreneurship, Agglomeration and Technological Change. *Small Business Economics*. 24 (3): 323-334.
- Adusei, M. (2016). Does Entrepreneurship Promote Economic Growth in Africa?. *African Development Review*. 28 (2): 201-214.
- Bebbington, A.J. & Hickey, S. & Mitlin, D. (eds.) (2008). *Can NGOs Make a Difference?* London: Zed Books.
- Bosma, N. & Coduras, A. & Litovsky, Y. & Seaman, J. (2012). *GEM Manual – A report on the design, data and quality control of the Global Entrepreneurship Monitor*. Available at: www.gemconsortium.org
- Brière, S. & Tremblay, M. & Daou, A. (2015). Challenges Facing International Projects for Entrepreneurial Development in South Africa. *Development Southern Africa*, 32 (6): 711-725.
- Bruton, G.D. & Filatotchev, I. & Si, S. & Wright, M. (2013). Entrepreneurship and Strategy in Emerging Economies. *Strategic Entrepreneurship Journal*, 7 (2): 169-180.
- Clark, N. & Frost, A. (2016). It's Not STI: It's ITS – the Role of Science, Technology and Innovation (STI) in Africa's Development Strategy. *International Journal of Technology Management & Sustainable Development*, 15 (1): 3-13.
- Collins, J.D. & Reutzell, C.R. (2013). Entrepreneurial Strategies for Emerging Markets. *Journal of Business Strategies*, 32 (2): 47-66.
- Coulibaly, S.K. & Erbao, C. & Mekongcho, T.M. (2018). Economic Globalization, Entrepreneurship, and Development. *Technological Forecasting & Social Change*, 127 (2): 271-280.

Dolan, C. & Rajak, D. (2016). Remaking Africa's Informal Economies: Youth, Entrepreneurship and the Promise of Inclusion at the Bottom of the Pyramid. *The Journal of Development Studies*, 52 (4): 514-529.

Isaacs, E. (2007). Role of Support Organizations for SMMEs in a Global Environment: A Study from the Western Cape, South Africa. *Industry & Higher Education*, 40 (1): 31-42.

Leenstra, M. (2018). The Human Factor in Development Cooperation: An Effective Way to Deal with Unintended Effects. *Evaluation and Program Planning*, 68 (3): 218-224.

Martinet, A.C. & Payaud, M.A. (2008). Formes de RSE et Entreprises Sociales - Une Hybridation des Stratégies. *Revue Française de Gestion*, 180 (2), 199-214.

Naudé, W. (2013). *Entrepreneurship and Economic Development: Theory, Evidence, and Policy*. Discussion Paper No. 7507, Institute for the Study of Labor, Bonn, Germany.

Payaud, M.A. & Martinet, A.C. & Amoussouga, F.G. (2014). La Contribution de la RSE aux Objectifs d'un Développement Durable de l'ONU – Cadre d'Analyse et Propositions pour les Pouvoirs Publics des 'Pays les Moins Avancés'. *Revue Française de Gestion*, 245 (2) : 133-158.

Robson, P.J.A. & Haugh, H.M. & Obeng, B.A. (2009). Entrepreneurship and Innovation in Ghana: Enterprising Africa. *Small Business Economics*, 32 (3): 331-350.

Sternberg, R. & Wennekers, S. (2005). Determinants and Effects of New Business Creation Using Global Entrepreneurship Monitor Data. *Small Business Economics*, 24 (2): 193-203.

Washington, M.L. & Chapman, Z. (2014). Entrepreneurial Activity as an Externality of Inward Foreign Direct Investment in Emerging Economies: Panel Data from Argentina, Brazil, Colombia and South Africa. *Journal of Developmental Entrepreneurship*, 19 (1): 1-17.