PUBLIC ADMINISTRATION AND DEVELOPMENT, Vol. 3, 275–283 (1983)

Upgrading the managerial process of small entrepreneurs in West Africa

ENYINNA CHUTA
International Labour Office

SUMMARY

In spite of their contribution to employment and value-added of the economies of West African countries, the future of small enterprises depends on their financial viability. To this management efficiency makes a crucial contribution and available empirical evidence surveyed in this article shows major weaknesses in it. Often the right motivations are lacking, problems are ill-defined and record keeping as a major tool of information gathering and analysis is not practised. It is argued that more detailed investigation of the managerial processes of these enterprises should be undertaken as a basis for innovating in management practices in a way that is adapted to the needs and circumstances of the heterogenous types of small enterprises in West Africa. It is also suggested that facilities available for management training are too centralized adequately to reach rural towns and villages. A decentralized approach to extension should make training facilities more accessible to larger numbers of small entrepreneurs. The inclusion of management training in the traditional apprenticeship system and in the curricula of government trade and vocational training centres would also bring benefits.

INTRODUCTION

West African small-scale[1] industry[2] (rural and urban), as in many developing countries, provides the bulk of employment (Page, 1979) and contributes significantly to the value-added of the manufacturing sector. However, the future role of the small-scale industrial sector in the development process will depend importantly on the economic viability of small enterprises.

Most studies of West African entrepreneurs show that management competence is a key determinant of business success, and management capacity among these enterprises is still strictly limited (Nafziger, 1977). The constraint imposed by lack of management capacity becomes more acute as small firms grow in size (Chuta and Liedholm, 1982; Harper and Soon, 1979, p. 80), as individual firms establish other lines of activities in various locations (Kilby, 1965), or as the form of enterprise organization changes from sole proprietorship to partnerships, limited liability companies or co-operatives. Furthermore, technological developments (Schatz,

Dr. Chuta is from the International Labour Office, CH-1211, Geneva 22, Switzerland. The ideas in this paper are those of the author and in no way reflect the policies of the ILO.

[1]The definition of the term 'small-scale' varies between countries. In this paper the term refers to firms with fifty employees, or fewer.
[2]The term 'industry' refers to those establishments that engage in the production and repair of manufactured goods and services.

0271-2075/83/030275-09$01.00

1977, pp. 89–100) impose additional management constraints to the extent that adopting some new technologies may involve bank financing and investment analysis and more stringent supervisory and plant maintenance conditions. If small enterprises are to continue to play their role in the process of development, existing constraints in the managerial processes of small enterprises must be identified and systematically rectified by public and private institutions which cater to their management needs.

Modern management techniques developed in western universities and management institutes address the needs and circumstances of medium-to-large scale enterprises, and are inappropriate, in their present state, to the needs of most small enterprises in West Africa and other developing countries (Samson and Molenaar, 1978). Without being modified and adapted, these techniques are unlikely to be widely accepted nor to bring benefits to small enterprises. Furthermore, modifying and adapting techniques currently taught needs to follow a thorough investigation of the managerial processes already being used by small entrepreneurs in their daily operations. The result of such investigations should highlight major areas of managerial deficiencies and show how to upgrade managerial performance.

In this paper, some weaknesses in managerial processes of small enterprises will be indicated. Specifically, problems relating to conceptualization and problems of goal-setting, keeping of adequate records for accounting purposes, organization of business and inventory control will be discussed. This will be followed by a comparative appraisal of channels for providing management training for small enterprises in West Africa.

SHORTCOMINGS OF THE MANAGERIAL PROCESSES OF WEST AFRICAN SMALL ENTREPRENEURS

Empirical evidence about the managerial processes used by small entrepreneurs in West Africa is patchy. Surveys undertaken do, however, indicate certain general shortcomings. First there is the question of the motives of entrepreneurs. A survey conducted in Sierra Leone in 1974 showed that 58 per cent of 226 small entrepreneurs studied became active with the declared aim of making profits (Chuta, 1977); what is significant here is the 42 per cent who gave other reasons. Among these, a goal related to security was ranked next in importance to profits in the response of 16 per cent of sample respondents. Other goals mentioned include family enterprise, father's occupation and prestige. Recently, supporting evidence (Wilcock and Chuta, 1982, p. 461) comes from Upper Volta where a survey showed that 55 per cent of entrepreneurs interviewed said that their principal motivation was financial gain whereas 27 per cent were motivated by the desire to help family members. If long-run viability of small enterprises is of any importance in the development process, entrepreneurs must be profit-motivated. Promotional efforts will have either to seek ways of identifying and encouraging those entrepreneurs with proper goals or to use appropriate procedures to develop well-motivated entrepreneurs.

Sometimes goals are set while reviewing existing operations (Meredith, Nelson and Neck, 1982, p. 70). Thus, entrepreneural goals can be changed depending on the outcome of periodic evaluations of results of previous actions. In this respect, the analytical ability of the entreprenuer comes into play and yields information that is necessary to redefine his goals. Adequate empirical evidence in West Africa is not available to illustrate the review process of goal setting among small entrepreneurs, as a result much is yet to be learnt about this process and about the effects of seeking to teach small enterprise managers the consequences of their past action, so changing aspirations, for example, from a goal of achieving subsistence to making a profit. Once an entrepreneur has set appropriate goals, the way individuals perceive problems which arise affect their capacity to deal with them.

There are a series of dimensions of problem definition where evidence has accumulated on weaknesses. First, the misperception of problems is suggested by various data. In West Africa such surveys as have been made show that between 60 and 70 per cent of small-scale industrial proprietors believe that the greatest problem facing their business is—or was—shortage of capital (Schatz, 1965; Garlick, 1959; Liedholm and Chuta, 1976) whereas observers suggest that other problems such as poor management, lack of demand or poor quality products may, in fact, be more important. Although small entrepreneurs should be the best determinants of their special needs, the emphasis on capital needs cannot be reconciled with frequently observed excess capacities of 35 and 49 per cent on the average for Sierra Leone and Ghana, respectively (Liedholm and Chuta, 1976, p. 39; Steel, 1977, p. 95) and also of accumulated inventories. Entrepreneurs need to be helped to reassess what they perceive to be problems in the context of results of empirical investigations.

A major information gathering process available to small entrepreneurs is the keeping of simple records of their daily operations. However, enquiries show that record keeping is not widely practised in small enterprises in Nigeria, Mauritania (Nouakchott) and Togo (Lomé). It is also known that in these enterprises there is insufficient awareness of the need to keep records (de Wilde, 1971; Nihan and Jourdain, 1976; Nihan, Demol and Jondoh, 1979). Evidence from Sierra Leone shows that those small entrepreneurs that keep records at all, only jot a few things down in exercise books or on miscellaneous pieces of paper. Often, these papers or documents are neither filed in a systematic manner nor held for a long period of time.

One obvious hypothesis is that the capacity to define one's problems, gather information and process it is related to literacy and educational attainment. Actual evidence on the relationship between level of education and successful management of small-scale enterprise is mixed. Some studies (Kilby, 1965; Harris, 1970; Liedholm and Chuta, 1976) have indicated no precise correlation between formal schooling and business success. However, Morris and Somerset (1971) emphasized the basic fact that 'without some competence in reading, writing, and simple arithmetic, it is hard to practise business at all', i.e. understand such important management functions as reading bank statements, sending or receiving purchase orders.

Data from the 1970s have shown the low level of formal education of most small-scale entrepreneurs in West Africa. In Western Nigeria (Aluko, 1973), for instance, about 90 per cent of rural small-scale entrepreneurs had less than primary VI education and 44 per cent were virtually illiterate. In Sierra Leone, 75 per cent of the small-scale proprietors did not have any formal schooling at all (Chuta, 1977). Similar findings on inadequate schooling of small proprietors come from francophone West African countries.

Increasing the number of literate small entrepreneurs could facilitate the upgrading of their managerial processes in general and could obviously facilitate improved record keeping. In the short-run, a more practical and individualized procedure of introducing record keeping may require the stratification of small entrepreneurs into those that can read and write in any functional language; those that cannot read and write but have children who can; and those who can neither read and write and have nobody who can.

For the first two groups, record keeping and basic accounting principles can be taught directly either to the entrepreneur or to those members of the family who can read and write. However, the third group presents a great difficulty, and for them particular simplifications may be needed. Thus, illiterate small entrepreneurs may simply need to know how to separate personal transactions from the enterprises' transactions or how profitably to dovetail both, adopt systematic ways of defining problems and arrive at desired solutions, and undertake adequate valuation of their own and purchased inputs. For example, they might need to be convinced that it makes sense to form assessments of their profit position and that to do this involves costing their entire family labour and all payments in-kind to apprentices (for lodging, clothing, and feeding) and they may also need to realize that the values of all items removed from existing stock for entertainment purposes affect their profit position.

Besides the lack of record-keeping, the owners of most small enterprises in West Africa do not know how to calculate profits. During field interviews in Sierra Leone in 1974/75, a small entrepreneur indicated that he could recognize lack of profitability in his business only when he ran out of 'pocket-money'. Attempts to ascertain from other entrepreneurs how frequently they tried to figure up their profits or losses did not show that this was an important aspect of their operation. Needless to mention, gifts made from regular enterprise production were considered necessary acts of charity which did not jeopardize the profitability of the business. The Nouakchott study (Nihan and Jourdain, 1978, p. 717), showed that only 14.5 per cent of sample entrepreneurs could break down their production costs correctly. A crucial dimension of management upgrading among West African entrepreneurs is to develop the awareness of the need to evaluate the performance of the business from existing records on a regular basis. This will be particularly important where a small entrepreneur owns two or more businesses, or lines of activities, and in different locations.

The efficiency of small enterprises in West Africa could be greatly enhanced either individually or collectively, if they were better organized. In Sierra Leone, over three-quarters of small enterprises are unregistered, and unincorporated sole proprietor enterprises. This situation may not be different in West African countries such as Nigeria, Ghana, Senegal, etc. Although some studies in Nigeria (Schatz, 1977, p. 87), have shown that financial untrustworthiness has rendered partnerships difficult or undesirable, it is possible that other factors may be crucial in explaining the low incidence of businessmen pooling their resources to enjoy substantial economies of scale due to an increased size of operation. For example, it is not known how far the owners of small enterprises understand what is to be gained from organizing businesses along modern lines. Needless to mention, these entrepreneurs may not even be aware of procedures for business registration or incorporation. Again, modern forms of business organization require new breeds of educated entrepreneurs who may require a great deal from advisory services to help them stand on their own feet.

Small enterprises frequently overbuy their inventories without due consideration to adverse seasonal conditions such as high humidity, heavy rainfall or dry conditions. Consequently, a large inventory is stored while the enterprise is acutely short of working capital. A further adverse effect of such a practice is heavy inventory loss owing to deterioration resulting from bad weather conditions (Harper and Soon, 1979, p. 14). Some of these losses are due to lack of knowledge of price trends over time, nature of the inventory items and poor estimation of future market demands. Compounding their problems are lack of knowledge of locational price differentials, and transportation problems due to poor road conditions.

Management of risk through the purchase of insurance is often unthought of in small-scale enterprises in West Africa. Although these industries are more exposed to fire and theft than large corporations, they are not protected by any form of insurance. Because of their limited capital and size, diversification in order to spread out risk is not practised. As most of the small firms are one-product enterprises, seasonal fluctuations hurt them most. However, in both Sierra Leone and Nigeria where diversification of investment was attempted, that effort was often marked by lack of business viability arising from limited management capacity.

DELIVERY SYSTEMS FOR APPROPRIATE MANAGEMENT TRAINING IN WEST AFRICA

In West Africa, both formal and informal channels are used for delivering different kinds of services to small enterprises. The informal channel is essentially the apprenticeship system whereby on-the-job training is undertaken within the firm over a stipulated period of time[3]. On the other hand, the formal channel includes various methods through which governments, local promotional institutions and aid donors deliver various kinds of essential services (including management training) to small enterprises.

With apprenticeship training, skills of each trade are learnt informally as trainees continue to receive instructions from their masters on various aspects of the job. The period of training ranges from three to ten years depending on the trade (Sethuraman, 1981). Although most apprentices pay fees to learn their trade, they sometimes are paid small allowances to defray the cost of midday meals, transportation, etc. (Mabawonku, 1979, pp. 22–23; Liedholm and Chuta, 1976; Adepoju, 1979, pp. 115–139). A major weakness of the apprenticeship system, however, is that it is devoid of management training. Since the bulk of small entrepreneurs in West Africa have emerged through the traditional apprenticeship system, the lack of management training has been perpetuated.

Throughout West Africa, governments have established trade and vocational centres for technical training in the fields of carpentry, metalwork, mechanical and

[3]In a negligible number of cases skills are passed on from one generation to another in an informal way within a given family.

electrical work, etc. Although one major objective of establishing these facilities has been to nurture future small entrepreneurs (Federal Government of Nigeria, 1972), most of the ex-trainees have consistently sought wage employment in the modern sector. For example, out of the 45 trainees interviewed at the Vocational Improvement Centre, Maiduguri, Nigeria in 1970, only three were self-employed (de Wilde, 1971, p. 19). In the 1974/75 Sierra Leone study, only one out of a random sample of 226 small entrepreneurs had attended a Government technical or trade school. In any case, since the curricula of these institutions scarcely prepared trainees for self-employment, management training is virtually ignored for would-be entrepreneurs (Gilpin and Grabe, 1975; see also Mabawonku, 1979).

Fortunately, all systems of industrial extension services in West Africa deliver management information. In Nigeria, the Industrial Development Centres established at state levels combine the individual (firm level), group (seminars and courses) and mass (radio, films, etc.) approaches in delivering technical and management training and other services to small enterprises (Federal Republic of Nigeria, 1977). The IDCs rely more on the individual approach for reaching their clients since this can be more fully adapted to the skills, educational level and scale of operation of the entrepreneur. However, the IDCs are not decentralized enough (beyond the state capitals) to have effective outreach in small towns and villages. In this context, the dissemination of management and other kinds of information among Nigerian small entrepreneurs will continue to be strictly limited.

The Technology Consultancy Centre in Ghana (based at the Kumasi University of Science and Technology) provides technical and, to a limited extent, management training to small enterprises. The Centre establishes new on-campus production units to demonstrate the use of new appropriate technology and advises off-campus units when approached on production and management skills (Ntim and Powell, 1976, pp. 279–282). However, the Centre's on-campus location, about four miles away from industrial areas, creates a barrier between itself and small enterprises (Holterman, 1981, p. 21). A decentralization of the Centre's facilities to enable it to establish a physical presence in rural towns and villages would enhance its contribution to the development of small enterprises. Lack of decentralization has also in the past limited the ability of other institutions in Ghana, such as the Small Industries Development Centre and the Management Development and Productivity Institute, to provide needed training in finance and accountancy for small firms. Needless to mention, lack of funds and increasing adverse economic conditions may have crippled any decentralization efforts (Holterman, 1981, p. 21).

The only avenue available for management training of small enterprises in Sierra Leone is that provided by the Opportunities Industrialisation Centre in Freetown. First this Centre gives technical training to would-be entrepreneurs, followed by management training. Finally ex-trainees are enabled to obtain bank loans for the start of their business. Although this approach has been useful for developing a modern type of entrepreneur, the scheme is only open to candidates who have gone through a formal technical training programme. In other words, ex-trainees of the informal apprenticeship system cannot avail themselves of this management training facility.

Recently, the Government of Sierra Leone has planned to embark on a rural industrial extension programme (Government of Sierra Leone, 1982). Under the new decentralized extension programme, over twenty rural extension centres will be established by 1986. Fifty extension officers have just been trained for posting in six different provincial locations to introduce new projects, improved production methods, better management and marketing techniques, etc. Although it would be premature to speculate on the performance of the Sierra Leone extension programme, success will depend among other things on the availability of funds for requisite staff. Nevertheless, the Sierra Leone programme, when implemented, will constitute the most decentralized extension services network for promoting small enterprises in West Africa.

In the Gambia, management and other essential services are delivered to small enterprises through the extension mechanism provided by the Indigenous Business Advisory Service. This is associated with the Ministry of Economic Planning and Industrial Development but is now in the process of being converted into an autonomous corporation. Apart from the Banjul headquarters' office, the Service has two other rural field units in Farafenni and Basse. The Service currently has about 150 clients and about ten extension officers and through its extension network, it provides advisory services relating to marketing products, setting up new enterprises and book-keeping systems, obtaining loans from banks, etc. The effectiveness of the Service has been limited, however, due to an overconcentration of effort in Banjul and to what up to now has been a lack of autonomy from the Ministry. Unlike Ghana and Sierra Leone, availability of funds has not been a serious constraint.

CONCLUDING REMARKS

Available evidence from West African countries suggests that entrepreneurs lack necessary managerial skills, often keep no records, make no distinction between business transactions and personal transactions, have difficulties making the right choice of technology and often misconceive their problems. Even where attempts have been made to spread risk through diversification, this effort has failed due to limited management capacity.

In order to have a fuller grasp of the extent of management constraints of West African small enterprises, a more thorough investigation and greater understanding of existing managerial practices (no matter how crude) is required. In this way weaknesses can be identified and steps taken to correct them. Without the understanding of existing management constraints through meaningful research, it is doubtful whether efforts by different governments and organizations to promote small-scale industries through well-meaning intervention programmes will meet with success. The nature of constraints will vary by industry, level of literacy of entrepreneurs, their location (rural and urban), etc., and prescriptions for reform are likely to reflect unduly the knowledge of management techniques developed elsewhere and appropriate to larger enterprises.

Various channels, formal and informal exist in West Africa for providing management training for those working in small enterprises. These facilities, however, are too centralized and have too limited an outreach into rural towns and villages. This paper advocates a decentralized approach to the diffusion of appropriate management skills. Specifically, individualized on-the-spot extension mechanisms in combination with radio, television and adult evening classes are suggested as different ways, among others, to reach entrepreneurs to deliver management training as well as other services. Moreover, the inclusion of appropriate management training in the traditional apprenticeship system would enhance the productivity of small entrepreneurs in West Africa. Finally, management training should be an integral part of the curricula of vocational, trade and technical training centres, if ex-trainees are ever to take on successful self-employment.

REFERENCES

Adepoju, A. (1979). 'Non-formal training in small-scale industries', in Damachi, U. G. and Ewusi, K. (eds), *Manpower Supply and Utilisation in Ghana, Nigeria and Sierra Leone*, International Institute for Labour Studies, Geneva.

Aluko, S. A. (1973). 'Industry in rural setting', *Rural Development in Nigeria, Proceedings of the 1972 Annual Conference of the Nigerian Economic Society*, The Nigerian Economic Society, Ibadan.

Chuta, E. (1977) A linear programming analysis of small-scale industries in Sierra Leone', *unpublished Ph.D dissertation* Michigan State University, East Lansing.

Chuta, E. and Liedholm, C. (1982). 'Employment growth and change in Sierra Leone small-scale industry, 1974–1980', *International Labour Review*, **121**, (1), 101–113.

de Wilde, J. C. (1971). *The Development of African Enterprise*, World Bank, Washington D.C.

Federal Government of Nigeria (1972). *Building the New Nigeria, National Development Plan, 1972–74*, Lagos.

Federal Republic of Nigeria (1977a). *Industrial Development Centres in the Service of Small Industries*, Ministry of Industries, Lagos.

Federal Republic of Nigeria (1977b). *Use your Opportunities for Starting a Small Industry*, Ministry of Industries, Lagos.

Garlick, P. C. (1959). *African Traders in Kumasi*, University College, Accra.

Gilpin, C. and Grabe, S. (1975). 'Nigeria: programmes for small industry entrepreneurs and journeymen' in Ahmed, M. and Coombes, P. H. (eds), *Education for Rural Development: Case Studies for Planners*, Praeger, New York.

Goiburu, R. T. (1981). *Mass Communication media for management training in small rural enterprises*, International Labour Office, Geneva.

Hall, B. L. (1973). 'Tanzania mass education campaign', *Education in Eastern Africa*, **3**, (2), 89–97.

Hawbaker, A. D. and Turner, H. H. (1972). *Developing Small Industries*, Agency for International Development, Washington, D.C.

Harper, M. (1976). *Consultancy for Small Businesses*, Intermediate Technology Publications, London.

Harper, M. and Soon, T. T. (1979). *Small Enterprises in Developing Countries: Case Studies and Conclusions*, Intermediate Technology Publications, London.

Holterman, S. (1981). *Intermediate Technology in Ghana: The Experience of Kumasi University's Technology Consultancy Centre*, Intermediate Technology Publications, London.

Kilby, P. (1965). *African Enterprise: The Nigerian Bread Industry*, Stanford University, California.

Liedholm, C. and Chuta, E. (1976). 'The Economics of rural and urban small-scale industry in Sierra Leone', *African Rural Economy working paper no. 14*, Michigan State University, East Lansing.

Mabowonku, A. F. (1979). 'An economic evaluation of apprenticeship training in Western Nigerian small-scale industries' *African Rural Economy Paper no. 17*, Michigan State University, East Lansing.

Meredith, G. G., Nelson, R. E., and Neck, P. A. (1982). *The Practice of Entrepreneurship*, International Labour Office, Geneva.
Morris, P. and Somerset, A. (1971). *African Businessmen: A Study of Entrepreneurship and Development in Kenya*, Routledge and Kegan Paul, London.
Nafziger, E. W. (1977). *African Capitalism: A Case Study of Nigerian Entrepreneurship*, Hoover Institution Press, California.
Nihan, G. and Jourdain, R. (1978). 'The modern informal sector in Nouakchott', *International Labour Review*, **117**, (6), 709–720.
Nihan, G., Demol, E. and Jondoh, C. (1979). 'The modern informal sector in Lomé', *International Labour Review*, **118**, (5), 630–644.
Ntim, B. A. and Powell, J. W. (1975). 'The Technology Consultancy Centre and its involvement in the application of appropriate technology in the promotion of rural industrial development', *The International Technical Cooperation Centre Review*, **4**, (2), 93–100.
Ntim, B. A. and Powell, J. W. (1976). 'Appropriate technology in Ghana: The experience of Kumasi University's Technology Consultancy Centre' in Jéquier, Nicolas (ed.), *Appropriate Technology: Problems and Promises*, Organisation for Economic Cooperation and Development, Paris.
Page, J. M., Jr. (1979). 'Small enterprises in African development: a survey', *World Bank Staff working paper, no. 363*, World Bank, Washington, D.C.
Samson, R. and Molenaar, N. (1978). 'Self reliance policy and its call for the emergence of appropriate management', *Research Institute for Management Science, Delft, Newsletter 1*, pp. 6–16.
Schatz, S. P. (1965). 'The capital shortage illusion: Government lending in Nigeria', *Oxford Economic Papers*, **XVII**, (2).
Schatz, S. P. (1977). *Nigerian Capitalism*, University of California Press, Berkeley.
Sethuraman, S. V. (1981). *The Urban Informal Sector in Developing Countries*, International Labour Office, Geneva.
Sierra Leone, Government of (1982). *An industrial extension programme for the Republic of Sierra Leone*, Ministry of Trade and Industry, Freetown.
Steel, W. F. (1977). *Small-scale Employment and Production in Developing Countries: Evidence from Ghana*, Praeger, New York.
Wilcock, D. and Chuta, E. (1982). 'Employment in rural industries in Eastern Upper Volta', *International Labour Review*, **121**, (4), 455–468.