

The Undesired Choice: Entrepreneurship Amongst Sub-Saharan Africa's Middle Class

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“If you build it, he will come.” – *Field of Dreams*

This famous line from the movie *Field of Dreams* captures the current approach to entrepreneurship development in the developing world. In the movie, Ray Kinsella hears this line whispered to him, the indication being that all he has to do is build the baseball field and the baseball team will show up. Simple as that. Similarly, in places like sub-Saharan Africa (“SSA”), there is an assumption that if the proper ecosystem is built entrepreneurs will emerge and flourish. This assumption is misguided and ignores the desirability factors of choosing to be an entrepreneur. Despite improvements in the ecosystems in SSA, those most capable and well-resourced in sub-Saharan Africa (the educated middle and upper class), are less likely to start a business as it is seen as an undesirable choice.

For several decades now, entrepreneurship has been seen as a path to economic development. Development efforts have focused on improvements in human capital (e.g., education, training), institutions (e.g., business regulations, tax reform), and access to finance in hopes of increased entrepreneurial activity, job growth, wealth creation, and economic growth. While there have been improvements in these areas, the actual impact has been mixed.

This is especially true for SSA. Defined in terms of self-employment, SSA leads the world in entrepreneurship. Using Global Entrepreneurship Monitor (“GEM”) data from 1999 to 2017, over 18% of sub-Saharan Africans own and operate their own business. Compare that to just 10% of individuals in the United States. Despite this high level of entrepreneurship participation, the impact has been mostly disappointing. While the unemployment rate is reportedly low in the region, the rate is misleading. A large portion of employment comes from sole proprietorships with contributing family workers. (IMF, 2018). This high number of subsistence entrepreneurs hides the fact that wage employment is still extremely hard to find. The macroeconomic indicators are also discouraging. Despite the high levels of entrepreneurship, the region still lags far behind the rest of the world in terms of GDP and levels of extreme poverty (see figure 1).

All of this supports the argument that the type of entrepreneurship matters. A quick look at the individuals behind the startups reveals that who participates in entrepreneurship has a dramatic effect on the types of businesses being created. According to GEM data, approximately 22% of U.S. ventures employ more than 5 people. Compare that to just 9% of ventures in SSA over the same period. What is striking is that if you isolate entrepreneurs in SSA that have at least some college education and come from either the middle or upper class, the percentage of ventures employing more than 5 people shoots up to 21%, right in line with the United States (see figure 2).

The question then becomes, how do you get more of the educated middle and upper class in SSA to participate in entrepreneurship? Most of the development efforts up to this point have taken the *Field of Dreams* approach of “if you build it, he will come.” The focus has been on making entrepreneurship more feasible. If we just provide better access to capital, or just change the laws to make starting a business easier, or just train and educate more people, then entrepreneurship will flourish. . The assumption is that there exists a latent desire and entrepreneurial spirit that would be unlocked if these barriers are removed.

Based on field interviews in Kenya and Uganda, however, desirability cannot be assumed. In fact, in speaking with many educated, middle-class individuals in SSA, it becomes clear that entrepreneurship is often an *undesired* choice.

“We have been socialized from a young age to strive for employment.”

“Even after earning more money than I did in my former job, my parents still ask me when am I going to get a ‘real job’?”

A lot of this pressure stems from the very real risks involved with starting a business. Beyond just the financial risks involved, there is also social risk. Entrepreneurship is found to be stigmatized in two ways. First, due to the prevalence of microentrepreneurs, entrepreneurship is often seen as something done by poor and vulnerable people with no other options. Second, entrepreneurship is often stigmatized due to the prevalence of corruption. As one individual shared, “it’s impossible to succeed in business without paying bribes.” Some choose not to start a business to avoid getting their hands dirty in corruption. Others avoid it simply because they don’t want to even be associated with work that is assumed to be corrupt or reserved for the vulnerable and desperate.

While improving human capital, access to finance, and institutions are all important, other factors around desirability must also be addressed if entrepreneurship is going to flourish in SSA and have real impact on job creation and economic development. This is important for policy makers and other entrepreneurial sector support organizations to understand, and their work should reflect this reality. As one investor in the region noted, the educated middle-class needs more “entrepreneurial heroes.” More attention needs to be given to highlighting the successful small and growing businesses coming from the educated middle-class. These individuals need to see that entrepreneurs are “like them.” The perceptions of entrepreneurs in SSA can often be stigmatized, making it an undesirable choice for the educated middle-class. Until these perceptions are addressed, many well-resourced individuals will forgo business opportunities, instead choosing the highly approved wage employment. Unlike in the *Field of Dreams*, policy makers and support organizations can’t simply *build* the required infrastructure. They must also change the local mindsets in order for the job-creating entrepreneurs *to come*.

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Appendix

Figure 1

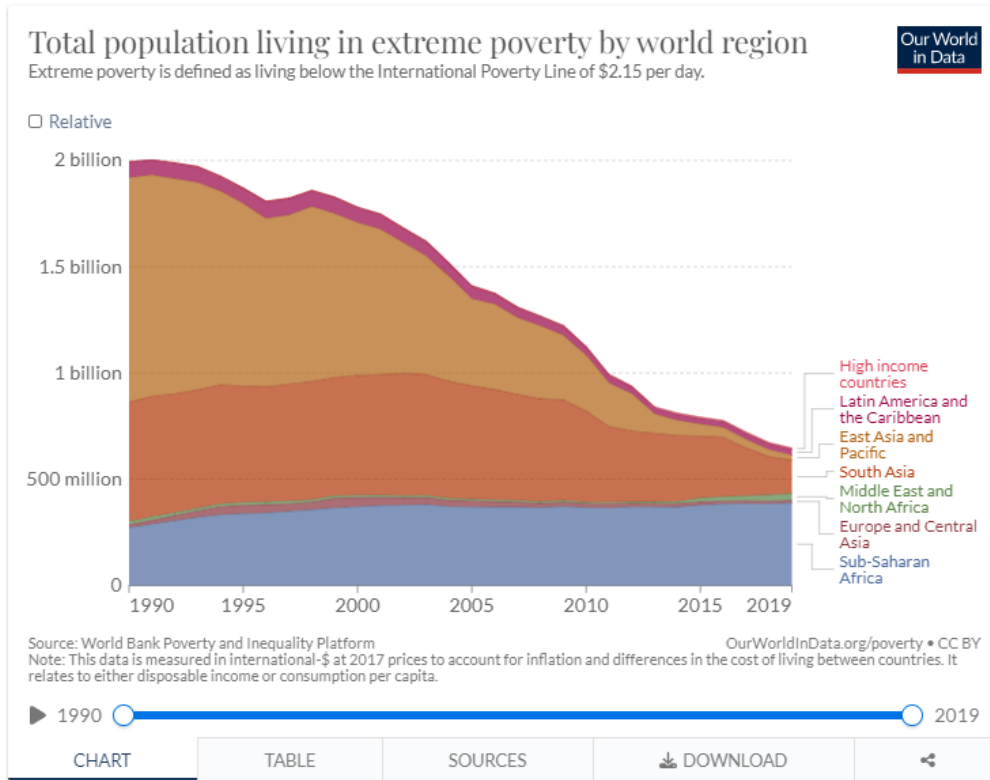
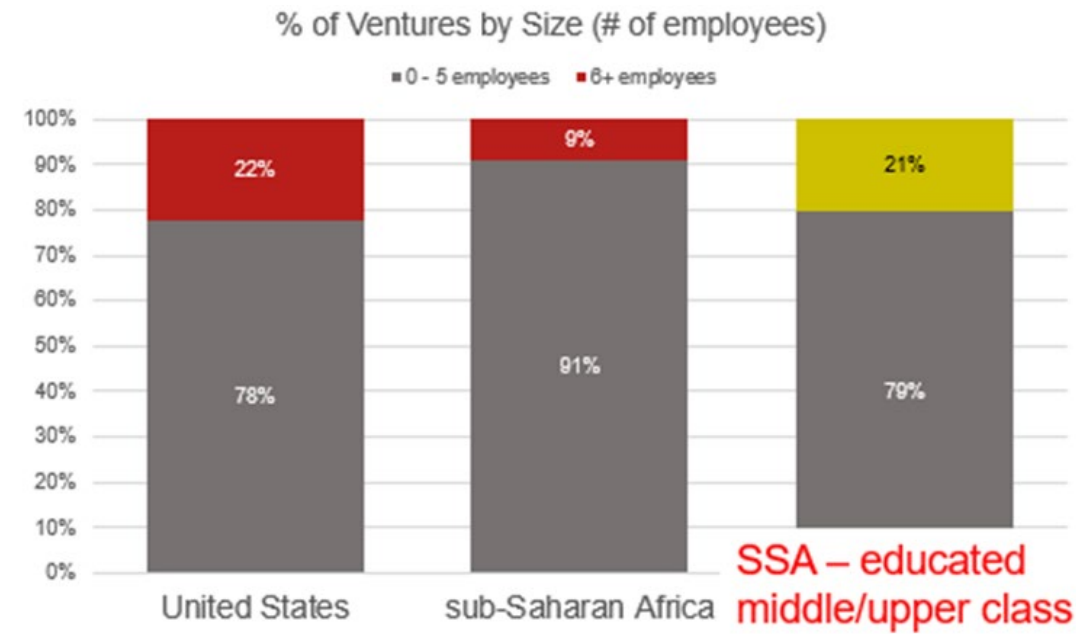


Figure 2



References

IMF. The Future of Work in Sub-Saharan Africa. 2018.