Firing up bright sparks in African business

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An Oxford University report has systematically examined how the ingenuity of African entrepreneurs is being supported. It found while government schemes and policies are in place to support Ghanaian businesses, in practice very few firms are taking advantage of them.

The researchers used Ghana as a case study to identify the possible incentives and barriers to business innovation in low-income countries.Out of 500 Ghanaian firms surveyed, only four per cent said they were even aware of any government's incentives to encourage businesses to bring new products to market or introduce new processes to the workplace.

Over the last five years, the Government of Ghana has set up two huge government projects in order to develop Ghanaian businesses. The Micro, Small and Medium Enterprise (MSME) Project, backed by a fund of millions of US dollars, is a government initiative to give firms access to finance and help with trade promotion and technical support. Meanwhile, the government's Venture Capital Trust Fund is also offering low cost financing and technical assistance to investors and entrepreneurs in Ghana.

However, between 2010 and 2013 only 23 of the 500 firms surveyed said they had taken advantage of the government loans offering lower interest rates. During the same period, just one-fifth of the firms surveyed (107 firms) said they had benefited from skills training programmes run by the government. Some firms also said they had found the 'excessive paperwork' involved in applying for government loans too off-putting.

Study leader Professor Xiaolan Fu said: 'Technological innovation has been traditionally concentrated in a few developed countries. Yet it is vital that African countries seize on innovation as a way forward. Innovation is not just an outcome of development but is a means for development. Our study suggests a need for better communication to light the spark so firms wanting to innovate apply for government support. This would benefit individual businesses but also Ghana's overall economy.'

Businesses in the survey were randomly selected and identified themselves as part of the formal or informal economy. They were drawn from across Ghana and included key sectors such as textile-making, garment-making, metal work and food-processing industries. They reported that other barriers to innovation were that workers often lacked the specific skills and training required to use new technologies; and the economic cost, coupled with a lack of access to credit.

The research by Oxford University's Technology and Management Centre for Development shows that firms regarded cheaper interest loans and government subsidies as incentives that would be most likely to persuade them to innovate. Lower corporate taxes and more government funding were also cited as very helpful forms of support.

Almost 80% of firms surveyed said they had introduced a technological or non-technological innovation between 2010 and 2013. However, the report reveals that most of these changes were incremental, small steps rather than giant leaps forward. Most changes were born out of learning and experience, firms said, with most ideas originating from requests that had been made by customers. They said foreign innovations had the greatest novelty value, and the internet was another major source for foreign know-how.

Ghanaian universities and research institutions had a 'limited' role in business innovation or knowledge transfer, says the report, with seven out of ten firms surveyed (68%) saying they did not have the connections, and 43% saying they did not need such links. Most of the changes were not a result of 'lab-based R&D', but innovations were adopted or adapted from what was happening elsewhere in Ghana.

The study suggests that the way businesses for finding and spreading entrepreneurial ideas is an under researched area, adding that there are also lessons in the report for middle- and high-income countries.

More information: The complete study: www.tmd-oxford.org/sites/www.t … s/DILIC_Report_2.pdf

Provided by Oxford University