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SME policy formulation and implementation in Africa: Unpacking assumptions as opportunity for research direction

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ABSTRACT

The increasing acknowledgement of the role of SMEs in economic growth and reducing unemployment in SSA brings forth the need for research into understanding the role and impact of the SME policy and its outcomes. However, the lack of adequate critical examination of the current SME policies across SSA as well as the absence of a holistic conceptual framework has put limitations on the further development of literature in the field. In this article, we have attempted to critique the existing assumptions underpinning the SME policy. We have also advanced a conceptual framework and propositions to enable the holistic research that can shed more light on our understanding of the interactions between SME policies, the business environment (context), the entrepreneur, and policy outcomes. Finally, we proposed research questions and an agenda that should guide future research.

1. Introduction

Sub-Saharan Africa (SSA) faces numerous economic and social challenges, which have necessitated the intensification of policy enactment directed towards the development of entrepreneurship as well as the Small and Medium-Scale Enterprises (SMEs) sector (Beyene, 2002; Kongolo, 2010; Obeng & Blundel, 2015; Rogerson, 2001, 2004; UNIDO, 1999). The focus on reducing unemployment as a policy objective is, in part, influenced by research reports that indicate that the SME sector accounts for 90% of the private sector and 50% of employment in most of the African countries (UNIDO, 1999). Researchers have responded to the targeting of the SME sector as the engine of economic growth, employment, and poverty eradication in a positive manner. For example, the research by Agyapong (2010), Okpara (2011) and Manyara and Jones (2007) examined the efficacy of SMEs in the eradication of poverty in Nigeria, Ghana and Kenya. Similarly, others have examined the employment potential of the African SME sector (Beyene, 2002; Langevang & Gough, 2012; Olawale & Garwe, 2010). Yet, the earlier call for further research by experts and researchers (see Frese, 2000; Kiggundu, 2002; McGrath & King, 1999) is still relevant because of the growing challenges and the disappointing outcomes of SME policy that have been recently seen in SSA (Hulme, 1993).

Specifically, Kiggundu (2002) calls for closing the gap between research and policymaking. He also argued that the researchers have studied the African entrepreneur, the firm and the business environment in a rather disjointed manner. In his own words: “Rarely have they taken a holistic approach to studying the combined interactive effects of the three factors on entrepreneurial success or failure” (Kiggundu, 2002: 251). We argue that the lack of a framework that enables holistic study does not allow a holistic approach to the study of SMEs in SSA. Therefore, this paper attempts to fill the gap regarding the lack of guiding framework for the study of entrepreneurship policy in SSA.

This paper has identified the further research issues emanating from the current literature on SMEs and the entrepreneurship policy in SSA. Firstly, a lot of the research into the policy dimension of entrepreneurship and the SME sector in SSA is either prescriptive or descriptive. The researchers either prescribe what they perceive as good SME policies and instruments (Abor & Quartey, 2010; Kauffmann, 2005; Mambula, 2002; Olawale & Garwe, 2010) or describe what policies have been implemented and their outcomes (Brixiová, Ncube, & Bicaba, 2015; Elkan, 1988; IDRC, 2016; Kauffmann, 2005; Kiggundu, 2002; King & McGrath, 1999; Ndletyana, 2013; Rogerson, 2001, 2004). There is a necessity for a more critical approach to research into and discuss the SMEs and entrepreneurship in SSA beyond the descriptive

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and prescriptive domains. Moreover, the research evidence indicates that SME policies in SSA have been largely transferred from the Western developed countries (Egena, Wombo, Theresa, & Bridget, 2014; Harrington & Kelley, 2012; Matambalya, 2000; Obeng & Blundel, 2015). Taking into consideration the contextual challenges in SSA, there is a need for research into the suitability of the SME policies transferred from the Western developed countries. In fact, researchers have argued that exogenous factors such as organisational ecology, industry organisation and institutional factors are the key determinants of the business failure or success (McGahan & Porter, 1997; Rumelt, 1991; Sullivan, Warren, & Westbrook, 1998). The SME policy and socioeconomic factors encapsulate most of the exogenous factors identified by the literature on business failure.

Although researchers have identified policy failure as one of the key issues militating against the development of the SME sector (Mambula, 2002; Richardson, Howarth, & Finnegan, 2004; Singh & Belwal, 2008; Storey, 2006; Tagoe, Nyarko, & Anuwa-Amarh, 2005), the research studies have failed to critically examine the assumptions that underpin the SME policies within the context of SSA. As it will be demonstrated during the course of this discussion, the SME policies in SSA are built on the foundation of policies and theoretical assumptions of the Western developed countries. While the policies and theoretical assumptions of the west understandably provide the starting point for formulating and implementing the SME policy in SSA, the idiosyncratic and contextual nature of the African business environment calls for a more critical analysis of the assumptions underpinning the policies rather than identifying and analysing the experiences and challenges of the SME operators themselves (Takyi-Asiedu, 1993). Given that the applicability of the theoretical models is context-specific (Budhwar & Debrah, 2001), there is a requirement for research into the assumptions underpinning SME policies that have been transferred to SSA. As we will contend later, churning out the unregulated start-ups based on the Western philosophy of survival of the fittest and the free-market ideology might need to be re-examined in the context of African markets. As Batterbury has pointed out: “A mismatch between the policy design, the socio-cultural environment and the institutional structures can lead to problematic institutional performance and implementation outcomes... Policies and institutions need to build on the strengths of a locality and be tailored to the prevailing socio-cultural environment for effective policy delivery” (Batterbury, 2002: 861).

Apart from the issue of suitability of transferred policies, there is also a dearth of literature on the critical analysis of policy instruments themselves. In the past few decades, African policymakers have adopted fiscal and non-fiscal policy instruments to support SMEs and entrepreneurship (Rogerson, 2001; Seck & El Nil, 1993; World Bank, 1994). The range of these instruments stretches from direct grants and soft loans (“hard approach”) to the establishment of agencies and institutions to support and develop the sector (“soft approach”) (Ramsden & Bennett, 2005). However, the research regarding these instruments focuses mainly on the examination of their success or failure (Abor & Quartey, 2010; Kauffmann, 2005; Kongolo, 2010; Obeng & Blundel, 2015; Olawale & Garwe, 2010). While it is necessary to support the sector with certain fiscal and non-fiscal instruments, the outcome entirely depends on the suitability of the instruments. SME policy instruments and their assumptions need to be examined within the context of SSA in order to appreciate the impact of socio-cultural and institutional factors. For instance, the outcome of the Malawi experiment of Grameen Bank to support the unemployed with micro-credit was disappointing due to its uniform replication (Hulme, 1993). However, a similar experiment in Kenya proved to be considerably successful (Kesterton, 1993). While commenting on the implementation of business support services as a policy instrument, Obeng & Blundel (2015: 4) argued:

“The variability in outcomes highlighted in these studies may be the result of differences in the design and implementation of specific

interventions, the characteristics of participating firms and owner-managers, or in their respective operating environments. In other words, it appears likely that a more complex set of casual relationships is in play.”

The above statement suggests that a critical look at the assumptions underpinning the policy instruments is required in order to adequately understand and explain why the instruments succeed or fail in the various settings within the SSA.

Researchers of SMEs and entrepreneurship in Africa have endeavoured to profile the characteristic features of an African entrepreneur and SME operator (Chu, Benzing, & McGee, 2007; Kiggundu, 2002; Kropp, Lindsay, & Shoham, 2008; Mitchell, 2004; Singh, Simpson, Mordi, & Okafor, 2011; Spring & McDade, 1998). There are numerous dimensions of the profile. In terms of personality characteristics, the researchers have found that the “real” African entrepreneurs share similar psychological characteristics with their counterparts from other parts of the world (Chu et al., 2007; Frese, 2000; Kropp et al., 2008). However, his/her motivation differs from that of the other entrepreneurs, especially from those that come from western individualistic society, where communal interest is not part of the motive (Benzing & Chu, 2009; Sriram & Mersha, 2010). The second dimension of the profile is that not all the business operators are entrepreneurs in the strictest sense of the term. This is because at times, several people are attracted by the ease of access to start-up capital provided by the state, while others are pushed to seek means of livelihood (Mitchell, 2003; Reynolds, Camp, Bygrave, Autio, & Hay, 2001; Rogerson, 2001; Singh et al., 2011; Singh & Belwal, 2008). The diversity of the entrepreneurs' profile and orientation in Africa tends to raise research and policy questions pertaining to the assessment of business success/failure. For instance, as quoted, “a better understanding of the motivations for business ownership can help policymakers design policies that encourage and promote the creation of businesses. If the motivations differ across countries, then the policies must be specifically designed to meet the goals and needs of the entrepreneurs within each country” (Benzing & Chu, 2009: 61). In fact, the voluntarist school of business failure made an argument that endogenous factors such as psychological and biographical characteristics are also the primary contributors to the domain of business failure (Amankwah-Amoah & Durugbo, 2016; Amankwah-Amoah & Debrah, 2010; Finkelstein, 2003; Hodgkinson & Wright, 2002; Mellahi & Wilkinson, 2010). Going in agreement with the voluntarist school of business failure, there is a research problem regarding whether to craft the SME policy so as to distinguish the real entrepreneurs from those “necessity-driven” entrepreneurs (Rogerson, 2001).

In terms of its colonial history and socio-cultural as well as economic conditions, Africa withholds a lot of diversity. However, despite this, research into SMEs and entrepreneurship in Africa does not do justice to this diversity. For example, there is no conceptual framework on the subject matter that can guide the research into the diversity. If anything comes nearest to such a framework, it is the papers written by a number of researchers who have outlined the direction for research in terms of the profiles of entrepreneurs, SME policy implications, challenges, and the role of the SME sector within SSA (see Elkan, 1988; Kiggundu, 2002; King & McGrath, 1999; Rogerson, 2001). Although earlier papers such as the ones by Elkan, Kiggundu, King and McGrath, have acknowledged the diversity of African entrepreneurs and their contexts, they merely describe the diversity rather than being a framework for research. We argue that the lack of explicit acknowledgement of diversity by researchers and policymakers has led to what appears to be the blanket deployment of almost identical policies and policy instruments across the SSA (Hulme, 1993; Rogerson, 2001). A research framework that will accommodate the diversity can shed more light on the understanding of entrepreneurship and the SME sector in SSA.

Finally, we also need to take into consideration a research problem

that is associated with the assessment of policy outcomes within the context of the dimensions of entrepreneurs' profile, policy objectives, and the SSA context. For example, there are legitimate questions regarding why and how the diverse categories of SMEs and entrepreneurs should be supported. How can the policy outcomes associated with the diversity of SMEs and entrepreneurs be measured? For example, should it be based on the number of start-ups or should it rather be based on the number of genuine entrepreneurs?

The prime objective of this paper, therefore, is to advance the research questions and a conceptual framework that will guide research into and shed light on the challenges and prospects for SMEs and entrepreneurship within and across the SSA countries. The framework should guide research that bridges the gap between research and policy formulation and implementation. The paper will critique the assumption of market failure as the cornerstone of SME policy in the SSA context. Similarly, we will also critique popular "hard" and "soft" policy instruments and advanced research propositions that can shed light on understanding and explain the impact of the policy instruments.

2. Historical and theoretical emergence of SME policy

The idea of SME policy can be understood from the perspective of the role of government and public policy (Gilbert, Audretsch, & McDougall, 2004; Smallbone & Welter, 2001). Until the 1980s, the SME sector was not paid enough attention and was not heeded as the engine of economic growth, employment, and poverty reduction (Dreisler, Blenker, & Nielsen, 2003; Gilbert et al., 2004; Klapper, Sarria-Allende, & Sulla, 2002). In developing countries, the State and, to a lesser extent, Large-Scale Enterprises (LSEs) were assumed to be the main engines of economic growth and employment generation (Vuylsteke, Nankani, Candoy-Sekse, & Palmer, 1988). The seminal work of Birch (1979) discovered that it was the SME sector that created the significant majority of new jobs in the USA. Subsequent research has supported Birch's earlier findings (Audretsch & Thurik, 2001b).

The appreciation of the role of SMEs in economic growth and job creation led to the initial development of public policies aimed at the stimulation of entrepreneurship by the governments around the world, especially in the developed countries (Gilbert et al., 2004; Robson, Wijbenga, & Parker, 2009). This was followed by the developing countries of Africa, Asia, and Latin America (Harvie & Lee, 2002). Later, the emerging economies of the former "Eastern Bloc" and transitional economies began to enact policies in the 1990s; these policies were aimed at stimulating entrepreneurship and the growth of the SME sector (Hubner, 2000; Smallbone & Welter, 2001; Zhuplev & Shtyko, 2009). However, another explanation of the development of the SME policy is the notion of market failure (Gilbert et al., 2004; Honjo & Harada, 2006; Storey, 2003). The market failure thesis argues that imperfect information can hinder the economic actors from making informed decisions and taking the appropriate action. For example, it has been argued that the neglect of the SME sector is less associated with the perception of the LSE sector as an engine of growth than it is with the lack of information and appreciation of self-employment as a more profitable endeavour.

A more recent theoretical argument has shed new light on globalisation and technology as the catalysts for a new policy for the sector (Gilbert et al., 2004). This argument suggests that globalisation and technology challenged the market structure–performance relationship theory advanced in the early part of the 20th century (Chandler, 1990; Chandler, 1962). As a result, instead of relying on huge capital and a monopolistic structure as the foundation of efficiency and profitability, knowledge, entrepreneurship and innovation went on to become the cornerstones of business performance in the late 20th century (Gilbert et al., 2004). Thus, policies that support innovation and entrepreneurship began to emerge so as to bring about developments in the sector (Gilbert et al., 2004). This thesis is in line with the industry organisation theory of business failure (Baum & Oliver, 1991).

Implied in the perspectives of SME policy emergence as described above is the deterministic view that without the proper government intervention, the sector might not develop and contribute to economic and social development. Thus, failure and success of the SME sector are implied to be influenced by exogenous factors such as the type of government policy and the instruments deployed. These theoretical perspectives raise a couple of research questions and, it is believed that if pursued, they can help bridge the gap between research and SME policies in SSA.

Research problem 1: *What is the relative significance of market failure, economic growth, unemployment and globalisation in influencing SME policy in SSA? To what extent are SSA's SME policy emergence and trajectory similar to the emergence and trajectory of developed countries when they were at the same level of development? What are the similarities and differences in SME policy emergence and trajectory between SSA countries? To what extent do the theories of the emergence of SME policy explain variation in the current SME policies across SSA?*

Assumptions normally precede policy formulation (Botterill, 2001; Salomon & Mokhtarian, 1997). Therefore, in the following section, we take a critical look at some of the assumptions underpinning the market failure as the foundation for most of the SME policies' formulation and implementation.

3. Market failure as foundation for SME policy formulation: A critical look

In line with the deterministic school of business failure (McGahan & Porter, 1997; Rumelt, 1991; Sullivan et al., 1998), the call for the development of effective SME policy is predicated on the need to address market imperfection, especially in relation to knowledge imperfection and incentives (Biggs & Shah, 2006; Cohen & Winn, 2007; Harvie & Lee, 2005). The SME policy interventions have been used to address the imperfection in information that is required to take into consideration initiating a business as a means of livelihood or imperfection in information in terms of access to finance (Banerjee & Newman, 1993; Cohen & Winn, 2007; Dreisler et al., 2003; Harvie & Lee, 2005; Zecchini & Ventura, 2009). Furthermore, policy interventions in the sector have been widely attributed to the need to provide incentives for innovation and risk-taking where the market fails to provide such incentives (Dennis, 2011; Honjo & Harada, 2006; Storey, 2003). However, the impact of the elements of market failure that calls for policy intervention varies across the different socioeconomic environments. For instance, in Africa, where the market can provide information on the opportunities and benefits of starting a business, such opportunities are not taken either due to preference towards paid employment rather than self-employment or due to socio-cultural reasons. The profile of entrepreneurship is low as compared to working for companies and the public sector (Rogerson, 2001). As Takyi-Asiedu (1993) pointed out, for many people in Africa, starting a small business is considered to be a career suited only to those who cannot find appropriate employment, especially in the public sector. Thus, the voluntarist school of business failure presents another point of view to look at the market imperfection (Hambrick, Cho, & Chen, 1996). In fact, Hubner (2000) found that the cultural factor in Central Asia (Kazakhstan, Kyrgyzstan and Uzbekistan) has had negative consequences on competition and the willingness to take risks in an SME development context. Moreover, the socio-cultural factors have been attributed to variations in entrepreneurship and how the SMEs are managed across different countries, including SSA (Begley & Tan, 2001; Bjerke, 2000; Dennis, 2011; Handwerker, 1973; Kreiser, Marino, Dickson, & Weaver, 2010; Morris, Williams, Allen, & Avilla, 1997; Thomas & Mueller, 2000).

In an article on how various socio-cultural factors retard entrepreneurship in the SSA, Takyi-Asiedu (1993) outlined specific cultural orientations seem to suppress the latent entrepreneurial spirit of Africans. To put it bluntly, economic rationality cannot be the sole

determinant of occupational choice and behaviour in a particular vocation (Takyi-Asiedu, 1993). In communities where occupations are structured by various norms and traditions such as gender and class roles, some people are reluctant to seek livelihood from setting up their own businesses in a potentially profitable sector even if they are given the incentives and are aware of the economic benefits (Eccles, 2011; Galvaan, 2012; Stephens, Markus, & Townsend, 2007). Stimulating SME development in such sectors can require an understanding of the interpretation of social actors. Similarly, explaining business success or failure in such a context will require a much more sophisticated explanation. In fact, North (1981: 201) argues: “When economists talk about their discipline as a theory of choice and about the menu of choices being determined by opportunities and preferences, they simply have left out that it is the institutional framework which constrains people's choice sets.” The institutions can be of both the formal and informal (culture) types. This brings us to the second research problem:

Research problem 2: *What is the relative efficacy of market imperfection rather than socio-cultural factors in determining entrepreneurial attitude and behaviour in SSA? What are the policy implications of the market failure of the diversity of SMEs and entrepreneurs (e.g. sub-sector, size, level of growth, history, social class, ethnicity, gender, etc.)? What are the culturally sensitive policy instruments that will engender economic rationality of SSA entrepreneurs? To what extent does the market failure thesis explain the success and failure of business in SSA? To what extent will use market failure theory alone ensure the development of the SME sector in SSA? Does the efficacy of market failure vary across SSA?*

In line with the voluntarist school of business failure, the imperfection of information has been used as an argument to explain why entrepreneurship training is necessary. Thus, training is one of the key policy instruments used to develop an entrepreneurial culture and address the problem of business failure (Dreisler et al., 2003; Frese, 2000; Harper & Soon, 1979; Rogerson, 2001). Similarly, experts have argued for the total overhaul of the African educational curriculum in order to accommodate the need for entrepreneurship on the continent (Ladzani & Van Vuuren, 2002; North, 2002; Ogundele, Akingbade, & Akinlabi, 2012). However, this “supply-side” assumption does not give enough consideration to the role of socio-cultural factors in the process of decision making (Hofstede, 1980; Saffu & Mamman, 1999; Trompenaars & Hampden-Turner, 2011; Weber & Hsee, 2000; Yates & de Oliveira, 2016). It is worth examining how short-term, intensive business training or changes in the curriculum can alter the long-held cultural predisposition to decision making or tendencies in order to avoid risky and uncertain adventures. This point has been well-recognised by the voluntarist school of business failure (see Amankwah-Amoah & Durugbo, 2016; Benzing & Chu, 2009; Dahlbäck, 1990; Hambrick & Fukutomi, 1991; Larson & Clute, 1979; Lauriola & Levin, 2001). For example, people from strong uncertainty avoidance cultures are less willing to take business risks even if they are aware that such actions are potentially beneficial (Takyi-Asiedu, 1993; Vitell, Nwachukwu, & Barnes, 1993). In fact, using North's (1990) institutional framework to explain entrepreneurship policy, Dennis (2011) underscores the influence of national culture as an informal institution in determining the outcome of entrepreneurship and small business policy. The elements of personality traits that have reportedly influenced the entrepreneurial tendencies and behaviour are inclusive of the following: the need for achievement, tolerance of ambiguity, extraversion, and openness to experience, risk-taking propensity, as well as the locus of control (Benzing & Chu, 2009; Chell, 1985; Collins, Hanges, & Locke, 2004; Ginsberg & Buchholtz, 1989; Shaver & Scott, 1991). These traits vary both across and within the societies (Allik & McCrae, 2004; McCrae, Yik, Trapnell, Bond, & Paulhus, 1998). Given such diversity across societies and communities, it is reasonable to expect that the willingness to make certain decisions will not be based on the lack of information alone. The main argument in this case is that, given that entrepreneurs

are known to be risk takers (Benzing & Chu, 2009) and that not everyone who sets up a business is necessarily an entrepreneur (Drucker, 1985), the impact of national culture on the efficacy of entrepreneurship training in decision making and risk taking will always require some amount of critical investigation.

Research problem 3: *What is the efficacy of short-term entrepreneurship training in long-held cultural values and belief systems? What type of vocational curriculum will support sustainable change in orientation towards entrepreneurial culture? How can an entrepreneurship training curriculum address dimensions of cultural orientations such as individualism, communalism, power distance, uncertainty avoidance, and time orientation (Hofstede & Jan, 1991)?*

The motive that drives one into setting up the business in the first place is pretty closely related to the culture and personality. It seems simplistic to assume that all the SME operators in every society set up a business with a rational economic motive (Benzing & Chu, 2009; Hansemark, 2003). For example, the previous study has indicated that the entrepreneurs in Papua New Guinea started their businesses without a profit motive in mind (Mamman, 1993). Similarly, Benzing and Chu (2009) reported that the motivation of some Africans to set up a business is primarily to seek an external validation. Such people might avoid making certain decisions not because they lack information but because such decisions do not benefit their motive of starting the business in the first place. For instance, it has been reported that some African entrepreneurs expand their business portfolio, not with the intention to grow it but to keep some members of the family engaged (Kiggundu, 2002; Rogerson, 2001). Thus, the voluntarist school of business failure provides some lenses through which we can understand why, in spite of the government intervention, some SMEs will always fail to reach their potential due to the motivation of the owners. This gives rise to some research issues.

Research problem 4: *Are certain motivations incompatible with SME policy objectives? If so, should SME interventions be targeted towards only those whose motives fit the policy objectives? If so, how can motivations be determined? Or could all motivations be accommodated within SME policy? If not, should there be specific instruments to accommodate the diversity of motivations?*

4. Features and forms of SME policies

There are similar features and types of SME policies all around the globe (e.g. Stevenson & Lundstrom, 2001; Verheul, Wennekers, Audretsch, & Thurik, 2001). Audretsch and Thurik (2001b) argued that the main factor underpinning the SME policy is the shift from a “managed” economy to an “entrepreneurial” economy. In fact, this point can be observed as China restructures its economy, moving away from the state-owned enterprises to a more deregulated economy that provides a key role for the SME sector (Shen, Shen, Xu, & Bai, 2009). In Africa, many countries seem to have deregulated their economies significantly (Seck & El Nil, 1993; World Bank, 1994). However, it is debatable to what extent the deregulation has led to the growth of the SME sector and job creation (Wade, 2004). One reason behind this is, as many observers and researchers have argued, that globalisation has led to the deregulation of developing countries' economies, which has had a negative impact on the SME competitiveness, the collapse of local industries, and eventually, the loss of jobs (Baffour Awuah & Amal, 2011; Goldberg & Pavcnik, 2007). In other words, SME business failure was triggered by industry organisation, as the deterministic school will have it (Baum & Singh, 1994). For instance, a study by the International Labor Office and the World Trade Organization revealed that globalisation had an adverse effect on the informal economy of Africa and developing countries in general (Bacchetta, Enrst, & Bustamante, 2009). This has had research implications for SME policy choices regarding the efficacy of providing support versus removing the barriers

(Dennis, 2011; Storey, 2003).

In a study of the OECD countries, [Stevenson and Lundstrom \(2001\)](#) identified eight components/instruments of SME policy in developed countries that focused on reducing the barriers and providing support. The components are as follows: “legislation and regulation to ensure efficient functioning of markets and institutions; provision of information and advice to stakeholders in the SME sector; provision of debt and equity financing; provision of tax incentives; elimination of barriers to entry; promotion of entrepreneurship; entrepreneurship education; creation of new structures, products, and services to meet the needs of new starters and under-represented target groups” (p. 36). [Stevenson and Lundstrom \(2001\)](#) further identified the various policy orientations within the eight components of the SME policies across OECD countries. The orientations were used to come up with four SME policy typologies. The first typology is the SME policy extension, which tends to focus on start-ups and the stimulation of entrepreneurship with the sole aim of job creation. Typical of such an initiative is the emphasis on micro- and local enterprises, start-up information, micro-loans, and advisory services. Many of the sub-Saharan SME policies seem to fall in this category. The second typology is that of “niche” entrepreneurship policy. This typology targets a specific population: those who are either marginalised or have specific growth potential or a unique competitive advantage that can have a spill-over effect on the economy. The former typifies African SME policy targeting the youth, unemployed people or women. The latter cannot be called a key feature of the African SME policy.

The third typology, as identified by [Stevenson and Lundstrom \(2001\)](#), is the New Firm Creation Policy. The policy focuses exclusively on the business creation process with the aim of reducing the time and cost that is associated with starting a business. We argue that in a region like Africa, which is characterised by the dominance of the informal sector, this policy is unlikely to make a significant impact on the growth and viability of many businesses unless they achieve a formal tone. However, in places where such policy includes loan guarantees, micro-loans, and advice, it can help real entrepreneurs to create jobs and promote employment. There are elements of such policies existing in Africa through micro-finance schemes ([Daniels, 2004](#); [Roy & Wheeler, 2006](#)). However, other systemic challenges tend to question the effectiveness of such a policy ([Mayoux, 1999](#)).

The fourth and final typology is the Holistic Entrepreneurship Policy. This policy focuses broadly on the economic growth. It comes under the umbrella of establishing and instituting entrepreneurial culture across the society. The USA and the UK have been the early adopters of such policy ([Gibb, 1993](#); [Stevenson & Lundstrom, 2001](#)). It is based on the assumption that a country or society that has an entrepreneurial culture will have a greater expansion of the private sector, thus leading to higher economic growth, lower unemployment and a lower incidence of poverty. Many researchers seem to share this view ([Audretsch, Keilbach, & Lehmann, 2006](#); [Audretsch & Thurik, 2001a & b](#)). Until the recent times, the idea of entrepreneurial policy, let alone entrepreneurial culture, was not a feature of the public policy in Africa. However, due to the rising rate of unemployment, poverty, and the realisation that the public sector is not capable of providing the required jobs for the rising unemployed, African governments began to mainstream entrepreneurial culture and entrepreneurial curricula across the institutions of learning ([Nafukho, 1998](#); [Nafukho & Muyia, 2010](#)). There are also elements of holistic entrepreneurial policy emerging, including seed corn funding of new graduates to enable them to start themselves up, advisory services, and streamlining of business registration. An example of seed corn funding for start-ups is the recent Youth Empowerment Scheme (YES) initiated by the Nigerian government through the Bank of Industry ([BoI, 2017](#)). The scheme provides intensive training to would-be entrepreneurs followed by a financial grant to start a new business. There are similar schemes across Africa, in nations like Ghana, Tanzania, Ethiopia, Swaziland and Kenya ([Brixiová et al., 2015](#); [Mutai, 2011](#); [Sriram & Mersha, 2010](#); [Stevenson & St-Onge,](#)

[2005](#)). Typologies of SME policy in developed countries, which are similar to those outlined by [Stevenson and Lundstrom \(2001\)](#), have also been identified by [Verheul et al. \(2001: 57–59\)](#).

The implications for the SME policy of these typologies identified above require the appreciation of the characteristics of the SMEs in SSA ([Mamman, Kanu, Alharbi, & Baydoun, 2015](#)) and the quality of entrepreneurship ecosystems across all these countries ([Groth, Esposito, & Tse, 2015](#); [Isenberg, 2010](#)). Firstly, adopting any of these typologies will require the understanding that the SSA SME sector is dominated by the informal sector, where gauging the needs and requirements of the sector will not befit the assumption of the typologies as has been described above. Secondly, the required entrepreneurship ecosystems that fit some of the typologies are fragmented and sometimes they're even non-existent in many if not all, of the SSA countries ([Acs, Szerb, & Autio, 2016](#); [Adly & Khatib, 2014](#); [Isenberg, 2010](#); [Sheriff & Muffatto, 2015](#)). Therefore, adopting any of the typologies will require critical examination. Yet, the following sections will highlight how the SME policies and instruments share similar characteristics with the SME policies and instruments used in the developed countries.

5. SME policy in Africa: Salient features and characteristics

The African governments have acknowledged the importance of the SME sector in the economy, thus leading to the formulation of various policies. [Matambalya \(2000\)](#) categorised the African SME policy interventions into three categories, namely (1) to alleviate the capital shortage, (2) to protect the SMEs using regulatory measures such as licensing and pricing, and (3) to import regulations. As argued elsewhere ([IDRC, 2016](#)), these policy interventions have failed to adequately meet the policy objectives ([Liedholm & Mead, 1999](#); [Mamman et al., 2015](#); [Rogerson, 2001](#)). For example, a comprehensive study by the Canadian International Development Research Centre revealed many weaknesses in the implementation and impact of the SME policy in Africa ([Harrington & Kelley, 2012](#)). The research by the centre certainly revealed that “national governments have not implemented adequate policies to foster and encourage entrepreneurship” ([Harrington & Kelley, 2012: 47](#)). Specific weaknesses include incoherent SME policies, corruption, misallocation of resources, bureaucracy and inefficiency, hampering the ease of starting a new business, inadequate or a lack of assistance in terms of mentorship to support entrepreneurship, and very scarce protection of the SMEs. In terms of innovation, it appears that African SME policies did not have a significant impact on the uptake of research and development. The research by the centre indicates that “me too” practices are a key feature of the SME sector in Africa. In other words, there is a low level of innovation in the African SMEs ([Harrington & Kelley, 2012](#)). A similar study was reported elsewhere (see [Robson et al., 2009](#)).

Research evidence of the impact of the SME policy, such as the financing SMEs, indicates that the policy requires further rethinking. For example, previous research has found that support in the form of credit or capital is either limited or non-existent ([Harrington & Kelley, 2012](#); [Okpara, 2011](#); [Okpara & Wynn, 2007](#)). The financial system set up to support SMEs is inadequate ([Kongolo, 2010](#)). However, it must be noted that SME operators in Africa tend to overrate finance as a business challenge ([Rogerson, 2001](#)), and in the process, ignore the other more critical factors such as effective institutional and physical infrastructure, which can lower the cost of business and mitigate inadequate finance. Nevertheless, more innovative policies are necessary in order to address the challenges, especially regarding the lack of collateral from would-be entrepreneurs ([Olawale & Garwe, 2010](#)). Most tellingly perhaps, the study by the IDRC revealed that government agencies mandated to assist with start-up capital are not only corrupt but also inefficient ([Harrington & Kelley, 2012](#)). Finally, macroeconomic policies in Africa have failed to address the perennial challenges of the lack of infrastructure and a nurturing as well as enabling a business environment for the sector. Amongst the most important policy issues

that require attention are two key elements of entrepreneurship ecosystems in Africa (Isenberg, 2010), namely good institutional and physical infrastructure for the SME sector. Addressing these issues in the formulation of SME policy will certainly require an innovative approach. The top-down “cut and paste” approach to policy transfer as characterised by establishing agencies such as anti-corruption agencies has performed poorly and is already known to be inefficient (Dolowitz & Marsh, 2000; Hulme, 1993; Mamman & Zakaria, 2016). There are research questions that need answers as a result of the adoption of western-based SME policies in the SSA.

Research problem 5: *Which of the western-based SME policies and instruments are more suitable for transfer to SSA and why? Which of them should be ignored and which of them must be modified and why?*

A salient feature of the SME policies in Africa is what Matambalya (2000) regards as a “policy vacuum” typified by mandating several agencies and departments to handle the SME matters creating confusion and a lack of focus and direction. For example, in Tanzania and Nigeria, one may find more than a dozen initiatives and agencies that are in support of the SME development (Egena et al., 2014; URT, 2003). Where multiple agencies are involved in policy implementation, integration and management of such policies can lead to incoherence and the failure to track down the effectiveness of the implementation and its impact (Ndletyana, 2013). Public policy summersaults, where policies are abandoned halfway or even post their implementation, are another challenge for the SME policy formulation and implementation in Africa (Odukoya, 2013; Ojimba, 2012; Olowu & Sako, 2002). Thus, there is a research issue regarding the type of system and structure needed for effective support for the SME sector. For example, there is a need for effective systems and structures that can ensure cohesion, sustainability and endurance of policy implementation (Bradley, 2006; O’Toole, 2000). The current research into the sector has neglected to examine the capacity of the existing institutions mandated to develop and guide the sector (Kiggundu, 2002). Therefore, we now also have research issues associated with knowledge, skills and orientation capacities of the public servants saddled with the task of formulating, implementing and monitoring various policies. This leads to the following research proposition.

Research problem 6: *How appropriate are the current systems and structures that implement SME policies? If they are not, what system and structure are most appropriate to govern the SME sector? How appropriate are the current training and development offered to public servants that implement the SME policies? What kinds of orientations do public servants in the sector have? What kinds of orientations should they ideally have?*

African SME policy directed towards youth unemployment is another policy issue that requires considerable examination. There is a focus on the supply side of entrepreneurs paying a very limited attention to what the economy seems to be demanding (Brixiova et al., 2015; IDRC, 2016). Churning out people with specific business skills in a sector that is already saturated with SME operators raises valid questions about the sustainability of businesses and reducing unemployment (Harrington & Kelley, 2012; Rogerson, 2001). In fact, evidence of the success factors of SMEs in Africa indicates that SMEs in “over-traded” sectors are far less likely to survive (Rogerson, 2001). Such policies generally succeed in “business churning and destruction” (Dennis, 2011: 100) with limited impact on long-term employment potential. Indeed, the deterministic school of business failure has already demonstrated that the ecological structure and composition of an industry can determine a business’s success or failure (Hannan & Freeman, 1988; Wilkinson & Mellahi, 2005). Moreover, two decades ago, Nafukho (1998) authored a thought-provoking article in which he raised a question over the feasibility of using entrepreneurship training as a solution to youth unemployment in Africa. However, some African governments find it politically expedient to provide short-term,

intensive training followed by seed capital to the unemployed without an adequate assessment of the viability of businesses in the sectors that the unemployed seem to be joining. This approach pursues the political and social dimensions of SME development rather than the economic dimensions of it (Gilbert et al., 2004), despite the rhetoric might suggest otherwise. In fact, there is a counterintuitive argument in favour of erecting barriers to entry in some SME sub-sectors as a matter of policy. Therefore, regulation, rather than deregulation, could enable the profitability and sustainability of businesses (Scherer & Ross, 1990). Indeed, it has been argued that “...under certain circumstances, protectionism can aid entrepreneurs, at least replicative entrepreneurs” (Dennis, 2011: 101). Furthermore, given the fact that only about 1% of the micro-enterprises in Africa become established enough to employ more than 10 workers (Mead & Liedholm, 1998), indiscriminate churning-out of micro-businesses is unlikely to provide a sustainable solution to the problem of unemployment in Africa. Policymakers in Africa can learn from their counterparts in the South East Asian countries, where human capital development and support in specific sectors of the economy have stimulated entrepreneurship activities as well as economic development (Kuznets, 1988; Lee, Jeong, & Hong, 2017; Wade, 1990) rather than blanket support to all the unemployed people in an attempt to reduce unemployment. The following section presents further research propositions based on the existing literature on SME policies and their instruments in the SSA.

5.1. Entrepreneurs’ orientation

The current assumption underpinning the SME policy is that SME operators are guided by their economic rationality. Although many African entrepreneurs are adopting western business practices (McDade & Spring, 2005), the research evidence indicates that African social norms and traditions, in some of the societies, are capable of influencing and do influence the adoption of western business practices instead of economic rationality (Karsten & Illa, 2005). For example, because of the tendency to attribute success to external factors such as supernatural powers or ancestors, business decisions are not always influenced by economic rationality (Mamman et al., 2015). Similarly, even where there is no market failure, communal, family and peer pressure can restrict the SME operators in the realms of applying market principles in decision making (Buame, 1996; Kallon, 1990; Morris et al., 1997; van Scheers, 2010).

Research problem 7: *What is the nature of economic orientation of entrepreneurs in SSA? What impact does the African socio-cultural environment have on the entrepreneurs’ economic orientation? How do entrepreneurs juggle economic demands and socio-cultural demands? How does this juggling impact the business? What type of culturally sensitive support and training do entrepreneurs need in order to deal with the various socio-cultural demands? Should the community be sensitive towards the plight of the African entrepreneur? If so, how?*

5.2. Financial capital as policy instrument

There is a legitimate and widely held view that limited or no financial aid is a major obstacle in the development of the SME sector in SSA. While there is evidence that supports this viewpoint (Distinguin, Rugemintwari, & Tacneng, 2016; World Bank, 2004), the use of this line of thinking as a cornerstone of SME development in many African countries is sometimes quite exaggerated (Rogerson, 2001). In fact, there are many potential entrepreneurs who seem to have adequate capital to start a business but are really put off by the excessive unregulated and unprofitable competition in some sections of the SME sector (Brixiova, 2010; Olawale & Garwe, 2010; Olutunla & Obamuyi, 2008). Others are put off by the perceived excessive and unreasonable risks that the sector is thought to have (Mambula, 2002). In many cases, the indiscriminate disbursement of seed corn capital by governments is

destroying the existing businesses and creating imperfections in the market (Olawale & Garwe, 2010). Specifically, the ease of entry into the business so as to compete with existing SME operators who have worked hard to build their businesses is not being helpful to generate employment or even develop some sectors of the SMEs. For example, the indiscriminate use of micro-finance schemes by some politicians can definitely be counterproductive. This is because the existing businesses compete with micro-finance beneficiaries who are not “classic” entrepreneurs or do not have or care about the financial discipline, given the ease with which they obtain financial capital. Social Darwinism and naked competition which underpins such policy have a negative dimension (Alaazi, 1985; Baumol, 1996; Chang, 2007; Johnson, 2001). The notion of removing all barriers to setting up businesses and allowing start-ups to sink or swim until a winner is found is not only inefficient in resource allocation but is also in contrast with the African cultural philosophy of life (Mamman et al., 2015; Mamman & Zakaria, 2016).

Research problem 8: *Should disbursement of grants and credit be limited to “real entrepreneurs”? If so, what methodology can be used in order to identify them? What is the relative importance of financial capital compared to other determinants of SME success and failure? How do these vary within the sector and across SSA? Is there a substitute for financial capital? If so, how can that be harnessed?*

5.3. Physical and institutional infrastructure as policy instrument

The physical and institutional infrastructural deficit in SSA is a major factor that impacts the cost of conducting business as well as the viability of the businesses (Pattillo, Gulde, Carey, Wagh, & Christensen, 2006). However, prioritisation of infrastructure as a key component of the SME policy has not been adequately articulated and demonstrated, as has been evidenced by the challenges faced by the SME sector (Brew-Hamond, 2010; Okoli, Mbarika, & McCoy, 2009; Olawale & Garwe, 2010). Conducive to the attitudes and behaviours of the regulators of the SME sector is institutional infrastructure critical to the success of the business. Therefore, addressing issues such as the rent-seeking behaviour of policymakers and implementers can reduce the cost of business and provide the conducive environment required for the success of SME (Mamman et al., 2015). Similarly, building elements of institutional infrastructure, such as the level of trust amongst stakeholders and the society at large, can significantly reduce the transaction cost and the excessive demand for the state's financial resources. However, there are research issues that deal with the ways in which this could be achieved.

Research proposition 9: *Is prioritisation of physical and institutional infrastructure more likely to achieve the policy objectives? What is the relative significance of other policy instruments over financial capital? How can institutional infrastructure be incorporated into SME policy formulation and its implementation?*

5.4. Competition versus collaboration as policy assumption

Literature on entrepreneurship and SME development assumes that competition is the catalyst for innovation (Boldrin, Allamand, Levine, & Ornaghi, 2011; North, 1990; 2005). However, competition without protection does not always lead to innovation, and this is true even for the developed countries (Gilbert, 2006). In a weak institutional environment in which there is no protection of someone's intellectual property, the impact of competition on the returns on innovation has been found to be negative (Marron & Steel, 2000; Siebeck, Evenson, Lesser, & Braga, 1990). The SME policy in Africa appears to aim at churning out start-ups under the assumption that competition amongst the SMEs within the same sub-sector will lead to innovation (Hartzenberg, 2005). In fact, Baumol (1996) argues that under certain

circumstances, competition can raise the transaction costs for the entrepreneur. This is evident in many saturated sectors of the SMEs in Africa (Dawson, 1997; Rogerson, 2001). This is a “sink-or-swim”, individualistic, winner-takes-all mentality, which seems to be underpinned by social Darwinism. As Dennis (2011: 100) pointed out, such policies care “little about the conditions or fate of individual competitors. They become important only when their fate poses a threat to competition.” This approach is not only contradictory to the African culture and tradition (Damane, 2001; Mbigi, 1997; Mbiti, 1991) but is also detrimental to the development of the SME sector. There is a legitimate question regarding whether pursuing individualised support that creates naked, cut-throat competition will achieve policy objectives rather than inculcating the idea of collaboration so as to produce the critical mass of genuine entrepreneurs. In fact, it has been argued that new jobs or growth in the SME sector will not arise from indiscriminate churning-out of new businesses, but rather from “two sources: the expansion of existing enterprises or the net creation of new businesses” (Rogerson, 2001: 119).

Research problem 10: *To what extent is collaboration, rather than unbridled competition, more likely to contribute to business success in the SSA SME sector? What can policy instruments be used to encourage collaboration? To what extent will the socio-cultural factors enable or constrain collaboration?*

5.5. Entrepreneurship training assumption

Perhaps one of the questionable assumptions underpinning the SME policy in Africa is the idea that SME operators and would-be entrepreneurs lack the technical and professional skills and that it is these skills alone that can truly deliver business success. This assumption underpins entrepreneurship training and development (McKenzie & Woodruff, 2013; Nieman, 2001; Takyi-Asiedu, 1993). In fact, there are conflicting research findings regarding the impact of entrepreneurship training and education on business success and growth (Keyser, de Kruijff, & Frese, 2000; Mead, 1999). Thus, rather than relying solely on the conventional ways of training, many experts underline the significance of emotional qualities as the foundation of any successful endeavour (Hill, 2007; Tucker, Sojka, Barone, & McCarthy, 2000). In fact, Kiggundu (2002) identified attitudes, values and beliefs as some of the elements to be considered while identifying entrepreneurs' competencies. Similarly, Hart (1972) also found that honesty is one of the determinants of the entrepreneurs' success. Every successful business person withholds some strong emotional qualities (Goleman, 2001; Zohar, 2012). These very qualities enable the businessperson to see the connection between their business and the wider community (Zohar, 2012). These qualities also help the businesspeople in making appropriate decisions that go on to contribute to the long-term, rather than the short-term, profitability of the business. Such qualities prevent the business person from cutting corners (Mamman et al., 2015). If the technical and professional achievements lack an emotional foundation, they cannot lead to sustainable business success, especially in Africa, where the institutions are weak or plainly absent (Mamman & Zakaria, 2016). In places where institutions required to guide, support and enforce good behaviour are weak or absent, the emotional and spiritual qualities of business people become extremely critical for the success of the business. The question that needs to be asked here is as follows: why is entrepreneurship training in SSA focused almost exclusively on the technical and professional skills? The answer is simple: the SSA is largely a replication of the SME policy and the instruments of the Western developed countries.

We argue that one of the reasons why emotional and spiritual qualities are not considered to be parts of the SME training policy in developed countries is that, unlike in Africa, the developed countries have strong and functioning institutions. The need for emotional and spiritual development is not critical, given that the institutions are

strong enough to guide and motivate the desirable behaviour. For example, failed SME operators can always fall back on the social security system.

Emotional intelligence will enable the SME operators to delay gratification and resist bribing the public officials, which is a phenomenon that corrupts the African business environment. Therefore, in Africa, the exclusive focus on technical and professional training as one of the main SME training policy foci becomes a major limitation (Mamman, Zakaria, & Agbebi, 2016; Mamman, Kamoche, & Zakaria, *in press*). In fact, there is growing acknowledgement that emotional and spiritual intelligence is the foundation of individual, business as well as societal development (Damane, 2001; Emmons, Cheung, & Tehrani, 1998; Gano-Overway, 2013, 2014; Gardner, 1997; Goleman, 1995; 1998; Zohar & Marshall, 1994, 2000). The critique of technical and professional skills opens up a good opportunity for further research.

Research problem 11: *Which elements of emotional and spiritual qualities are directly related to business success in SSA? What is the best way in which to incorporate such emotional and spiritual qualities in entrepreneurship training in SSA? What is the relative significance of emotional and spiritual qualities in starting and operating a sustainable business as compared to technical and professional business skills in SSA? To what extent do successful entrepreneurs in SSA possess emotional and spiritual qualities?*

6. Towards a conceptual framework for research into SME policy in SSA

Research into the role of entrepreneurship and the SME sector in African development has grown quite exponentially (Abor & Quartey, 2010; Kongolo, 2010; Obeng & Blundel, 2015). For instance, while some studies have examined the challenges faced by the SME sector (Mambula, 2002; Olawale & Garwe, 2010; Singh & Belwal, 2008), others have focused quite a lot on the characteristics of the African entrepreneurs and what makes them succeed (Elkan, 1988; Jalloh, 1999; Kiggundu, 2002; Kropp et al., 2008; Langevang & Gough, 2012; Spring & McDade, 1998). There are studies that draw attention to the context of entrepreneurship and to the challenges for the SME operators (Elkan, 1988; Jalloh, 1999; Kiggundu, 2002; Singh & Belwal, 2008; Takyi-Asiedu, 1993). Coming in line with the theory of market failure and the theoretical assumptions of entrepreneurship, researchers have also paid some attention to the impact of entrepreneurship training (Ladzani & Van Vuuren, 2002; Nafukho, 1998; Nieman, 2001). Another line of the investigation focused on the issues of SME performance as well as the high failure rate of African businesses, which makes an impact on the achievement of policy objectives of reducing unemployment and poverty reduction (Cant & Wiid, 2013; Fatoki, 2014; Obeng & Blundel, 2015; Okpara & Wynn, 2007; Tushabomwe-Kazooba, 2006; Urban & Naidoo, 2012). Furthermore, some researchers have paid attention to the policy dimensions of entrepreneurship and SME development. Here, the researchers have chosen to highlight the success and failure stories of the SME policy in Africa (Kapila & Mead, 2002; Mambula, 2002; Manu, 1998; Ninsin, 1989; Obeng & Blundel, 2015; Rogerson, 2001; Storey, 2006).

The above literature and propositions advanced earlier provide the foundation for advancing a framework (Fig. 1) for a more holistic study of SMEs in the SSA. This is in line with the call from experts and researchers who have studied the subject (see Frese, 2000; Kiggundu, 2002; McGrath & King, 1999). The framework can be used to examine variables that influence the SME policy outcomes. We propose that the congruence and fit between SME policy and contexts will impact on the entrepreneurs operating in the SME sector. Specifically, the degree to which the policy and its assumptions fit the motivation and orientation of the entrepreneur will definitely influence the policy outcomes. In other words, the influence of policy and its instruments on policy outcomes will be enabled or constrained by the degree of fit between the

policy and the context and the response of the entrepreneur towards the policy within the context in which they find themselves. This paper does not intend to provide a detailed description of the variables in the given framework. This is because these are normative variables that have been widely researched and are available in the literature on SMEs and entrepreneurship (see Kiggundu, 2002; Rogerson, 2001). Therefore, in the following section on a direction for research, we provide indicative research issues and questions that require further investigation in each of the variables in the framework.

6.1. Direction for research

The framework advanced in this paper as well as the 11 propositions provide an opportunity for a holistic research agenda on SMEs and entrepreneurship in SSA. Following are some of the issues that can be investigated under each of the variables in the framework.

6.1.1. SME policy

This variable relates to policy objectives, policy assumptions and policy instruments. Some of the research issues associated with this variable are inclusive of the nature and features of the SMEs within and across SSA; the extent to which similar or identical economic and social challenges across the SSA warrant deployment of similar or identical policy; an examination of the assumptions underpinning SME policy within and across SSA; an examination of the degree of fit between SME policy objectives, assumptions and instruments with all of the elements of the context within and across the SSA; the impact of SME policy on entrepreneurs' attitudes and behaviour within and across SSA; as well as the relative impact of fiscal and non-fiscal instruments on the entrepreneurs' attitudes and behaviour.

6.1.2. Context

This refers to where the SME policy has been implemented. This includes socio-cultural and SME business environment challenges, institutional environments as well as the industry characteristics. Some of the issues that require attention include: the consideration and relative significance of all of the elements of context during the SME policy formulation and implementation within and across the SSA; the relevance and efficacy of elements of context in the potency of SME policy instruments within and across the SSA; as well as the relevance and efficacy of elements of context in the entrepreneurs' attitudes and behaviour within and across the SSA.

6.1.3. Entrepreneurs' orientation, motivation and competencies

This variable includes the psychological characteristics, economic orientation (work ethic) and the motive behind setting up the business in the first place. The competencies relate to the ability to develop market-appropriate organisational capacity and resources and to manage them in an effective manner. Some of the research issues that need holistic investigation include: an examination of the changing nature of entrepreneurs and entrepreneurship within and across the SSA; the diversity of the entrepreneurs' motivation within and across the SSA; the diversity of the entrepreneurs' economic orientations within and across the SSA; the way the entrepreneurs' attitudes and behaviour are shaped by the elements of the context within and across the SSA; how the entrepreneurs respond to SME policy and its instruments within and across the SSA; the critical success factors of entrepreneurship within and across the SSA; an examination of the perceived challenges of elements of context and their relative importance within and across the SSA; competencies and their efficacy in the success or failure of SMEs; as well as the relative importance of competencies.

6.1.4. Policy outcomes

The policy outcomes in the framework are supposed to capture both the impact of the policy on the SMEs' sustainable success and

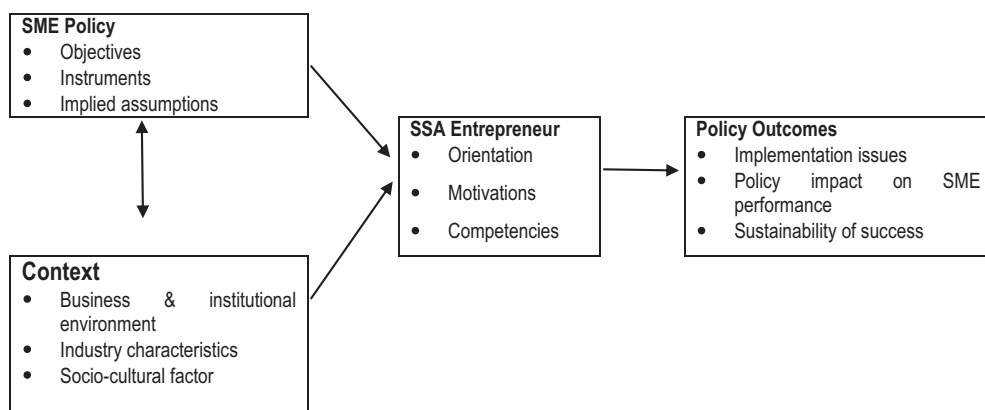


Fig. 1. Conceptual framework for research into SME policy in SSA.

implementation issues such as challenges in the implementation of the policy. There is no shortage of research into SME policy outcomes in SSA. However, there are still many research issues associated with the diversity of outcomes, the sustainability of desirable outcomes, the link between the outcomes and implementation, and the link between policy, the entrepreneur and the diversity of contexts across the SSA. For instance, there is a requirement for research in the following areas: an examination of the degree of diversity of outcomes of identical or similar policies within and across the SSA; an explanation of the diversity of outcomes of similar policies within and across the SSA; an examination of the role of implementation and implementers in explaining the outcomes within and across the SSA; an examination of the impact of the entrepreneurs' competency, orientation and motivation on policy outcomes within and across the SSA; an examination of how to ensure the sustainability of desirable outcomes within and across the SSA.

7. Conclusion

We began this article by highlighting the growing recognition of the SMEs and entrepreneurship as the potential solution in Africa's economic development as well as the reducing unemployment. We also highlighted the intensification of the SME policy formulation and implementation and how the researchers have responded to it. However, the paper has argued that there are still some gaps in the literature pertaining to the wholesome transfer of Western-based SME policy without the adequate consideration of the assumptions within and across SSA countries. We also concur with the observation by Kiggundu (2002), wherein the existing research has been disjointed and fails to take into consideration the interaction between research and policy implementation. Perhaps one of the most important contributions of the paper is the conceptual framework that we advanced to enable the holistic examination of the subject matter. This should bridge the gap between the research and policy. Although the elements in the variables are by no means exhaustive, we believe that they have adequately captured most of the normative elements. Therefore, they contribute to the understanding of the interrelationships between the SME policy, context, SME success or failure, as well as the policy outcomes. The questions and propositions in the paper have much to offer in terms of the research agenda and the direction for research, especially regarding the diversity of contexts and entrepreneurs' profile within and across SSA countries. We do hope that the framework and direction for research will be pursued empirically or otherwise for a better understanding of the ways in which it can be ensured that the social and economic contributions of the SME sector have been achieved. Such research can also lead to further refinement of the conceptual framework.

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