

*Fifteen years
Fifteen lessons from Africa*



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Lessons from Enterprises and Entrepreneurs

In fifteen years, I&P has financed and supported more than 70 companies based in fifteen countries over across West Africa, Central Africa and the Indian Ocean. These companies operate in a wide variety of sectors, ranging from agribusiness, such as a Malagasy aquaculture company breeding sea cucumbers on the banks of Tuléar, to microfinance institution, such as one of I&P's very first partners in Cameroon, to the building materials sector like the only firm that produces terracotta oven tiles in West Africa. Despite their differences, all of these companies fit a profile that I&P has always endeavored to promote: ventures that are often small, generally unstructured, but with strong economic added value and significant social impact.

Additionality, i.e. the will to go where others do not go and to fill a gap, has always been what characterizes I&P most. While we don't pretend to have all of the answers, we can already share some lessons that we have drawn from our operations, where human relations play a key role and where the small scale and timeframe development in Africa require certain adaptations for impact investors.

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Lesson n°7:

The African (or French!) SME is a business of men and women

There is no need for great theories to consider that there is of course such a thing as "African" management style. Its particular characteristics in relation to a "European" management style are, of course, shaped by cultural differences, which vary considerably according to (i) the countries and regions of Africa, (ii) the local conditions, (iii) types of skills and abilities found in the manager's company, as well as among their/his/her customers and suppliers, which may be at odds with Western markets, and finally (iv) different institutional contexts.

Without claiming that there is “a” type or style of African management, we have experienced the fact that management styles in Africa can be very different from Western styles, or that certain universal dimensions of management are particularly important to understand in the African context.

We have tried to outline these African management styles in *Entreprenante Afrique*, a book co-authored by Jean-Michel Severino and Jérémy Hajdenberg and published in 2016 by Odile Jacob Editions. **Despite the sectoral and geographical diversity in our operations, the entrepreneurs we have been supporting for fifteen years do have some common features**, the first being that there is no official data listing them! Our experience, however, allows us to establish that an African SME manager is most often a man or a woman having received higher education and developed solid technical skills. Many have always resided in their home country, but a growing number are from the diaspora and, having studied and / or worked abroad, have returned home to put their new skills at the service of an entrepreneurial project.

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This project may simply entail the takeover or expansion of the family business, or be linked to know-how acquired abroad, or involve a product or service innovation that meets unmet local demands. **In the vast majority of cases, these young entrepreneurs start out full of a cheerful optimism, convinced that they can both earn money and contribute to the development of their country.** However, they must quickly face the reality on the ground and show great resilience, combativeness and agility in light of the many obstacles that stand in their way. We have met more than seventy of these champions of African growth through the investments we have made. These marriages were not all perfect ones, but all those who have succeeded and prospered have done so thanks to a strong and lasting relationship of trust built between the entrepreneur and the investor.

Once this partnership relationship is established, the question of human resources within the company arises. It will come as no surprise that this is the second greatest challenge facing entrepreneurs, after access to finance. SMEs operate in a context of very strong competition from large companies, especially over qualified human resources. Local secondary education is developing but at disparate levels of quality (increasing in Senegal, sometimes decreasing in Côte d'Ivoire). In some countries, technical training is failing: it is difficult, for example, to find craftsmen in the construction industry in Ghana. The recruitment of qualified and loyal personnel, especially in middle management, is one of the major concerns of our entrepreneurs today. Some of the questions our partners ask themselves every day in their business management include: how can I empower middle management and train them to gain efficiency in time management and business operations? What can be done to retain trained talent in a very underdeveloped job market where competition is fierce? And vice versa how to become a manager and not only a leader? Being able to pay decent wages for key positions is naturally part of the solution, but it is also crucial to know how to innovate in this area and retain quality employees through benefit packages that include health insurance, training or even stock options.



Until very recently the private equity industry did not exist in Africa

The human capital challenge does not only exist with our entrepreneurs, but among investors as well. Until very recently the private equity industry did not exist in Africa. When it emerged, it moved towards large transactions with the very few large companies operating in Africa. The phenomenon is growing and over the past five years, several investment teams have been formed. Many of them are still raising funds, but they are growing increasingly interested in SME capital financing, a source of much greater opportunity and which remains under practiced.

However, the recruitment and retention challenges of young investment professionals persist. Private equity skills remain scarce in Africa nowadays. It is therefore essential to train talents over the long term in SME equity financing techniques and in coaching of entrepreneurs, both in the management of their operations, and in the implementation of good social, environmental and governance practices. Quality human resources are scarce in Africa and they are often expensive, which makes it even more difficult for impact funds to compete, since their business models do not allow for high levels of remuneration. It is indeed essential to develop attractive human resources policies and develop a long-term *affectio societatis*.

This is our seventh lesson from Africa. Investing in the men and women who will be the leaders of tomorrow is essential for SMEs, where everything rests on the shoulders of the business owner. However, management in Africa has certain characteristics that it is necessary to understand in order to establish a relationship of mutual trust and define the basis of a strong and balanced partnership: cultural aspects of African management, recent developments, such as the growing number of people returning from the diaspora and the scarcity of skilled workers in Africa, particularly in middle management. I&P advocates and is committed to strengthening the skills of its team and partner companies through the referencing of HR advisory firms anchored in Africa that are able to understand the specificities of the local context and to support companies in the implementation of their HR policies.