

# THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT

## Killing the Goose That Lays the Egg: A Discourse of Politics and Entrepreneurial Development in Sub-Saharan Africa

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### **Abstract:**

*This paper examines the relationship between a society's political culture or system and the development of entrepreneurship. Specifically, the paper examines the issues of political risks and instability, how the prevailing political culture in Sub-Saharan Africa undermines indigenous entrepreneurship and enterprise development, how the politics of privatization, indigenization and prejudice against non-indigene entrepreneurs skews the development of entrepreneurship in Sub-Saharan Africa. In addition, the consequences of excessive regulation, bribery and bureaucratic corruption on entrepreneurial development are examined. It is argued that the political system and culture of a nation affects its economic policies and business practices to the degree to which it promotes or discourages risks faced by investors.*

**Keywords:** *Entrepreneurship, political culture, political risks, privatization, indigenization*

### **1. Introduction**

Business firms investing abroad must also consider location as they weigh the likelihood of political instability against the prospect of economic opportunity. For example, when communism collapsed in the Soviet Union, many European and US businesses imagined that the transition to capitalism would present extraordinary opportunities for profit. What they failed to predict (in the sense of forecast) was the inter-ethnic rioting, the currency fluctuations, and the wars between newly independent republics of the former Soviet Union. In short, they fantasized about 'emerging markets' while ignoring their exposure to political risk (Hochberg, 2002).

In the discourse of entrepreneurship and economic development in Africa, not much has been said or written concerning the relationship between the African political culture and the practice or development of entrepreneurship. Most entrepreneurial studies with a focus on the African experience have looked at the cultural, financial, management, and infrastructural contexts or constraints facing the African entrepreneur. Until recently, the political context has been blanketed under such issues as regulation, bribery and corruption. The political environment in the context of this paper includes all laws, the political system, the system of government, government agencies, interest and lobbying groups that influence or restrict the conduct of business or individuals in the society. The political environment also consists of the *political culture* and political ideology, which is the general political philosophy or belief system prevailing in society.

The interest in the political environment in the context of entrepreneurship is that the political environment, with its culture, ideologies, and system, influences the legislations and government rules and regulations under which a firm operates. An understanding of a country's political environment in terms of how it affects business and organizations entails an understanding of that country's political culture. The interest in understanding the political context in a given society lies in the belief that the political environment or culture may not support the range of conditions necessary to produce an entrepreneurial culture. Specifically, an understanding of the political environment and culture enables us to understand how laws, political systems, political actions, attitude, beliefs and ideologies affect the conduct of a business enterprise.

As in Zimbabwe and South Africa respectively, entrepreneurial action may fail in one country on account of the political system or culture and likewise it may succeed in another country on account of its different political culture. The political context or environment under which business is conducted plays a significant role in the success of entrepreneurial development. Accordingly, the political system and culture of a nation affects its economic policies and business practices to the degree to which it promotes or discourages risks faced by investors.

This paper examines the issues of political risks and instability, how the prevailing political culture in some parts of Africa undermines indigenous entrepreneurship, how the politics of privatization, indigenization and prejudice against non-indigene entrepreneurs skews the development of entrepreneurship in Sub-Saharan Africa. In addition, the consequences of excessive regulation, bribery and bureaucratic corruption on entrepreneurial development are examined.

## 2. Political Risks and Instability

Many studies have pointed out that the development and growth of entrepreneurship in a nation is also a product of foreign investments flowing into that country (Ogbor, 2009; Forrest, 1994; Pope, 2001). Particularly in several countries in Sub-Saharan Africa, the period following post-independence has witnessed various forms of political instability and economic crisis that resulted to the outflow of investment finances. Even in the year 2008, we have witnessed how political crisis in Kenya has undermined that country's efforts in economic development. The instability and unrest that followed the country's election led to the destruction of business enterprises and the flight of investment capital from the hitherto politically stable nation. In any country, foreign direct investment facilitates the development of entrepreneurship through the transfer of technology and management resources that are not available in the local economy. Second, the multiplier- and linkage effects of foreign direct investment in a developing country such as increase market competition, productivity growth, human resource development, product and process innovation and greater consumer choice are some of key drivers of entrepreneurial activities. These benefits are, however, not available in an environment that is politically volatile and unstable, beset by confrontations and various types of risks.

Although there are many sources and kinds of risks, it is worthwhile highlighting those risks that may arise from policy actions of national governments. An example of such a risk is *political risk*. Political risk has been defined as the chance that political decisions, events, or conditions in a country will negatively affect the profitability or sustainability of a firm's investment. It is the likelihood that political actions will affect the business environment in ways that lead investors and owners to lose some or all of the value of their investment or be forced to accept a lower than projected rate of return (Daniel, et al, 2007).

Political risk is seen here in terms of loss of control over ownership or loss of benefits of business enterprise by actions that are political in nature. This concept of political risk includes and also concentrates on the unwanted consequences of government actions. Other occurrences of a political nature that adversely affect the conduct of business are also termed as political risks – these are political events or constraints imposed at the specific industry or specific firm level. The political events typically are changes in government or heads of state accompanied by violence, riots, arson and destruction of private and public properties. Constraints on the firm typically encompass expropriation (the surrender of a claim to exclusive property and the act of dispossessing a person or entity of ownership or propriety rights usually by the government), restrictions on remittance of profits, discriminatory taxation, and outright closure of business enterprises (Fitzpatrick, 1983).

More specifically, the effects of government instability, socio-economic conditions, internal and external conflict, corruption, militarism and militant regimes, religious fundamentalism and tensions, breakdown of law and order, ethnic tensions, democratic unaccountability, the quality of bureaucracy, and negative attitudes toward foreign-owned enterprises constitute a nation's political risk. A number of these political risk components are also linked to the quality of political institutions. Above all, the quality of the bureaucracy is closely associated with the institutional strength of a particular country. Likewise, ensuring law and order and reducing corruption levels are important determinants (and effects) of high-quality institutions. They constitute relevant sub-components of an overall assessment of what constitute investment and business climate. Other examples of political risk include acts of terrorism; the threat of violence, or other harmful acts committed for political or ideological goals.

So defined, political risk tends to be greater in countries experiencing social unrest and disorder and in countries where the underlying nature of the fabric of society is characterized with competing demands and recognition. In many parts of Sub-Saharan Africa, the prevalence of civil wars, political and social unrests resulting from the political culture are the causes of instances of underdevelopment. Examples include the Democratic Republic of the Congo, Liberia, Sierra Leone, Rwanda, Somalia, Sudan, Zimbabwe, Kenya, Nigeria, etc.

It is common knowledge that when a country's political system presents a risk, potential foreign investors avert that country because foreign investors seek to invest their resources in areas where they are assured of return on their investments. This situation appropriately depicts the experience of the Niger-Delta area of Nigeria. Political risk, in this context, involves not only the degree of political stability or forms of government prevailing in a nation or region, but other governmental policies such as nationalization and the political will of host government to protect the interest of foreign investors.

Political instability and social unrest typically find expression in strikes, demonstrations, various forms of terrorism, the taking of expatriates as hostages, and other forms of violent conflict. Such unrest is more likely to be found in developing countries where the composition of the population contains more than one ethnic nationality, in countries where competing political ideologies and religious beliefs are battling for political and economic recognition and control (examples include Somalia, Sudan, Nigeria, Rwanda), in countries where economic mismanagement has created high inflation and falling standards of living, in countries where the rulers and the elite live in opulence and the masses become envious of them. Surely, these characterizations fit perfectly into the political culture of several countries in Sub-Saharan Africa. Other political risks associated with the business environment in developing countries include the confiscation of the assets of foreign-owned enterprises for political reasons, political violence and the restrictions in repatriation of foreign exchange earnings to home countries of foreign-own enterprises.

## 3. The Political System and Indigenous Entrepreneurship

In the context of Sub-Saharan Africa, many studies have referred to a form of hostility towards indigenous firms. An entrepreneur or business owner who happened to belong to the 'wrong' political party is seen as a threat to those in political power. A 'wrong' political party, in this context, is an opposition party. The political culture in several African countries is such that there is harmful prejudice against businesses owned by those in the opposition political parties. And

it is not uncommon that such businesses are confronted with severe threats of dissolution from the ruling political party. As Tshikuku (2001) elaborately pointed out, the threat comes from three sides: (i) from the existing politico-legal system; (ii) from the old colonial monopolies; and (iii) from the local socio-cultural system.

Especially, an enterprise belonging to a member of the opposition political party is hardly recognized as having a legal personality different from that of its indigenous founder (or manager): the minor offences of the individual in the deepest recesses of his private life are often turned into abominable crimes of the enterprise in its relations with the authorities. Tshikuku (2001) suggests that any suspicion of 'treason' against the owner (or the manager) can be a sufficient reason for torpedoing the activities of the enterprise or for holding its assets to ransom and fragmenting, amputating or confiscating them. On any pretext and without risk, African governments sometimes clearly and categorically refuse to honor their commitments towards the local enterprises. This pernicious result may be obtained through a legal procedure, through quazi- and pseudo tribunals, by a very sustained media lynching or simulated violence by the political police.

Taking advantage of the public's lack of sympathy for capitalist enterprises, some organized individuals and groups can destabilize with impunity a local enterprise in various ways: a wildcat strike manipulated from outside and with nothing at stake for the strikers, a complete sabotage of the facilities and equipment of an enterprise by its own workers, a mock trial in court leading to a verdict of bankruptcy or a condemnation to a sum beyond the corporate assets, an arbitrary decision of a husband against his wife who is the head of an enterprise, legal action involving succession directed against a widow who is the proprietress of an enterprise, settlement of the succession among several heirs after the death of a parent who is the proprietor of an enterprise, settlement of a conflict of interests between the indigenous partners of an enterprise, etc. In all these cases and many other similar ones, enterprises established and run by indigenes are dissolved amidst widespread indifference, their assets are shared, their facilities are sold off, their capital is swallowed up in consumption, their workers are forced into unemployment, their claims and debts are written off, and their dream of conquest fades. With the death of each enterprise, the whole of society returns to square one, which is underdevelopment.

The result in this depressing climate, according to Tshikuku (2001), is fivefold: (i) reconversion of indigenous enterprises into precarious businesses operating in the underground of the informal sector; (ii) cautious and non dynamic behavior of nationals considering the establishment of enterprises; (iii) an impressive number of bankrupt or abandoned indigenous enterprises; (iv) a disturbing number of indigenous enterprises that never survive their founders; and (v) scarcity of institutions for the supervision, financing and promotion of enterprises – small and medium – established and owned by natives.

#### **4. The Political System and Non-Indigenous Entrepreneurship**

Not only is the political system and culture in several Sub-Sahara African countries antithetical to indigenous entrepreneurship, they also work in ways that inhibit the development of non-indigenous entrepreneurial initiatives. Perceived prejudice against foreign-owned firms and other forms of business undertakings in Sub-Saharan Africa can be traced back to post-independence era when African governments were eager to develop a truly indigenous basis of production through indigenization and nationalization policies. To be sure, indigenization policy is a government policy that aims at the wholesale take-over of enterprises or a policy of linking government supervision in the extent of expatriate or foreign participation in various economic activities.

The argument in favour indigenization and against foreign ownership seems straightforward: According to Yahie (2000), 'The apparent foreign domination of the private sector in Africa could lead to highly undesirable results, both socially and politically. On the social front, foreign ownership perpetuates capital flight and diminishes the income redistribution milieu, negatively affecting the social safety net. As the gap between the rich and the poor grows – mostly in favour of the foreign business owners, domestic political tension grows which dampens the climate for promoting private sector environment.'

It is not difficult to see how such an attitude works against entrepreneurship in a region in need of foreign investment capital, skills and other forms of resources for the promotion of entrepreneurship and economic development. The policy of indigenization, while encouraging local participants tends to deprive foreign-ownership of economic activities. One of the problems here is that privatized organizations are left in the hands of ill-prepared indigenes in the name of indigenization. Thus, as Thiam (2007) points out, this naïve approaches to private sector development have contributed to propagate a new rent seeking culture, notably in Sub-Saharan Africa. Thiam has argued that, in the wake of the promotion of indigenous ownership to support private sector led growth, civil servants that were more exposed to trade management by government and to the provision of public goods, were given economic dominions (import quotas, monopoly, etc.) overnight and became major 'private sector actors' and government partners in public-private policy dialogue. In numerous cases, the collusion of interest between government and that 'emerging private sector' contributed to blurring the lines between politics, entrepreneurial ventures and public governance. This situation contributed to erode the foundations for building de-politicized states that are indispensable to consolidate democratic governance and promote entrepreneurial opportunities for all. In most countries in Sub-Saharan Africa, ideological approaches to 'indigenizing' private sector resulted in the spoliation of foreign entrepreneurs, whose enterprises were overnight, 'transferred' to inexperienced domestic operators and managers close to political power, often without due indemnification. In the majority of cases, as Thiam (2007) points out, the local beneficiaries got episodically rich while the related enterprises collapsed. Not only did this contribute to gradually dismantle the country economic fabric, but also the foundations for a more conducive business environment and entrepreneurship were also durably destroyed.

Ironically, the policies of indigenization and nationalization as a viable instrument for transferring ownership of industry to the indigenous groups did not promote entrepreneurial development. Rather, the prevailing political culture, attitudes and reflexes helped worked against any attempt aimed at promoting indigenous entrepreneurship with contribution from foreign-led resources. In addition to political reasons, lack of financial resources, management and technological capabilities of a large part of would be indigenous investors limits their ability to engage in ways that sustain the viability of such enterprises once they have been disengaged from non-indigenous ownership and management.

To fully appreciate the import of government attitudes to non-indigene entrepreneurs and their concomitant implication for economic development, several researchers (e.g., Brunetti, et al, 1997; Harch, 1993; Schaefer, 2001) have referred to the experience of Zimbabwe and South Africa as illustrative of the general theme of our discussion here. After gaining independence, Zimbabwe, under Robert Mugabe, started a phase of disqualification of a sizeable minority of its entrepreneurial and middle class – the white farmers. Some farmlands were taken away from them in favour of an embryonic group of black farmers. The entrepreneurial capacity of the 'whites' (in terms of cultural values, attitudes, reflexes, financial assets and networks of cooperation) was therefore gradually extinguished. The political elite and rulers deliberately chose to rebuild this capacity from scratch, in the social and racial group that had spent a miserable century confined to tiny and unproductive lands.

This policy has a price, basically in terms of decline in entrepreneurial and economic activities. According to Ogor (2009), with the disappearance of white farms came the disappearance of large incomes from agricultural exports (about 450 million US dollars a year), hundreds of thousands of jobs, precious financial and commercial networks, industrial and production facilities and equipment, and other advantages necessary for Zimbabwe to develop economically and to compete strategically in the global economy. To this cost should be added the loss of expertise and the progress already achieved in terms of entrepreneurial culture as well as the unavoidable expenditure for the cultural and technical development of the embryonic group of new entrepreneurs.

From another point of view, this Zimbabwean policy is not an act of gratuitous malice. It is meant to be a brave and reasonable gamble with the future. By redistributing landed property to a broader section of the population, the leaders perhaps hope to save from idleness the unused land in white compounds, to diffuse the resentment and social antagonism which are responsible for some of the inertia in the area of economic initiative, and to involve the black majority of the country in the culture of responsibility for economic progress. But a gamble is a gamble and the result is what we see in Zimbabwe today – a case of failed nation – economically, politically and socially.

The case of Zimbabwe is not an isolated one. Under Mobutu, the economy of Congo Kinshasa completely collapsed as a result of the so-called 'zairinization policy'. In this indigenization policy, farms and enterprises taken away from foreigners for the benefit of ethnic kinsmen, clients and allies of the Kinshasa regime ended up being totally liquidated amid general indifference and irresponsibility, and even with vengeful applause from the majority of domestic opinion. In Uganda under Idi Amin Dada, a similar suicidal development took place with the nationalization during the 1970s of enterprises and farms belonging to a dynamic Indo-Pakistani diaspora that had been living in the country for decades. Examples of privatization and indigenization policies ending in catastrophic decline in the economies are legion in the Sub-Saharan region.

## 5. The Regulatory Environment and Entrepreneurial Development

Economies differ significantly in the way in which they regulate the entry of new businesses. In some economies the process is straightforward and affordable. In others, the procedures associated with business registration are so burdensome and cumbersome that entrepreneurs have to bribe officials to speed up the process or they would rather run their businesses informally. Consequently, the growth of the informal sector in the developing countries has been attributed to the consequences of over regulation in Sub-Saharan Africa. In one study, the World Bank (2004) concluded that cumbersome entry procedures are associated with more corruption, particularly in developing countries. As explained by the World Bank study, each procedure is a point of contact—an opportunity to extract a bribe. In particular, the study indicates that burdensome entry regulations do not increase the quality of products; neither do they make working environments safer. Rather, they hold back private investment, push more people into the informal economy, increase consumer prices, and fuel corruption. Other researchers have concluded that in Sub-Saharan Africa the biggest problems facing the development of entrepreneurship are corruption, which is rooted in the culture of excessive regulation, tax regulations and high taxes (Brunetti, *et al.*, 1997).

There is nothing inherently wrong when a country regulates the conduct of business. Laws relating to business practices (such as contractual obligations) must be adhered to in order to achieve an environment conducive for business and economic growth. In the case of Sub-Saharan Africa, however, regulation has created more obstacles and bottlenecks than necessary when it comes to the development of entrepreneurship. From a comparative perspective, regulation in the developed countries follows series of logical responses to the need of ensuring rational economic development without stifling the conduct of economic and business activities. In the experience of the developed countries, regulation fulfills the task of essential controls of business without imposing an unnecessary burden on entrepreneurs. In these countries, high levels of human capital in the public administration, and the use of modern technology, minimize the regulatory burden on businesses. In addition, market-forces are allowed to act as regulatory mechanism, allowing competition to act as a substitute for regulation. By combining simple regulation with good definition and protection of property rights, the developed countries have achieved what many developing countries have been trying to achieve in decades: having government regulators serve as public servants, not public masters whose existence derives from bribery, corruption and kickbacks.

As pointed out by Schaefer (2008), a government can greatly facilitate economic growth by enforcing an impartial and reliable rule of law. A rule of law with these characteristics serves as the supporting structure of an economy, without which it cannot operate efficiently. It ensures entrepreneurs that (i) policies will have lasting power and can be changed only through transparent, widely recognized procedures, permitting an environment conducive to long-term investment; (ii) the rules will apply equally to all rather than exempting some or being subject to change at the behest of the powerful; and (iii) they will have legal recourse if policies unlawfully affect their activities, thereby reducing the risk of investments. On the other hand, an arbitrary, overly onerous, or poorly enforced rule of law can prove a very strong deterrent to growth by creating opportunities for corruption or increasing the costs of complying with the law to the point where economic activity is discouraged or leaves the formal sector. In other words, governments must be cautious that efforts to create and maintain a secure environment for economic activity do not become excessive and thereby impede such activity.

## 6. The Effects of Bureaucratic Corruption and Bribery on Entrepreneurial Development

Although a number of factors account for the negative economic and entrepreneurial growth rate in Sub-Saharan Africa, bureaucratic corruption has also played a decisive role. Bureaucratic corruption, according to Ifediora (2005), is the misuse of the power of public office for personal gain in breach of laws that govern public servants and moral principles. In its basic form, bureaucratic corruption takes place when a government official demands and accepts bribes or kickbacks in performance of normal duties called for by the office. Bribery, on the other hand, is the practice of offering something (usually money) in order to gain an illicit advantage. Bribery, which can be direct cash payments, gifts, or the promise of reciprocity in future transactions, is usually paid either: to gain access to scarce government services or to avoid the cost of government service. In less common instances, bribery may be paid to deny rivals access to a government service or to impose inordinate cost on such rivals. Others see corruption (in Africa) as the 'outright theft, embezzlement of funds or other appropriation of state property, nepotism and the granting of favours to personal acquaintances, and the abuse of public authority and position to exact payments and privileges (Harch, 1993).

Bureaucratic corruption, as the misuse of office by government functionaries is relatively common in areas of public procurement, revenue collection, land zoning, government appointments and contracts, licensing and permits. According to the Ifediora (2005), bribery and corruption are readily executed through anyone of the following activities: (i) The civil servant receives from a private contractor a fixed percentage of awarded government contracts; (ii) Police or other law enforcement agents use the threat of sanctions to extort bribes in lieu of official fees or taxes; (iii) Customs agents insist on payments above the official rates or side payments before providing requisite services to both importers and exporters; (iv) Civil servants award large contracts to companies owned by relatives or partners, and in return receive an agreed upon fee or lavish hospitality; and (v) Officials responsible for permits and licenses demand extra payment for services ordinarily called for by their office.

As pointed out by Akindele (2005), most of the corruptions in Africa, and especially in Nigeria, are actually initiated by the office holders with few initiations by non-office holders. Generally, such office holders may, by virtue of the symbolism of their office or official duties sometimes use delaying tactics in inducing their clients into offering bribes before performing their duties. These tactics include phrases (in Yoruba Language) like 'Kosi iwe' meaning, 'no working paper', 'Kosi oga nile' meaning, 'the Boss is not in.'

In a detailed analysis of corruption and its problem in Nigeria, Akindele (2005) argues thus: 'These tactics which have their types in other Nigerian (ethnic) languages and among other ethnic groups in Nigeria and Africa are euphemisms for luring the (usually unsuspecting initial) clients into giving bribes or kick-backs in Nigeria. However, with time, this development seemed to have become understandable to Nigerians and, Africans depending on the issue or issues at stake to the extent that, any time the corruptor mentions such phrases, the corruptee automatically knows what to do. The danger of this, is that, even though, the corruptees have the legitimate rights for the benefits at stake they are manacled into offering bribe in one way or the other to the officials before the later would respond. Even, in most cases, the victims are not successful in getting the desired benefits after such unreceipted transactions.'

The author continues: 'Although the policemen are mostly notorious for this in Nigeria, because of the enormous discretion of enforcement of laws given to them, it has spread like the bush fire into various sectors of the Nation's political landscape. For example, the issuance of Nigerian Passport, import licences, vehicle licences, submission of contract tenders, contract awards, application for employment and so many other things or benefits that should be normally obtained without tensions and nightmarish experiences, have fallen and continue to fall victims to these retrogressive, antidevelopment, and, corrupt tactics. It is mostly disturbing in that, to the perpetrators, nothing seems to be wrong with this, since to them and, a preponderant majority of the ignorant populace, it is getting their 'eto', 'obi', 'colanut' meaning 'right' or 'dues' in the course of performing their duties in total disregard of the fact that they are actually paid for doing the job in the first place.'

Many studies (e.g. Gould, 1980 and Nye, 1997) have documented the effects of bribery and corruption on economic development. In a developing context such as Sub-Saharan Africa with inadequate or poorly formed socio-political structures and weak economic and legal institutions, the consequences of bureaucratic corruption are particularly disastrous. In terms of investment, Wolfensohn (1999), in reference to corruption, suggests that, 'Investors today (prefer) to move their money to where the risks of corruption are less pronounced.' In addition to undermining the legal framework, national integrity, and regulatory system, corruption also undermines the trust and confidence of business owners. According to the Anti-Corruption Resource Centre (2008), corruption has a negative impact on the scale, form and growth rate of private sector development. It has both direct and indirect consequences for the conduct of business. At the macro-economic level, the consequences include:

- Corruption helps *distort the market* by redirecting economic activity from one sector to another. In so doing, corruption destroys the structure and pattern of economic development and reduces the efficiency of economic activity.
- Corruption has fiscal, budgetary and debt effects which collectively damage the economy and make private sector development very difficult. In its extreme form, corruption destroys economies and makes business activity impossible.

At the level of the individual business or corporation, corruption is damaging in the following ways:

- It raises the costs of doing business
- It increases the risks and uncertainties of doing business
- It discourages and reduces investment in general and capital investment in particular
- It creates unfair competition
- It diverts resources away from productive investment
- It complicates and delays business transactions
- It deters entrepreneurs from starting up businesses

In developing and transition economies, much private sector activity arises from the privatization processes, which transferred state assets into private hands and turned public monopolies into private monopolies. These transfers are frequently associated with large-scale corruption and the newly enriched business leaders are able to exploit illegitimately acquired power at the expense of their business rivals.

Corruption undermines the efficiency of markets and the competitiveness of producers and suppliers. Where corruption occurs in international trade, it can undermine local companies by encouraging governments to buy from overseas. Where there is corruption, which enables importers to avoid customs duties and import taxes, the competitiveness of domestic companies is thereby eroded and they are likely to fail.

Private sector development flourishes when investment prospects are favourable and when entrepreneurs can minimize their costs and decrease their uncertainties. Corruption reduces the incentives and increases the costs and risks of doing business.

## 7. Conclusion

As the discussion in this paper has clearly shown, the political environment in a society cannot be ignored in a discussion of entrepreneurship especially in the context of Sub-Saharan Africa. One of the barriers to sustainable economic and entrepreneurial development in the context of a nation's political environment is the set of political risks and instability, which are pervasive in many developing countries. As we pointed out, political risk is the chance that political decisions, events, or conditions in a country will affect the economic and business environment in ways that lead investors and other economic agents to lose some or all of the value of their investment or be forced to accept a lower than projected and anticipated rate of return. Either through political ideologies inherited from the experience of colonialism, bureaucratic corruption, the persistence of totalitarian political system, religious fundamentalism or the urge to promote nationalistic development policies, many countries in Sub-Saharan Africa have experienced various forms of political instability that has adversely affected the development of entrepreneurship. Thus, issues of political risks as they affect entrepreneurial development in Sub-Saharan Africa must be critically examined in order to suggest ways in which the inhibiting political factors to entrepreneurial development can be avoided. African governments who are interested in achieving economic development in their nations and donor agencies and other organizations interested in entrepreneurial development should learn from past experience of the dysfunctional effect of an adverse political environment. (I have here in mind Zimbabwe, Sudan, Somalia, etc). I have also argued in this paper that in addition to political risks arising from political instability and crisis, the nature of the political culture may also act in ways that are unfavorable to indigenous and non-indigenous ownership of business ventures.

Particularly important is the manner in which economic activities are regulated in a society. Policy-makers at all levels of economic and social strata should realize that high degree of regulation is antithetical to economic development precisely because it is costly and it breeds bribery and corruption. Particularly in Sub-Saharan Africa, over-regulation of economic activities has had negative impact on the development of entrepreneurship. Another consequence of over-regulation is that businesses in the formal sector are driven into the underground, informal sector of the economy.

This paper is drawn to a conclusion by drawing the attention of policy makers that research dealing with the phenomenon of economic development in Sub-Saharan Africa has shown that one of the reasons for the poor performance of the economies of Sub-Saharan Africa is the nature of the region's political system, which produces and reinforces a culture of bribery and bureaucratic corruption. In particular, the pervasive role of government in business decisions, the underdeveloped legal system and weak enforcement, and the material temptations of an emerging capitalist society inspire extensive corruption in many parts of Sub-Saharan Africa.

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