

Is expanding into Africa viable for SMEs?

Is expanding into Africa the next logical step for a successful small business enterprise or should they rather be cautious and consider that expansion on the continent is not viable for all businesses?



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Africa has long been regarded as the final frontier for investment – a region with untapped economic opportunity. Just last week, Ernst & Young released its *Attractiveness Program Africa 2017* which stated that by 2030, Africa is set to be a \$ 3 trillion economy, and that the long-term outlook for the continent remains positive, as many economies continue to experience growth, with some in excess of 5%.

For small business owners, expanding into other African regions seems a logical ‘next step’ to meeting a business’ growth objectives and is an achievable goal for entrepreneurs committed enough to the task.

This is according to Mark Paper, chief operating officer for Business Partners International, a subsidiary of Business Partners Limited, who says that expanding into other African regions – while a natural growth progression for some – is not feasible for all businesses, as each economy is ultimately a different world and demands an entirely new set of rules and objectives.

“Taking business operations across borders should neither be a question of how big a business is, nor in what growth stage the business finds itself. The quest should rather focus on which markets are necessary to target in order to achieve business goals,” says Paper.

He warns though, that many entrepreneurs sometimes forget how big Africa is. “There are 54 individual countries, each with their own unique economies, laws, languages and cultures. Entrepreneurs wishing to expand their local business operations should plan the expansion in detail, with a careful assessment of the identified region’s strengths, weaknesses and potential opportunities and threats,” he adds.

In making such assessments, Paper says that entrepreneurs should consider, among other things, the language barrier; availability of local skills; potential demand for the product/service, as well as the competitive landscape present in the market. Also important to consider is both the region’s historic

economic performance together with its forecasted future performance – as this should provide a good indication of growth prospects within the region.

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Paper points to the *Doing Business Report 2017* which ranks economies (out of 190) in terms of the ease of doing business therein. According to this report, Rwanda is the best performing African economy ranked at number 56 with other sub-Saharan African countries where Business Partners International operates, ranking as follows: South Africa at 74; Kenya at 92; Zambia at 98; Namibia at 108; Uganda at 115 and Malawi at 133.

The report takes into account a number of factors when ranking these economies – including the level of regulations that enable businesses to start, operate or expand. Other factors considered include the ease starting a business, applying for necessary permits, reliable electricity supply, registering property, access credit, tax regulations, trading across borders, enforcing contracts and labour market regulations, among others.

Paper concludes, “While there are a number of aspects to consider when expanding across borders, the | should not deter entrepreneurs from taking the leap, but should serve rather as a reminder of the amount of research that should be conducted beforehand.

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