



## Fostering innovation performance of baobab enterprises

*William Dumenu & Dietrich Darr*

### Key message

- Informal baobab enterprises can be productive
- Entrepreneurial motivation and adoption of good business practices influence their performance
- Policymakers should implement measures to enhance the growth potential of promising baobab enterprises for economic development

### What is the issue?

Successful businesses and competitive industries thrive on innovations, particularly so in the forest sector which is expected to drive the transition to a bioeconomy. Central to a firm's innovativeness is its innovation capacity defined as the set of capabilities and assets that interact to foster innovativeness<sup>1</sup>.

Although innovation capacity is central to firms' innovation performance, there is insufficient understanding of the factors that interact to influence the innovation performance of firms in specific industries such as the promising baobab industry that is expected to catalyze rural development in Africa through the generation of annual income of 1 billion US dollars and employment for 2.5 million households<sup>2</sup>.

The effect is a low level of innovation performance with implications for firm performance, competitiveness, and growth. This policy brief draws on a recently developed innovation capacity model for the baobab processing industry to recommend concrete actions that policymakers can take to enhance the innovation capacity of baobab firms and foster their innovation performance.

### Research approach

To determine the key dimensions of innovation capacity that foster innovation performance of baobab firms, and develop an innovation capacity model for the baobab industry, an in-depth qualitative multiple case study involving five highly innovative baobab enterprises in sub-Saharan Africa and Europe was conducted. The enterprises have implemented 13 product, process, organizational and social innovations in the last four years.



<sup>1</sup> Boly, V., Morel, L., Assielou, N.G. and Camargo, M. 2014. Evaluating innovative processes in French firms: Methodological proposition for firm innovation capacity evaluation. *Research Policy*, 43 (3): 608-622.

<sup>2</sup> RTFP (Regional Trade Facilitation Programme). 2007. New Brief No. 2, Regional Trade Facilitation Programme. <http://www.rtfp.org>. Accessed on 21 May, 2020

## Key findings

Six firm-level innovation capacities are essential for fostering the innovation performance of baobab enterprises (Fig. 1):

**Owners'/managers' human capital:** Embodies the entrepreneur's technical experience, prior technology knowledge, management experience, and transformational leadership. It engenders the capabilities to develop an innovation vision, inspire employees to share in the vision, and create and generate resources to support innovation.

**Financing capacity:** The ability to generate internal financial resources (e.g. cash flow from retained profits), and access external finance (bank loans, private investments e.g. angel investors) to fund innovations.

**Institutions and institutional environment integration capacity:** The capability to detect and integrate institutions (e.g. regulations, standards) governing the industry into the firm's innovation strategy; and the ability to detect and enlist institutional supports (technical, financial, etc.).

**Networking capacity:** Capability to detect beneficial networks (e.g. research institutions) to access resources (technical, financial, knowledge) to support innovation activities.

**Intellectual property management capacity:** Capability to secure intellectual property through patenting, brand building, and positioning; and management of IP appropriability to generate value from innovations.

**Knowledge management capacity:** Capability to create, share (internally), and access and apply knowledge to drive innovation development.

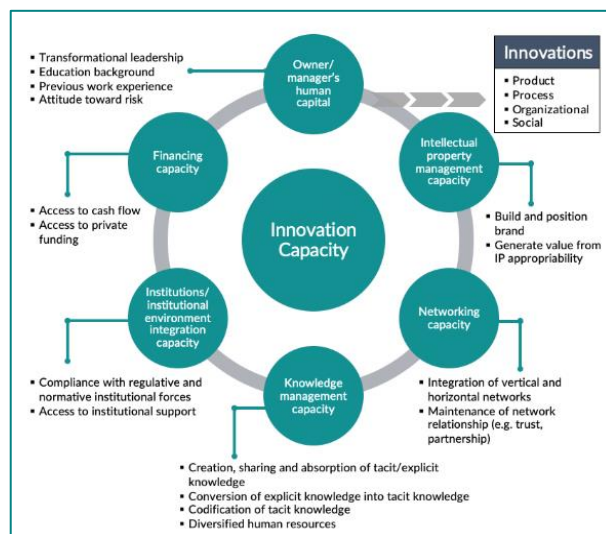


Figure 1. Innovation capacity model

## Policy recommendations

### Enhance entrepreneurs' human capital

- ❖ Foster collaboration between educational institutions and owners/managers of baobab enterprises to enhance their technical and managerial competencies through the offer of specialized professional development programs

### Promote collaboration networking

- ❖ Establish and facilitate the creation of networks, platforms, or mechanisms (e.g. cluster initiatives, industry associations) to stimulate collaboration, information sharing, and knowledge exchange.

### Support knowledge management

- ❖ Provide access to industry databases, research institutions, and innovation centers to support knowledge creation and dissemination.

### Access to finance

- ❖ Establish financial mechanisms such as innovation grants, venture capital, loan guarantees, and investment funds tailored to the needs of the baobab enterprises to support innovation development.



This brief was prepared by William Dumenu and Dietrich Darr based on the paper "Fostering innovation performance: An empirical exploration of baobab enterprises' innovation capacity" submitted to the Journal of Innovation and Entrepreneurship.

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### Contact

William Dumenu  
Faculty of Life Sciences  
Rhine Waal University of Applied Sciences  
william.dumenu@hochschule-rhein-waal.de