



BUILDING A BUSINESS ECOSYSTEM IN SOMALIA: THE CASE FOR BUSINESS ASSOCIATIONS

by Victor Odundo Owuor

Executive Summary

This primer contains a discussion about a possible avenue for encouraging market growth in countries coming out of periods of prolonged conflict like Somalia. The particular avenue chosen is one supported by literature: the development of business associations. Business associations are without doubt an unknown quantity to much of the general public and even to those close to associations. It is therefore important to define them. Business associations are a varied complex of organizations. All are interest groups, but no two interests have identical interests. All have membership but even these constituents may vary widely. It is also important to note that even within an association, membership needs and interests are at best similar rather than identical. Business associations are widely categorized by size, type of membership, range, and geographic scope. However, the common theme in defining business associations is that they are organizations where individuals and enterprises that compete with each other in the marketplace come together within a structure of collective self-help and cooperation that provides mutual benefits. A loose classification of business associations is as follows :



- Broad national **umbrella associations** representing business enterprises without regard to industry.

- **Trade associations** representing specific industries, lines of business, and other interests. Members of trade associations are almost always competitors in the marketplace.



- **Federations** or “associations of other associations.” Some may have direct company or individual members as well. A typical example of federations is those representing employers.



- **Professional associations** or societies representing individual practitioners in distinct professions or occupations like accountancy, architecture, medicine, and engineering.



The extant literature supports the notion that various kinds of networks, including business associations, help enlarge the repertoire of policy alternatives and comparative institutional advantages that lead to progressive products, markets, and innovation strategies. It follows that to achieve sustainable growth in the private sector and the economy at large, the development of business associations, and their efforts to improve competitiveness as well as participate in agile partnerships of collaborating organizations, should result in substantial benefits. The array of benefits accrues through market-supporting and market-complementing activities evident in well-established associations.



To get to this level of development it is logical that a country's business interests utilize a form of structured partnerships, which are typically found in developed business ecosystems. These partnerships should form opportunistically and be a channel for private sector interests to engage in ongoing dialogue with other members of its ecosystem. The primer begins with a brief discussion of why the term "business ecosystem," which denotes a strategic planning concept, captures the essence of the envisaged Somali business environment. It is argued here that for Somalia

private sector interests to move toward producing goods and services that meet world standards, the collection of companies must co-evolve and develop capabilities in response to new, wide-ranging market dynamics. The type of interactions deemed to be part of this process should be devoid of direct state interference and typically result in a community of structured business interests (business associations).

The primer subsequently delves into the detailed definition of business associations and an explanation of what they do not entail (e.g., trade unions, government-led cooperatives, "saving circles," and government-funded chambers of commerce). Included in this discussion are challenges to business association development in post-conflict environments, and the experience of regional countries as they have developed their wide array of business associations. They face the following **challenges**:

- ▶ The **relative absence of a business association mentality or culture** among business persons.
- ▶ **A lack of trust** among business interests and government.
- ▶ **Inadequate communication** between nascent business associations and their potential membership.
- ▶ The **shortage of legal, political, and social infrastructure** to shepherd the operations of private sector interests.

The primer concludes by providing lessons learned from the experiences of private sectors in regional African countries that have faced challenges similar to those of present-day Somalia. These lessons shape the suggestions for their Somalia counterparts. Somalia business associations might advance some of the following **recommendations**:



- ▶ **Pursue market-responsive services for all Somalia business associations** in order to ensure revenue sustainability and maintain the overall health of respective business interests.
- ▶ **Partner with regional business organizations** to speed up the process of convergence to world standards.
- ▶ **Emulate the standards of the more progressive African business associations** such as the AMM (Association of Mauritius Manufacturers) or KEPSA (Kenya Private Sector Alliance).
- ▶ **Develop a professionalism culture** along of the lines of the Liberian model of "professionalism tracks" in fields such as accountancy.

These recommendations provide a roadmap of ways the culture of business associations can be established in present-day Somalia. Furthermore, the recommendations not only address the current dearth of professional societies in the country but also point to ways Somalia business interests can move toward convergence with international private sector standards. These measures and other steps will bring Somalia private sector interests into the community of internationally recognized business associations so they can benefit and grow from such coalitions.

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