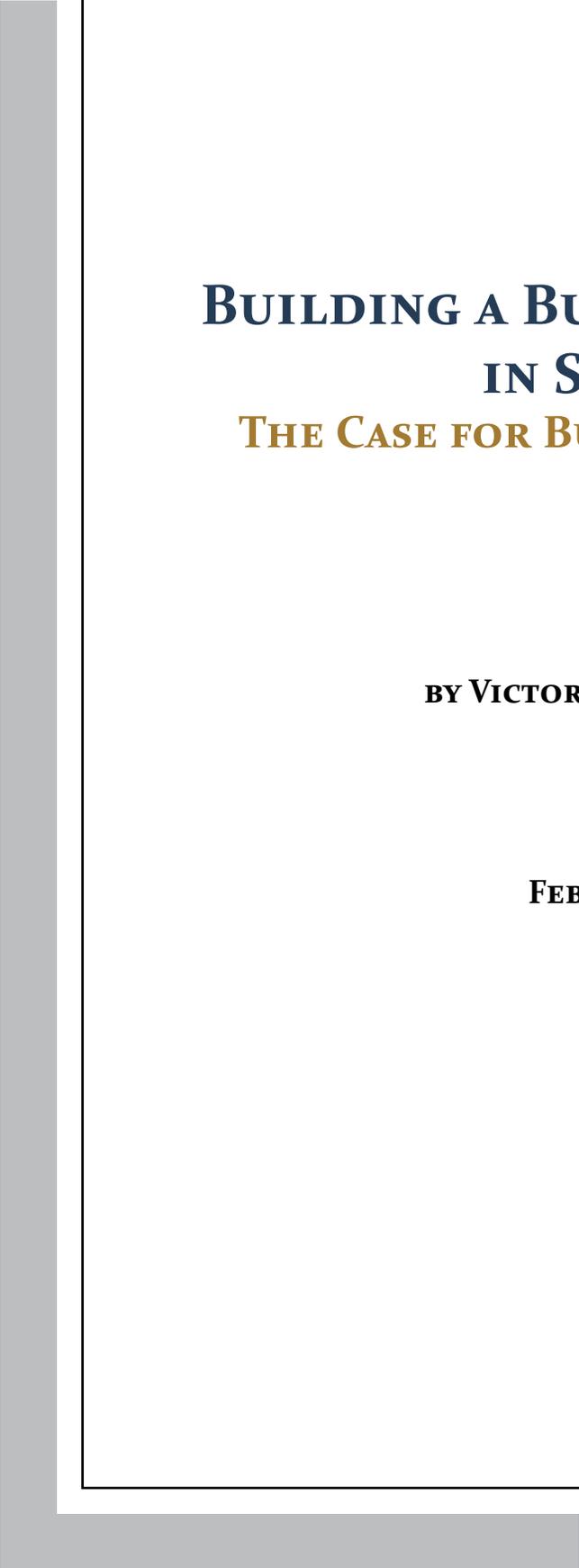
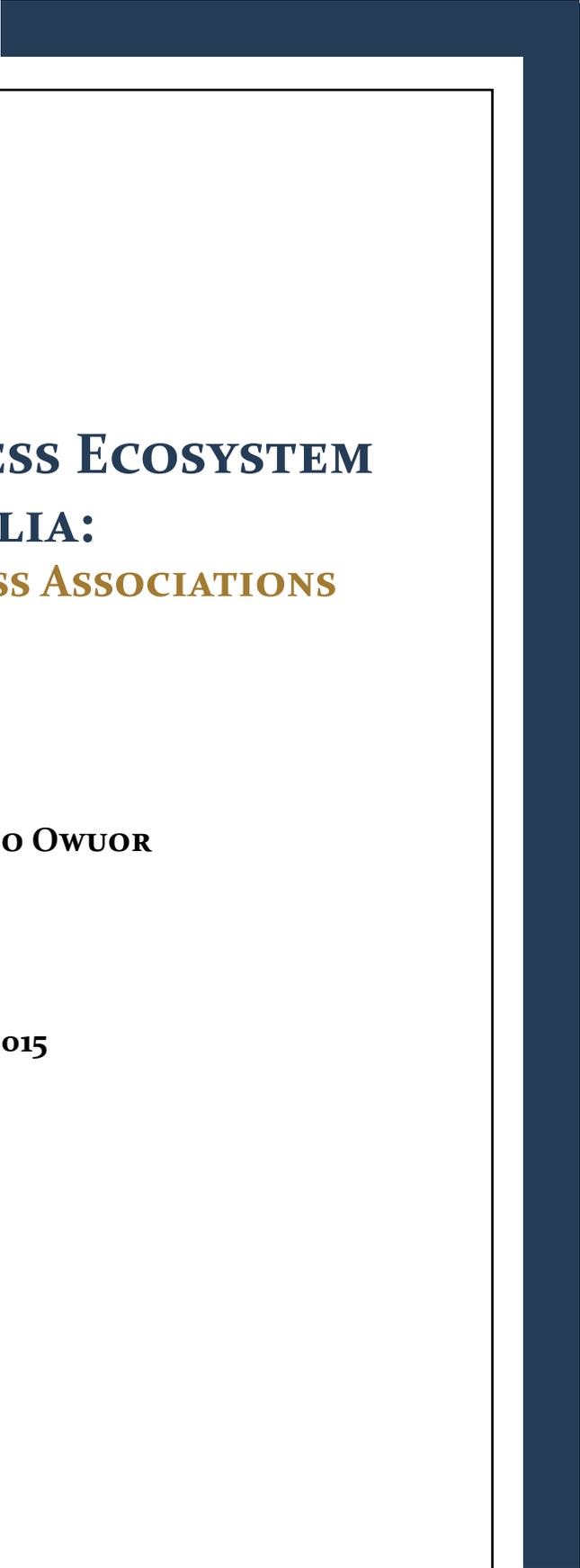


# BUILDING A BUSINESS ECOSYSTEM IN SOMALIA: THE CASE FOR BUSINESS ASSOCIATIONS



a Research Report by  
**Victor Odundo Owuor**

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IN SOMALIA:  
THE CASE FOR BUSINESS ASSOCIATIONS**

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Cover Images by Shuraako's Abdikarim Gole; bottom left: Somaliland Meat Development Association (SOMDA).

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## 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<sup>1</sup>:

- 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 array of benefits accrues through market-supporting and market-complementing activities evident in well-established associations.***

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 Somalian 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. These challenges include the following:

- 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. Among the recommendations advanced for Somalia business associations are the following:

- Emulate the standards of the more progressive African business associations such as the AMM (Association of Mauritius Manufacturers) or KEPSA (Kenya Private Sector Alliance).
- 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.
- 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.

## SECTION 1: INTRODUCTION

*Sow a thought, reap an action; sow an action, reap a habit;  
sow a habit, reap a character; sow a character, reap a destiny.*

—Ancient Chinese proverb<sup>2</sup>

The creation of sustainable business always begins with an idea. For forward-thinking entrepreneurs the plan is therefore to start with an idea, navigate the challenges of growth that invariably develop strong resilience, and eventually end up with a thriving and rewarding enterprise. As the ancient Chinese proverb indicates, the processes for cultivating the fruits of this labor are determined by crafting actions, habits, and character in whatever environment one operates in. For Somalia this environment is best described as a challenging business ecosystem still subject to the vagaries of post-conflict conditions.

The phrase *business ecosystem* has its origins in the way prominent high technology areas such as the Silicon Valley, Greater Boston, Austin (Texas), and other hubs for high-tech innovation and development are acknowledged to have prospered because thinkers with new ideas attracted resources to these areas.<sup>3</sup> An ecosystem is about the dynamic interactions between things. Essentially an ecosystem in this context is achieved when a set of (randomly) interacting companies develop into a more structured community, which also typically supports competition at a higher level. The growth of economies in these regions is notable by the process of a feedback loop of resources generating even more development.

***this environment is best described as a challenging business ecosystem still subject to the vagaries of post-conflict conditions.***

It should not come as a surprise that the phrase *business ecosystem* captures this process. Like with many terms in popular lexicon, *business* has increasingly borrowed words from the biological and physical sciences. In the field of biology the word ecosystem is taken to mean “a group of interconnected elements, formed by the interactions of a community of organisms with their environment.”<sup>4</sup> Parlayed into economics, this term conveys the idea that all sectors of the economy come together in particular places, and that their strengths and interactions determine the prosperity and economic growth of a particular country or region. The prosperity in the Silicon Valley, Greater Boston, and Austin, Texas, to mention but a few, is attributed to the notion that these and other similar areas are surrounded by lots of resources that make it possible to succeed beyond what each single entity in the various places controls.

In the case of entrepreneur ecosystems, they are typically the result of intelligent evolution—the combination of the invisible hand of markets and the deliberate hand of public and private leadership. For this process, success breeds success and a functioning ecosystem becomes relatively self-sustaining. Perhaps a good analogy is to view this system as a piece of agricultural land where the crop yield will be determined by the interactions of several elements, including the prevailing soil type, selected seed varieties, additives, and other ingredients. Therefore, the crop yields realized on this “farm” depend on aligning and integrating many elements.

If this analogy is extended to Somalia’s business ecosystem, at least four activities will make the system operate optimally: turning ideas into sustainable enterprises; linking micro, small, medium, and large enterprises; better aligning and connecting education to jobs; and encouraging cross-sector collaboration.<sup>5</sup> All these activities are deemed to be within the purview of business associations. What exactly are business associations?

Business associations are a demonstration of the social beast in all of us. In this demonstration, the human attribute of natural competition is matched by an instinct for cooperation with peers, even in the least sophisticated groups. Nothing illustrates this form of interaction more clearly than the conduct of business associations in a typical capitalist economy. Individuals and enterprises that would otherwise compete with each other in the marketplace come together within a structure of collective self-help and cooperation that provides mutual benefits. This quest for a structure that generates a collective good for distinct entities is the essence of business associations.

***the human attribute of natural competition is matched by an instinct for cooperation with peers, even in the least sophisticated groups.***

In fulfilling the four functions mentioned as likely to lead to the optimal operation of the entrepreneurial ecosystem, business associations can be loosely described as justifying their existence through two forms of “logic” or reason for being.<sup>6</sup> The *logic of influence* corresponds to business associations lobbying other sectors on behalf of private sector interests. The *logic of services* refers to the individual benefits that members can receive from their respective associations.<sup>7</sup> Other scholars label these association developmental endeavors as *market-complementing* and *market-supporting activities*.<sup>8</sup> Considering that correctly constituted and actively engaged business associations can play a critical role in the development of any country, a discussion of what role these organizations should take as well as the likely structures for these entities is a necessary exercise for a nation like Somalia that is still transitioning from a

prolonged period of instability. It is also true that in emergence from conflict, the private sector is often the first responder to public need, thus offering a degree of stability before other actors (state and non-state) come into the picture.

This primer will therefore attempt to answer the following questions: *What are the elements of a good business association, in the Somalia context? What are the challenges to the development of business associations in post-conflict countries? What lessons can be inferred from the experiences of other countries in the region?*

This primer is particularly timely as the various conference attendees deliberate during break-out sessions at the Shuraako Investment Forum scheduled to be held in Nairobi, Kenya, on the various ways private sector interests can be developed for Somalia.

## **SECTION 2: OUTLINE OF EFFECTIVE BUSINESS ASSOCIATIONS**

At the time of writing this primer there are few, if any, known fully functioning business associations with the characteristics discussed below, in present-day Somalia. Informal business coalitions, government-led chambers of commerce, cooperatives, and “saving circles” common to many Somali clans are not internationally recognized as business associations.<sup>9</sup> Associations representing business enterprises are of several types, ranging from broad-based umbrella (peak or apex) organizations; to trade associations representing highly specific industries; to professional societies comprising individual practitioners in particular fields such as accountancy, architecture, law, engineering, and medicine. Typically these groups are found at all levels of society in any country where business associations exist. It is worth noting that there are necessary characteristics that these organizations must have in order to be described as business associations.<sup>10</sup> While it is possible elements of the concept governing business associations may be present in some form within Somalia, the country still has a long way to go before the overwhelming majority of these organizations, formal or informal, qualify to be internationally recognized as business associations. What then are the attributes that grant an organization the right to be called a business association?

There are three primary characteristics that effective business associations share.<sup>11</sup> First, they are the result of non-governmental initiatives, organized from the bottom up. Even semi-official associations should involve initiatives by entrepreneurs, professionals, or tradesmen. Second, these associations are organized according to market principles (contractual and horizontal) rather than hierarchical, administrative principles. Membership is voluntary, and members are free to join or quit within specified schedules; this results in great pressure for associations to serve their membership interests. Third, the associations are self-funded and self-governed entities, enjoying considerable autonomy while practicing “associative democracy” attributed to such networks. The self-governance of these associations is demonstrated in their sources of funding, the way their leaders are chosen, and decision making within the membership (for umbrella bodies) and the associations at large.

At the core of these characteristics is the fact that business associations primarily function as intermediate organizations. They serve as a bridge between member enterprises, the market, and government.<sup>12</sup> To fulfill their mandate in line with the three mentioned characteristics and consequently address issues around the logics of influence and service, business associations play five specific roles.

***They serve as a bridge between member enterprises, the market, and government.***

The first is to meet membership needs. These needs include the offer of legal advisory services, conducting of training programs and workshops for improved business skills, the provision of technical and managerial assistance, and the collection and dissemination of useful information. Business associations will invariably have their own web pages, journals, or newspapers, keeping their membership abreast of any developments in the market and policy arenas

Second, business associations self-regulate and encourage cooperation among members. This role is addressed by protecting intellectual property rights, monitoring product quality, and arbitrating disputes among members.<sup>13</sup> Because of their technical specialization and intermediate status, business associations can be effective at mediating disputes that invariably occur in the course of business transactions. A recent example of the role of a business association seeking to regulate the performance of its members is that of the Institute of Certified Public Accountants of Kenya (ICPAK) that has just tabled a proposal for stiffer penalties to be levied on errant members.<sup>14</sup>

Third, business associations promote the industries they represent through organizing exhibitions, leading membership to participation in national and international events; gaining access to foreign markets; and fostering international exchange. Included in this role is the interaction between government policy makers and business groups. Attendance at these trade exhibitions only achieves desired results if there is an alignment of interests between government and business groups.

Fourth, the business associations assist area governments to regulate the business environment. In post-conflict environments this role takes on even more urgency. In these conditions governments are often weak and incapable of effective regulation of the increasingly developing private sector. Governments are therefore willing to concede part of this role to business associations. Business associations are also incentivized to offer this role because it enhances their reputation and grants them access to the administrative resources of government. This aspect is also evident in the Kenyan Presidential Roundtables held every three months between directors of KEPSA (Kenya Private Sector Alliance) and the country’s executive. At these forums, KEPSA, the umbrella business association by virtue of its access to the country’s leadership, helps improve policy implementation within Kenya.

Finally, and closely related to the function just mentioned, is the fact that business associations defend member interests and consult with area governments on policy making. Compared with the role noted

above, this is a political function, and business associations typically act as intermediaries between their members and the government, voicing their membership concerns and defending their membership rights and interests. As an example, perhaps the greatest burden to firms based in post-conflict countries, especially those in Africa, is the lack of a reliable source of electricity.<sup>15</sup> Effective country business associations continuously work on ways to have their respective governments address these power outages and other “cost of doing business” burdens.<sup>16</sup> It is important to note that within this function there are subtle differences between trade associations and professional associations that are both subsets of business associations. Overall, the main function of trade associations remains economic with the “market dynamic” aspect most dominant. Entrepreneur and professional associations, on the other hand, seek an increasingly political dynamic because of their need to facilitate change in policies that are not beneficial to their membership. These two dynamics are not mutually exclusive. The extant literature has recognized that beneath the political activities of business associations there must lie an economic rationale that trades off the costs and benefits of the respective interventions.<sup>17</sup>

### SECTION 3: CHALLENGES TO THE DEVELOPMENT OF BUSINESS ASSOCIATIONS IN POST-CONFLICT COUNTRIES

While it is acknowledged that business associations play a very important role in the development of countries coming out of conflict, often overlooked are the challenges these organizations face in their own formation.<sup>18</sup> The first and probably the most challenging of these obstacles is the lack of a “business association mentality or culture.” With little institutional memory of private sector-led coalitions in this realm, it is difficult to establish the governance structures that eventually result in effective associations. It also does not help that most post-conflict countries remain largely aid-dependent.<sup>19</sup> With these countries’ economies defined by donor support, instead of grassroots development of business associations, the business coalitions remain hostage to a feeding frenzy during which business owners spend most of their time pursuing donor funding. For almost all these economies there is therefore a pronounced need to introduce a paradigm shift that emphasizes a disciplined approach to sustainable business revenue generation so that market-driven activities—rather than resource capture—are the order of the day.

***The trust eroded by years of instability has to be regained.***

Second, a closely related constraint is the lack of trust among business players and their relationships with whatever government exists in post-conflict situations. The trust eroded by years of instability has to be regained.<sup>20</sup> This is not helped by the fact that years of war exacerbate the gap between formal and informal sectors. As the conflicts wind down, the tendency by emerging governments to insufficiently address constraints to formal business structures at the expense of hard infrastructure is a major problem. Closed political and economic systems therefore have to be reformed to give way to the creation of business associations. It is also worth noting that business associations may be identified as “schools of democracy” in post-conflict environments where democratic principles may not have already taken root. This development may be in conflict with the prevailing political dynamics.

Third, the lack of communication between nascent business associations and their potential members is daunting. The sustainability of business associations hinges on surpassing a threshold of membership that believes it enjoys the associations’ demand-driven programs in addition to the effective marketing of membership interests. Beyond dealing with poor external communication issues, the development of business associations in post-conflict countries is challenged by imperfect information within the specific associations. When internal communication breaks down, the associations are unable to establish a consistent message for the private sector. Associations that cannot communicate effectively or have remained small or low capacity are forced to choose a different way of achieving sustainability other than receipt of membership dues.

The lack of effective communication within the associations is often path dependent and aptly captures the fourth challenge to the development of business associations in post-conflict countries. The fourth constraint in these scenarios is the result of years of specific ideology or culture during the periods of instability. To overcome this challenge the association leaders are faced with a need to operate with a different mind-set. To be effective in their new dispensation, association leaders must adapt their management styles to move away from the strictly hierarchical structures often prevalent during conflict.

Fifth, perhaps the most immediate challenge to the development of business associations in post-conflict countries is the lack of legal, political, and social infrastructure to shepherd the operations of these private sector interests. In many instances some of these emerging governments can simply ignore these “business associations”; others may actively pursue a containment policy where one group of associations would be allowed unfettered access, while others remain at the fringe of dialogue with the government. However, business associations that can navigate this particular challenge of weak country governance structures are able to confront a major impediment to their long-term health. Aggressive and forward-thinking business associations can look at the lack of legal, social, and even educational structures as an opportunity to work with area governments to create new laws and initiatives beneficial to their interests.<sup>21</sup>

*perhaps the most immediate challenge to the development of business associations in post-conflict countries is the lack of legal, political, and social infrastructure*

#### **SECTION 4: LESSONS FROM COUNTRIES IN THE REGION**

Until quite recently, very few studies have focused directly on business associations in Africa, unlike Asia where multiple studies of “inclusionary institutions” point out that private sector associations are “embedded” in networks of social relations that provide “institutional channels for policy negotiation.”<sup>22</sup> The Asia-based literature suggests that business interests are more likely to push for macroeconomic stabilization and export-friendly trade regimes when the business class has matured in number and experience, and is broadened to the point where it represents a substantial portion of the productive economy. When business associations broadly represent the range of business interests in the country (possible through a peak or umbrella association) and have the technical capacity, credibility, and resources, the literature suggests they can achieve the mentioned goals as long as government and business associations have institutionalized regular consultation akin to the KEPSA (Kenya Private Sector Alliance) Presidential Roundtables.<sup>23</sup>

Even though there are not as many examples of business coalition activities in Africa over the last two decades, the literature documents that indeed one country, Mauritius, has been noteworthy in its private sector organization for a much longer period. Mauritius is deemed to be a gold standard of business associations within the continent. Business associations have been well organized in the island economy for over one and a half centuries. The oldest of these associations is the Mauritius Chamber of Commerce and Industry (MCCI), founded in 1850 to organize the country’s trading interests, and the Mauritius Chamber of Agriculture, established in 1853 to represent large-scale sugar producers. Both enjoyed considerable influence in the colonial government. More recently, the Association of Mauritius Manufacturers (the AMM, founded in 1995), representing import-substitution industrialists, has assumed some of the functions of MCCI. The more typical experience of many countries in the region is that of Uganda, Kenya, and Zambia. A 2001 World Bank study suggests that the Uganda Manufacturers Association was closely involved in the broad set of reforms undertaken in the country, while Kenya’s Export Promotion Council (a member of KEPSA) that was established in 1992 has had continued access to policy debates either on its own or lately under the aegis of KEPSA.

KEPSA, an umbrella business association representing the interests of micro, small, medium, and large Kenyan business, was established in 2003.<sup>24</sup> The organization is largely homegrown and operates a fully functioning secretariat with non-executive directors from all sectors of industry, a governing council, and a competent management staff under the direction of a chief executive officer. Since inception it has engaged in sustained advocacy with all the government organs to help create and endure a good business ecosystem captured by the guiding document, the National Business Agenda (NBA). The first iteration of this agenda, NBA-I, dealt with the period from 2008 through 2012. The second iteration, NBA-II, is projected to address the 2013 to 2018 interlude. The NBA covers the aspirations of KEPSA members and documents the constraints that it seeks to overcome in order to improve Kenya's business ecosystem. These constraints include policy implementation and regulatory reforms such as provisions for improved and adequate physical infrastructure; overcoming insecurity; establishment of efficient public services; a revitalization and transformation of agriculture; protection of intellectual property rights and unleashing of information and communications technology (ICT) potential to drive innovation and growth; the creation of tax regimes conducive to growth and the establishment of labor policies that incentivize job creation; steps toward the expansion of external trade; and enhanced public-private sector engagement.

Essentially the NBA objectives converge with Vision 2030, a government development plan that is working to make Kenya a high middle-income country by 2030.<sup>25</sup> On the political economy front, KEPSA's recent initiatives include the Mkenya Daima campaign that, together with other private sector and civil society interventions, has been widely credited with contributing to the reduction of hostilities before, during, and after the 2013 national election cycle.<sup>26</sup> KEPSA, as alluded to above, continues to work with the government of Kenya in well-published quarterly forums, labeled the Presidential Roundtables, where KEPSA directors and the Kenyan executive review progress toward mutually set goals. The Roundtables were initially hosted by the former prime minister during the Kibaki-led government but have since the 2013 election of President Uhuru Kenyatta become an important feature of State House—the official office of President Uhuru.

***The Zambian experience further illustrates the utility of homegrown business associations in modern-day Africa.***

The Zambian experience further illustrates the utility of homegrown business associations in modern-day Africa.<sup>27</sup> From independence in 1964 until 1991 Zambia was ruled by one party, the United National Independence Party (UNIP), at a time when there was little tolerance for independent coalitions of business interests.<sup>28</sup> For the reader not conversant with the goings on in many African countries, in the years following independence from colonial rule, the model of single-party government was the rage for many of these nations such as Kenya, Tanzania, Zambia, and Malawi to mention but a few. For all these countries the voice of business, just like other non-state actors, was largely muzzled over these years. In Zambia during the period of single-party rule, the country solely depended on copper revenues out of mostly nationalized enterprises. Low copper

prices after 1975 crushed government revenues, leading to a huge foreign debt and subjecting the country's population to untold hardship. After two decades of economic decline and unsuccessful attempts at structural adjustment, much of which was prescribed by developmental partners, the country returned to multiparty rule in 1991. At the onset of multiparty politics it was expected that a partnership of nascent business groups and the ruling party, Movement of Multiparty Democracy (MMD), would lead to much needed economic reforms. However, this was not to be the case and the private sector remained exceedingly weak when compared to the state bureaucracy, which like other African countries transitioning from single-party rule had little appetite for reversing policies that led to economic decline.

In Zambia, and even more so in the neighboring country of Zimbabwe, the fissures in the business community—including both racial and sectorial differences—were ably exploited by the ruling coalition. Until recently the absence of strong, cohesive, vocal, and influential homegrown business interests in Zambia

has meant that the private sector has lacked the capacity to lobby for consistent economic reform. While the chamber movement in Zambia dates back to the first third of the last century, it is only in the last two decades that black Zambian businesses have been the majority in the main associations. Generally, the democratic transitions in the country beginning in the early 1990s granted increased autonomy for associations representing business, agriculture, and labor. Much like Kenya’s KEPSA, the Zambian business associations now reasonably expect that, moving forward, the cooperative relationships they continue to develop with the state will allow them to possibly temper the harsher effects of necessary government policy.

## SECTION 5: CONCLUDING THOUGHTS

On a macro level it is evident from the experiences of some African countries neighboring Somalia that despite decades of donor advice and significant reforms, it is still relatively difficult to find policy makers who really trust the business sector (and business associations) to deliver results. As the Zambian experience illustrates, given the choice, governments often prefer a regulatory or administrative solution. It is also demonstrated by the countries in the section above that governments are sometimes concerned that reforms potentially threaten their own interests by creating an “unmanageable” private sector. However, as the experiences of the regional countries above have shown, it is in the long-term interests of a country like Somalia, coming out of prolonged conflict, to hasten the development of business associations as an avenue for development of her business ecosystem. What, then, can be done to promote a broad-based, relatively unfettered private sector that is primed for intelligent evolution with other facets of the economy, in present-day Somalia?

First, Somalia does not have far to look. Experience from the more progressive African business associations like the Association of Mauritius Manufacturers and KEPSA shows that for the most part, reforms to promote private sector development with and through business associations are hardly a challenge to political incumbents and are indeed probably less likely to lead to political upheaval than systems that foster the rise of a small, wealthy class of tycoons typical of many post-conflict environments.<sup>29</sup> Reforms that benefit a large number of firms and consequently improve the say of business associations, such as licensing reforms and the abolition of “nuisance taxes,” as well as the improvement of financial markets, which widens the access to finance, should be pursued as energetically as those focusing on trade, education, and tax equity—all of which are incidentally addressed in KEPSA’s National Business Agenda (NBA-I and NBA-II).

***it is in the long-term interests of a country like Somalia, coming out of prolonged conflict, to hasten the development of business associations***

Second, the experiences of the countries discussed in the sections above clearly highlight the utility of organized private sector coalitions in Somalia and their roles in building sustainable business ecosystems. Somalia business associations can address crucial development issues such as strengthening property rights, facilitating vertical and horizontal coordination, reducing information costs, and upgrading worker training.<sup>30</sup> Business associations that engage in these developmental activities in regional economies—for example, the Uganda Association of Manufacturers, the Association of Mauritius Manufacturers, and the Kenya Private Sector Alliance—tend to be well organized and staffed. These functions are further enabled by the presence of institutional strengths within and among these business associations. These strengths include the presence of a high participation rate to meet membership thresholds, valuable selective benefits (sometimes on delegated authority from government), and effective internal mediation of membership interests. Therefore, just like KEPSA, successful Somalia business associations must, at the very outset, strive to introduce excellence in operations and staffing in order to benefit membership.

Third, the sustainability of Somalia business associations depends on each association's providing services that are market driven and responsive to the needs of its membership. As evident from the experiences of AMM and KEPSA, to mention but a couple, business associations develop when the collective needs of their members outweigh competitive conditions. These two well-developed associations find it essential to develop means to affect governmental policies such as taxes, tariffs, import and export controls, labor conditions, and the like. Because they are able to keep on message and advance their membership interests, they will continue to have a critical mass of members, hence ensuring dues as a primary source of revenues. These associations can only carry out their mandates if they have adequate resources. Somalia business associations too must strive for market-responsive services in order to develop a critical mass of membership.

Fourth, while the Somalia scenario may be direr than any of the countries discussed above, it is not all doom and gloom. The pursuit of excellence and professionalism in Somalia business associations, even in the current environment, is not a far-fetched exercise. Lessons learned from the countries mentioned above point toward good practice and possible models that may be adopted for Somalia's unique private sector circumstances. Because of dramatic differences in sectorial development, different associations in

***The pursuit of excellence and professionalism in Somalia business associations, even in the current environment, is not a far-fetched exercise.***

each segment of the Somali economy will have to develop their own homegrown solutions. The relatively more developed industries in Somalia, like telecommunications (telecoms), can set the ball rolling by having the providers of telecom services seek to model themselves along the lines of those in neighboring Kenya.

Fifth, as a start to building functioning professional ranks among the specialist fields, Somalia can borrow from the experience of Liberia.<sup>31</sup> The Liberian Association of Accountants with its loose affiliation with an assortment of international associations could be a good model to emulate.

Just like Somalia, Liberian professionals fled during the prolonged conflict leading to the death of professional associations. Helping build back these associations could be the first step. Though time consuming, restoration of professional standards of accountants and auditors, for example, may be a pragmatic way to improve professionalism and build business associations. In the Somalia scenario, just like Liberia, where there is little institutional memory for these professions, a realistic avenue for this exercise could be the pursuit of professionalism "tracks" that give legitimacy to the notion of "profession" but have achievable entry standards, perhaps with a path set to converge with international accounting, ISO (International Standards Organizations), and other performance guidelines in the future. Somalia private sector interests could also boost professionalism through sponsorship of skill competitions in tandem with the nascent business schools.

Finally, in agreeing to join the world community of business associations, Somalia would be helping shape its own destiny in line with the ancient Chinese proverb. And as can be inferred from the ancient Chinese proverb, the future of Somalia business interests depends on the development of the ideas that will enable a convergence to recognized world standards and hence efficiency of operations. The proposed development of Somalia business associations is not an end in itself but a process, as market conditions such as competition, prevailing economic structures, and the advocacy environment together with other challenging conditions change to force even the most well-established organizations to reassess how they conduct business.

The journey may therefore be long and painstaking, but in the end the resilience of systems put in place will be worth the effort. Somalia private sector interests, just like those in the countries mentioned above, can and should be in a position to build their business ecosystem through measures involving developmental activities of business associations.

## NOTES

1. This classification is adapted from Charles Mack, *The Executive's Handbook of Trade and Business Associations: How They Work, and How to Make Them Work Effectively for You* (Westport, CT: Quorum Books, 1991), 13–15.
2. There is some debate over the actual source of this proverb. The full proverb was commonly used by Americans in the nineteenth century, but they attributed it to an old Chinese proverb. While the original source is unknown, the sentence structure does suggest that it is Chinese. It famously appeared in Stephen Covey's *The Seven Habits of Highly Effective People*:  
*We sow a thought and reap an act;*  
*We sow an act and reap a habit;*  
*We sow a habit and reap a character;*  
*We sow a character and reap a destiny.*  
[http://en.wikiquote.org/wiki/Charles\\_Reade](http://en.wikiquote.org/wiki/Charles_Reade) (accessed February 13, 2015).
3. For a detailed discussion of this concept, see J. F. Moore, *The Death of Competition: Leadership and Strategy in the Age of Business Ecosystems* (New York: Harper Business, 1996).
4. The word is a noun in ecology and several definitions are available that more or less capture the gist of this particular one. <http://dictionary.reference.com/browse/ecosystem> (accessed January 29, 2015).
5. These ideas have been developed from the thoughts of J. F. Moore, *Digital Business Ecosystems in Developing Countries: An Introduction* (Cambridge, MA: Berkman Center for Internet and Society, Harvard Law School, 2003), <http://cyber.law.harvard.edu/bold/develo3/modules/episodeII.html> (accessed January 27, 2015).
6. See a discussion of this logic in Robert J. Bennett and Paul J. A. Robson, "Exploring the Use of Trade and Professional Association Services," *Applied Economics* 43, no. 13 (2011).
7. A good explanation of this logic is found in F. Van Waarden, "Two Logics of Collective Action? Business Associations as Distinct from Trade Unions: The Problems of Associations or Organizations," in *Employers' Association in Europe: Policy and Organizations*, ed. D. Sadowski and O. Jacobi, 51–84 (Baden-baden, Germany: Nomos, 1991).
8. Two such scholars are Richard F. Doner and Ben Ross Schneider, "Business Associations and Economic Development: Why Some Associations Contribute More Than Others," *Business and Politics* 2, no. 3 (2000).
9. Examples of these Somalia clan and community-based savings circles are qaadam, hagbed, and ayuto, discussed in the blog Owuor Victor Odundo, "The Business of Risk: A Micro-Insurance Option for Somalia (2014), <http://oneearthfuture.org/research/blogs/victor-owuor/business-risk-micro-insurance-option-somalia>.
10. See Mack, *The Executive's Handbook*.
11. See A. MacDonald, *The Business of Representation in the Modern Trade Association: A Report of the Trade Association Forum* (London: Trade Association Forum, 2001).
12. See R. J. Bennett and P. J. A. Robson, "Exploring the Market Potential and Bundling of Business Association Services," *Journal of Services Marketing* 115 (2000): 222–39.
13. A discussion of Nigerian business associations' activities directed toward intellectual property is found in Peter Lucas, "State and Society in Nigeria: A Study of Business Associations in Kano," PhD diss., Indiana University, 1993.
14. See David Herbling, "ICPAK Seeks Tribunal to Discipline Errant Members," *Business Daily*, February 6, 2015, <http://www.businessdailyafrica.com/ICPAK-seeks-tribunal-to-tame-misconduct-by-accountants/-/539546/2615346/-/aver0z/-/index.html> (accessed February 6, 2015).
15. See Vijaya Ramachandaran, Alan Gelb, and Manju Kedia Shah, *Africa's Private Sector: What's Wrong with the Business Environment and What to Do about It* (Washington, DC: Center for Global Development, 2009).
16. The experience of Pakistan and how effective business association representation addressed power outages in the country are discussed in M. Tewari, *Understanding the Organization of Work* (Boston, MA: MIT Mimeo, 1990).
17. These thoughts are captured in Richard F. Doner and Ben Schneider, *The New Institutional Economics, Business Associ-*

*ations and Development* (Geneva: ILO/International Institute for Labor Studies, 2000), DP/110/2000.

18. See Sylvia Maxfield and Ben Ross Schneider, eds., *Business and the State in Developing Countries* (Ithaca: Cornell University Press, 1997).
19. A comprehensive discussion of the pitfalls of this aid-dependency in post-conflict economies is laid out in Paul Collier, *The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done about It* (New York: Oxford University Press, 2006), 99–123.
20. See P. Kennedy, “Political Barriers to African Capitalism,” *Journal of Modern African Studies* 32, no. 2 (1994): 191–213.
21. Similar sentiments are shared by the World Bank, *Ethiopia—Private Sector Development Capacity Building Project (P050272): Implementation Status and Results* (World Bank Report No. ISR8772, 2012).
22. See R. Doner, “Limits of State Strength: Towards an Institutionalist View of Economic Development,” *World Politics* 44, no. 3 (1992): 398–431.
23. See Kenya Private Sector Alliance, “About Us,” <http://www.kepsa.or.ke/about-us> (accessed January 29, 2015).
24. Kenya Private Sector Alliance, *The Kenya National Business Agenda II: Working Together—Winning as Kenya* (Nairobi, Kenya: KEPSA, 2013).
25. Vision 2030 seeks to make Kenya a globally competitive and prosperous country using three—economic, social, and political—pillars. <http://www.vision2030.go.ke/> (accessed February 11, 2015).
26. See Victor Owuor and Scott Wisor, *The Role of Kenya’s Private Sector in Peacebuilding: The Case of the 2013 Election Cycle* (Broomfield, CO: One Earth Future, 2014), <http://oneearthfuture.org/sites/oneearthfuture.org/files//documents/publications/kenyaprivatesectorreport-digital.pdf>.
27. See Scott Taylor, “Beyond Business as Usual: Business Associations, the State and Liberalization in Zimbabwe and Zambia,” PhD diss., Emory University, 1998.
28. See C. Baylies and M. Szeftel, “The Rise of a Zambian Capitalist Class in the 1970s,” *Journal of South African Studies* 8, no. 2 (1982): 187–213.
29. The perils of such cronyism are documented in Raj M. Desai, *How Cronyism Harms the Investment Climate*, Brookings Global Views Policy Brief 2007-01 (Washington, DC: Brookings, 2007), [http://www.brookings.edu/~media/research/files/papers/2007/1/01development desai/20061115desai.pdf](http://www.brookings.edu/~media/research/files/papers/2007/1/01development%20desai/20061115desai.pdf) (accessed January 28, 2015).
30. The role of organized private enterprise is discussed in Mark McCord, *Assessing the Development of Business Associations in Transitional and Post-Conflict Countries* (Washington, DC: Center for International Private Enterprise, 2005).
31. A description of the steps Liberian business interests have taken is outlined in Sanjay Pradhan, “Building Capacity to Move Past Conflict and Fragility: An Agenda for Action,” *Development Outreach* (October 2009): 6–9.



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