More than makeup: How Atsoko overcame the challenges of entrepreneurship in Tanzania

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[Short Abstract]

In establishing a successful cosmetics business geared to women in an emerging African economy, an intrepid Swedish entrepreneur combined creativity, capitalism, and cultural insight.

[Long Abstract]

Africa is an emerging economy with many institutional obstacles that complicate efforts to do business there. These include limited access to capital, a lack of skilled labor, inferior infrastructure, and corruption. The experiences of Marie Englesson, a Swedish entrepreneur, in establishing Atsoko, a thriving cosmetics distribution and retailing firm in Tanzania, offer valuable lessons in addressing those challenges through creativity, dedication, and wise and principled deployment of capital. Securing first mover advantage, establishing early brand identity, providing employee training, offering a basic salary higher than the local standard, rewarding good performance, and focusing on making a positive social impact were all part of her beauty company’s formula for success.

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It was 34 degrees Celsius when Marie Englesson entered her office in the Tanzanian city of Dar es Salaam to find that the air conditioning was not working – again. Perhaps twice every week, the electricity in the office malfunctioned, putting her inventory of imported cosmetics at risk. The generator usually kicked in, but today, it didn’t. The worker in charge of it was cleaning his motorbike.

To add to Englesson’s problems, representatives from two government agencies had visited her earlier that day. The first conducted an immigration audit to check that the paperwork for the expatriate employees and interns was in order—this just one month after the previous check. The second was from the Tanzanian Tax Authority to deliver a tax assessment from a 2011 audit, which concluded that she owed 260 million Tanzanian shillings in taxes (US$116,000) – in addition to her tax burden from the previous year.

This snapshot of a day in the life of an expat entrepreneur reveals some of the real-life difficulties of operating a business in Tanzania. While the East African nation is considered a high-growth and relatively stable political environment, the conditions for doing business there are difficult at best. Like other developing economies, Tanzania suffers from underdeveloped infrastructure, shortages of skilled labor, legal ambiguities, and corruption, among other challenges.

Despite daunting odds, Englesson, a Swedish expatriate entrepreneur, decided to develop a new retail concept to sell makeup in Tanzania. She called it Atsoko, which is a word play on the Swahili work for market, *soko*. Thus, Atsoko loosely means “at the market” (Atsoko, 2016). As the cost of doing business is higher in Africa than elsewhere, a high-margin or high-turnover product is essential to ensure commercial viability. Fortunately for Englesson, cosmetic products have high gross margins.

# [H1] An Overview of the Tanzanian Market

Bordering Kenya, Uganda, the Democratic Republic of Congo, Rwanda, Burundi, Zambia, Malawi and Mozambique, Tanzania is a member of the East African Community, a regional inter-governmental trade body and customs union that includes Kenya, Uganda, Rwanda, and Burundi. Unlike many of its neighbors, Tanzania boasts a history of peaceful government transitions.

Tanzania is considered among the economic stars of East Africa. In 2015, it had 51 million people, a growth rate of 6.3%, youth unemployment of 11.7%, and inflation of 6-8% (CIA, 2016). Moreover, its currency, the Tanzanian shilling (TZS), is fully convertible. Its key sectors include agriculture, manufacturing, construction, mining, fishing, and services, with horticulture, cut flowers, and live animals among recent additions. Mining accounts for about 42% of total exports, with gold alone accounting for 36%. Estimates concerning natural gas reserves stand at 7.5 trillion cubic feet, and 12 companies have a license to invest in petroleum and gas. In addition, major multinationals such as the Swedish-Swiss multinational ABB, and, the American multinational GE, are active in Tanzania. Finally, tourism is growing and is becoming an increasingly important source of foreign capital.

In 2016, macroeconomic conditions in Tanzania were described as promising (MTI, 2016). The new president, John Pombe Joseph Magufuli, focused on promoting the industrial sector, increasing infrastructure spending, and fighting corruption. Although investors were hopeful that the economic environment would improve, the global ranking of the Tanzanian investment climate was not favorable. Between 2005 and 2016, the World Bank ranked the country between 126 and 153 out of 189 (World Bank, n.d.). The measure takes into account the cost of starting a business, dealing with construction permits, trading across borders, paying taxes, enforcing contracts, closing business, getting credit, registering properties, and other factors. In 2016, Tanzania was ranked 139, one up from its position in 2015.

The challenges of doing business in Tanzania include the inferior state of roads and telecommunications networks, corruption, issues related to land ownership and tax administration, security, problems at ports and airports, intricacies of employment law, smuggling, lack of electric power, various macro-economic issues, and a shortage of skilled labor (BreakThrough Attorneys, 2015).

Tanzania’s president is seen as a reformist (MTI, 2016). During his tenure, he has tried to ensure that government officials arrive on time and address their responsibilities, which contributes to a positive working environment. He has also, however, enforced socialist policies that are less pragmatic. For example, it is hard for foreigners to get work permits, there is a 10% withholding tax on royalties and dividends sent overseas, the corporate tax rate is at 30% (even higher than Sweden’s 20%), and there is an employment tax of 50% (30% for social fees and 20% for pensions).

The infrastructural challenges are numerous. Aside from the lack of a consistent system of street addresses, water and electricity failures are frequent, and the skilled workers needed to handle these issues are hard to recruit and retain. In addition, government officials often seek bribes, and permits and clearances sometimes take much longer than expected. Concerning corruption, one lawyer in Tanzania said, “You just have to deal with corruption. You pay bribes to make things go smooth. Bribes are not to get something, but to cut down on the red tape, as government officials expect it. However, if you start paying, you need to do so every time. The cost of not paying is that the process becomes increasingly long, costly, and painful. In some cases, you need to bring lawyers or agents as middlemen to handle the corruption.”

Tanzania’s complex labor laws are another hurdle. For example, theft cannot be used as a reason for firing employees without a verdict in court. It can take three years or more to fire someone, and in such cases an HR lawyer is often needed; meanwhile, the business has to continue to pay the employee’s full salary.

Finally, as in most of Africa, cash is king in Tanzania. Only 20% of people have a bank account, most salaries are paid in cash, most transactions are made in cash, and consequently, the informal, or gray economy, is widespread. These challenges, of course, also offer an opportunity to those who can provide appropriate solutions.

# [H1] The Tanzanian Beauty and Personal Care Market

In general, the African market is most often associated with resource extraction or attempts to provide clean water, energy, and housing for the poor. Indigenous demand for value-added products, such as aspirational and beauty products, is often ignored. Nevertheless, the overall African beauty and personal care market is growing between 8% and 10% annually, compared to a global growth rate of nearer to 4%. The value of the beauty products market in Tanzania was estimated at US$250 million in 2016, and it’s expected to double in the next three years (MTI, 2016). This demand is especially evident among urban women seeking Western brands. There is anecdotal evidence suggesting that middle-class women in Tanzania will spend up to 20% of their income on makeup. The growth of this market is reinforced by a keen local interest in beauty and fashion, a growing young population, and increasing urbanization.

Competition in the cosmetics business in Tanzania is fragmented. On the one side, there are many players in the substantial informal sector, consisting mostly of small family shops that import products in suitcases. Often using warehouses in Dubai, these gray importers are unauthorized distributors that sell date-expired or counterfeit products. The products from these vendors are often low in quality and high in price. The supply chain in these gray networks is longer than it would be in a legitimate network, and each of the various intermediaries needs to take a cut.

On the other side, established formal players include such cosmetics firms as Forever Living, an American manufacturer and distributor of aloe vera products; Oriflame, a Swedish company that emphasizes transparency, equality, and non-aggressive marketing (Gurkov, 2016); the Turkish monobrand Flormar store; and supermarkets, such as the Tanzania-based Shoppers retail chain and the Kenyan Nakumatt chain. Although supermarkets can be major competitors in the beauty and personal care market, they lack a focus on personal attention and cosmetics.

# [H1] The FORMATION OF AN Entrepreneur

Marie Englesson was born in Åhus in southern Sweden in 1980, grew up there, and experienced a comfortable Swedish upbringing. She was an excellent student, with skills in languages and mathematics. At 19, she left Sweden to study French in France; a year later, she obtained a Rotary scholarship to study in Piedmont College in the southern American state of Georgia. During her time in the United States, she was exposed not only to American culture and language, but also to entrepreneurship. She developed a positive view of it, which contrasted with the small town Swedish mentality that associated entrepreneurs with hustling and tax avoidance.

At the age of 21, Englesson applied to the highly regarded Stockholm School of Economics, which enabled her to be close to her family while studying business and economics. In the third year of a four-year program that would culminate in a master’s degree, Englesson took a year off to intern for an NGO in India and for the Swedish embassy in Malaysia. These experiences piqued her interest in the developing world.

After graduation, she got a job working on EU-related projects for the Swedish Trade Council in Brussels, part of the Swedish Foreign Affairs Office. Dissatisfied with office work, she yearned for a more hands-on and meaningful role that would enable her to make the most of her international experience, fluency in several languages, strong Swedish work ethic, and knowledge about American capitalism and culture. An article in *Dagen Industri*, a Swedish financial newspaper, about a Swedish telecom operator doing business in Asia and Africa inspired her to apply for a job with that company. She worked for three years as part of the firm’s global procurement team and traveled frequently to Africa, where her area of responsibility included Rwanda, Senegal, the Democratic Republic of the Congo, negotiating contracts for large investments and ensuring that they were properly implemented. During her last year with the telecom, she was the head of supplies and procurement in the same African markets. Even though she worked 60 to 70 hours per week, she did not feel that her work made much of a social impact, however.

Although Englesson knew that her passion lay in entrepreneurship and that she wanted to stay in Africa, in 2010, she went back to Sweden to work as a telecom consultant. She thought about starting an online enterprise in Africa in 2011, but after conducting some initial market studies decided that this was not a good idea. While consulting, she continued to explore various business ideas. Recalling that friends and colleagues in Africa had often asked her to bring cosmetics back from her trips to Europe because Western brands weren’t available locally, she realized that providing Western cosmetics in Africa was a business opportunity worth considering.

She started by researching the trade barriers, including regulatory restrictions. Cosmetics are high in value and low in weight, so it would be easier and cheaper to ship them than other products like electronics and clothes. After examining a few potential markets in which to base her operations, Englesson opted for Tanzania, which offered a large market for her goods and even had a small Swedish community. She looked forward to starting a business in which women would be her final consumers.

Englesson moved to Tanzania in 2012 and started importing cosmetics and distributing them to small family-run shops, some pharmacies, and individual women who were selling to their friends. At first, she distributed cosmetics by Sleek MakeUP, a British brand that had a distributor in Kenya but not in Tanzania. Through trial and error, Englesson moved from trading and distribution into retailing. At the time, she had two local competitors: a firm that had two shops and a pharmacy chain, and another that was attempting to develop its own brand based on cosmetics made in China.

# [H1] The Birth and Growth of Atsoko

The Atsoko brand was designed to provide authentic, high-quality products that address customer needs in the African market. Since dark-skinned women sometimes have trouble finding the right shade of makeup, Atsoko selected brands and products that had been specifically developed for dark skin tones and, therefore, suited the local population.

Within a year of Atsoko’s start as a distributor, Englesson had about 80 resellers, but there was a high turnover rate among them. Some went out of business, some simply disappeared with the money they collected, and others charged too high a price for the products, which was damaging to the brand. In general, the resellers were not taking good care of their clients, but were concerned only about their own profit.

In December 2013, the two top salespeople were selling, on credit, 45 million TZS (US$20,000) worth of goods, yet Englesson’s profits were low. Sales over the Internet, which had been initiated in 2011 as part of a market survey, were limited. In 2014 the online business was outsourced to Jumia, an online retail portal, and generated 446,000 to 1.1 million TZS (200 to 500 USD) in monthly sales, representing 1% to 3% of total sales revenue. Englesson realized that she needed a different business model, one that would enable her to keep her two largest resellers, who were responsible for about 30% of her sales.

She decided to open her own retail location, where she could distribute directly to consumers and control the quality of service. The first shop was opened in 2013, and the second in September 2014, both in Dar es Salaam. All this was done with a small loan from Almi, a Swedish state-owned bank, US$100,000 from Englesson’s family and friends, and her own capital. But the funding was not enough to finance her ambitions for expansion.

With cash low, in 2015 Englesson was almost ready to give up. She’d become ill with meningitis and was unable to work for a month. Sales dropped during her absence, which made her realize that the business was almost totally dependent on her. The shops, in general, were doing well, but resources were limited. One of her initial investors, a friend, suggested that she give the venture another six months. The same person offered to lend her more money, and all the other original investors were also willing to contribute. Her cash flow was a monthly hand-to-mouth struggle.

To prove the viability of the business, she opened a third shop in Dar es Salaam during May 2015 and launched an Atsoko line of makeup accessories. Although the business was increasingly demanding, she could not afford to hire anyone to help her. The combination of limited funding and shortage of skilled labor trained in retail management and, particularly, in cosmetics, posed an additional challenge that forced Englesson to manage the firm on her own.

Seeking a new source of financing for her business, Englesson met with private equity representatives in Nairobi and considered bank loans. But loan financing was difficult to get in Tanzania, where local banks demand an interest rate of 25%. While traders and importers could obtain loans more quickly than manufacturers, some loans required 120% in collateral. Some small private equity firms began to show an interest in Atsoko, and eventually, MTI, a small Scandinavian private equity group, agreed to invest US$600,000 in the venture.

Through her own investments, loans from colleagues and friends, a Swedish public grant, and principled bootstrapping, by the end of 2015, Englesson’s four-year-old company had 25 employees, revenues of close to 500 million TZS (US$225,000), three outlets, and a target of ten by the end of 2017. By mid-2016, Englesson had six cosmetics stores in major shopping areas around Dar es Salaam, serving some 2,000 clients per month and managing a client database of 12,000 active and registered customers. Englesson’s ownership stake had been reduced to less than 50% after two rounds of investment, however.

Revenues in 2016 were 720 million TZS (US$323,000), which was large for Tanzania, but relatively small for international venture capital. As the company continued to grow, future expansion into other main urban areas in Tanzania, such as Arusha and Mwanza, was being considered. An injection of fresh capital has been instrumental in developing the business further. As shown in **Exhibit 1**, which outlines the firm’s planned finances for 2017, invested funds are being channeled to chain expansion and sales growth.

[PRODUCTION: Set Exhibit 1 about here]

Assuming that growth remained positive, embarking on international expansion in Africa was becoming an attractive possibility. Englesson could expand in Tanzania or go to other cities in Africa, such as Nairobi in Kenya or Kigali in Rwanda. MAC, a popular makeup brand that has been part of the Estée Lauder Companies since 1994, had opened a store in Nairobi, suggesting that demand was, indeed, growing. But Englesson knew that before entering Kenya or elsewhere, she needed a good concept along with a good partner. Her guiding principle was to follow a low-cost business model based on small spaces of 10 to 20 square meters, in popular commercial areas, where good quality products from international brands would be sold to local women.

Another path that Englesson also could have taken was franchising. This is still a new concept in Tanzania, however, and as the local rule of law is not well-developed, it is difficult to protect intellectual property. A few franchisors, including Subway, KFC, Holiday Inn, Western Union, Federal Express, and DHL, had already established a beachhead in Tanzania and were operating locally, with cities like Dar es Salaam and Arusha receiving the most attention. Although franchising would have helped resolve some of Englesson’s problems related to labor laws and scarcity of capital, such a strategy would give her the challenge of finding appropriate franchisees. In Tanzania references are hard to verify, credit reports are nonexistent, and theft is not uncommon (US Commercial Service, 2011), so the prospect of franchising there was unappealing.

# [H1] Developing and Adjusting Business Operations

There’s a saying in Tanzania that while men may go to a bar for entertainment, women go to salons. Beauty salons and shopping are viewed as acceptable social activities for Tanzanian women. Atsoko was created for women with a passion for makeup and beauty, and part of its attraction among the local population was the social experience between the company’s employees and their customers. Indeed, sisterhood was at the core of Atsoko’s emotional appeal. Most women would come to the shops in groups of four or five, sometimes with their children in tow. This is in contrast to women in the West who often go shopping alone or with one friend. Besides selling international brands at affordable prices, the company also offered its customers lessons in makeup application.

It took Atsoko, which was carrying product lines from three international brands, Sleek and the American Maybelline and Revlon, two to three months, and sometimes up to six months, to get inventory after placing an order. Since Tanzania represented only a very small, albeit appealing, market, the brands were not very supportive in terms of credit or marketing support. Nevertheless, Atsoko was the leading makeup retail chain in Tanzania with exclusive distribution rights to major international brands. This gave it a decided edge over other players in the formal retail sector.

The target market for Atsoko—urban, middle-class African women, earning 334,500 TZS (US$150) per month or more—was estimated to consist of about 200,000 women in Tanzania, many of whom had an independent source of income and were willing to spend it on themselves. Product prices ranged from 4,500 TZS (US$2) for nail polish to 90,000 TZS (US$40) for foundation and perfumes. The average purchase was between 22,000 and 27,000 TZS (US$10 to US$12), including the value added tax of about 18%.

Atsoko made more than 8,000 transactions in 2015, and about 19,500 transactions in 2016. Approximately 80% of the business was in cash, 5% in credit card sales, and 15% in mobile card payments. Although 50% of customers had access to a form of mobile card payment, many did not use it because they needed to use cash to refill the card, which entailed another transaction and the need to find an agent who could top up the mobile payment system when the money ran out (Ericsson, 2016).

Atsoko had close to 2,000 unique clients per month, with 40% of them returning. Promotion was mostly by word of mouth, but social media, including Instagram, YouTube and Facebook, was also used. In 2016 Atsoko had more than 10,000 followers on Instagram, and 4,000 customers regularly received promotional messages by text. The company also used billboards. Through fill-in agreements to advertise on billboards that were not reserved or previously paid for by other advertisers, the normal price of a billboard ad was reduced by about half to 670,000 TZN (US$300) per month. Englesson also made an agreement with TV1 (a television channel owned by a Swedish investment firm) to feature her brand in its programs in exchange for free makeup for the cast members. In this way, she was able to turn Atsoko into an aspirational brand.

To reach customers directly, stand-alone shops in residential areas were needed. Atsoko’s store concept was to offer small shops, located in popular areas, which were affordable and relatively easy to set up. It takes about 22 million TZS (US$10,000) to open up a shop with a rental cost of between 44,500 and 145,000 TZS (US$20 to US$65) per square meter. Despite their relatively small size, some shops did particularly well, thanks to a good location—for example, close to a busy supermarket. This small, low-cost, concept also facilitated further scaling of the business.

Finding suitable locations was not always easy, however. Real estate owners often wouldn’t provide any maintenance services, and some locations were infested with rats. Such considerations are of primary importance in the beauty business. Moreover, Muslim women, an important customer group, wanted a secluded environment for making their purchases. Shopping malls, where rents were higher, may have provided better services, but were not as private as Atsoko’s stores.

All Atsoko sales personnel receive in-house training; interns and trainees who’d been educated from abroad were also brought into the stores as specialists. In early 2015 Atsoko’s 19 full-time employees received a monthly salary of 223,000 TZS (US$100), compared to the average wage in Tanzania of about 156,000 TZS (US$70) per month. Moreover, this basic salary could be tripled, or even quadrupled, with sales commissions. But when employees didn’t perform up to expectations, Englesson did not shy away from firing them, even if it meant having to deal with tedious legal processes laid out in Tanzania’s strict labor laws. Englesson’s willingness to take on such difficulties served as an important signal to the other employees.

Like many other businesses in Africa, Atsoko faced the challenge of dealing with bribery and corruption. Bribery was seen as a way to smooth the legal process, a situation that was exacerbated by various legal ambiguities (for example, whether only one business certificate was needed in each locality or whether one was needed for each branch), high administrative costs (670,000 TZS/ US$300 per certificate), and abstruse import and customs regulations. After assessing all the potential costs, Englesson made a principled decision to never pay a bribe.

# [H1] Overcoming Adversity in Africa

Dealing with adversity is part of any entrepreneurial process, regardless of context. For Atsoko, the entrepreneurial impediments came in various forms: institutional challenges like corruption, limited access to capital, a lack of skilled labor with good work ethics, and infrastructural challenges, to name just a few. For each of these, Englesson was able to devise a solution. Linking her tactics to key themes in research on entrepreneurship shows how her company succeeded in expanding, despite the challenges it faced.

## [H2] The characteristics of an entrepreneur

Englesson’s experiences highlight the importance of established entrepreneurial traits, such as determination and the capacity to persevere, creativity, risk tolerance, a desire for autonomy and control of one’s own life, the ability to recognize and exploit opportunities, and, of course, a passion for one’s ideas.

In terms of achievement, Englesson showed a strong capacity to persevere and determination to lead her business to success, despite the obvious challenges faced, and has seen the business grow from an importer to a retail chain that continues to expand.

As for creativity, Englesson showed a continual capacity to overcome cash-flow pressures, such as by employing low-cost promotional efforts that did not undermine the quality of her products and services (as with the barter arrangement with TV1), and the fill-in agreements for billboard advertising.

Regarding risk tolerance, the simple fact that Englesson established a personal care retail chain in a developing country in Africa, far from her native Sweden, shows that she was willing to take on high-risk activities. Her willingness to put her own money and relational capital on the line, to suffer delays and harassment that could result from a refusal to pay bribes, and to dismiss non-performing employees also indicates her capacity to endure uncertainties, as well as her resolve in dealing with ethical dilemmas.

In terms of locus of control, Englesson built on her international education, along with her personal and work experiences. In particular, her former work in Africa with procurement, contracting, and contract implementation prepared her to deal with the challenges of business life in Africa. Moreover, she was unsatisfied with her relatively comfortable and safe job in Sweden, and believed that by creating new employment opportunities for women, training them in the retail business, and inspiring them to enhance their own income through performance, she could have a direct social impact in a developing country. This desire for control may also be seen in her preference for owning a chain of shops where she could better maintain quality and incentivize her employees.

Regarding autonomy, Atsoko business operations heavily depended on her presence, as demonstrated by the decline in performance during the month she took to recover from illness, the cash shortages that required hands-on management, and the inability to recruit a skilled management team to support her. Her desire for autonomy was demonstrated in her opting to open her own chains of shops in response to the problem of low-performing and unreliable resellers.

With respect to opportunity orientation, Englesson has been able to recognize a market gap in Africa even while living in Sweden, building on her experience and research into the field of beauty and personal care retailing in East Africa. This ability to read the market and tap into available resources is further reflected in the way she has developed her store concept distribution channel and promotional strategy.

Finally, Englesson’s passion for her business is clearly evident, not only in her obvious determination to persevere, but also in the very initiative to establish the business in Africa in order to do something with a positive social impact.

## [H2] The entrepreneurial process

The case of Atsoko also illustrates the three-stage entrepreneurial process suggested by Kourilsky (1995) and Mazzarol (2011):

* *Opportunity recognition:* The entrepreneur identifies a market gap and assesses its commercial promise through different levels of market research and analysis.
* *Marshaling of resources:* The entrepreneur raises necessary finance, recruits team members, and secures other strategic resources.
* *Capability development stage:* The entrepreneur builds an operating business organization from the secured resources to deliver the product or service that inspired the original opportunity recognition.

There was evidence of the opportunity recognition stage while Englesson was still in Sweden, when she recognized a business opportunity in cosmetics and examined potential markets in Africa.

Her marshaling of resources entailed finding the financing needed to develop her business. The company’s first three years of operation, as well as the launch of the first three concept stores, were financed by a combination of loans from family and friends, investments from a Swedish bank, and her own savings. The second round of marshaling resources came later with a larger investment by a Scandinavian private investment group, which facilitated the further expansion of her business into additional stores and product lines.

Finally, capability development is manifested in various facets of Atsoko’s operations: investment in recruitment and training of staff, development of a performance-based reward system for employees, painful weeding out non-performing workers, securing exclusive rights to distribute certain popular Western brands in Tanzania, and selecting locations and developing concept stores that focus on service quality, customer training, and the social and emotional needs of customers. An additional capability was developed through collaboration with the retail portal Jumia, which provides a small additional income stream and offers potential for future growth in the e-commerce space.

## [H2] Overcoming business model challenges

Englesson needed to find a business model that would overcome the entrepreneurial obstructions in Tanzania. Limited access to capital was addressed by leveraging relational and social capital, and running low-cost operations wherever possible; a shortage of skilled, ethical workers was overcome by offering good working conditions and clarifying performance expectations and the consequences of failure to live up to them.

The leveraging of the entrepreneur’s network was evident both in the raising of funds from family, friends, and colleagues at the start of her venture and in the way this network helped her contact the MTI investment firm, which provided the funding needed for the chain’s further development and expansion.

Similarly, cost-conscious management and a low-cost orientation toward operations, both of which helped to offset the lack of access to capital, were evident in the small shop/good location concept, and in Atsoko’s pragmatic handlings of its promotional strategies. This low- cost strategy not only economized on real estate costs, but also helped to overcome distribution challenges because of the low quality of roads and other infrastructure. In terms of promotions, the use of social media, the barter approach in television, and fill-in agreements for billboards all helped to provide high-impact promotions at manageable costs.

Finally, to address challenges in recruitment of skilled labor with a good work ethic, Atsoko provided training to its employees, a basic salary that was higher than national standards, and a generous bonus scheme based on performance. Non-performing or trust-violating employees were fired, despite the challenges this posed, as a signal to other employees of the company’s resolve.

## [H2] Entrepreneurial financing

The case of Atsoko leads to some interesting observations on entrepreneurial financing, which is at the core of almost any entrepreneurial venture. Types of financing include internal funds (organic growth and retained earnings), debt (various types of loan), equity (insider and external equity stakeholders), and support mechanisms (government, industry, etc.). In this case, the initial sources of capital were raised from insider equity: the entrepreneur and her network of friends and family, supported by a small loan from a state-owned support vehicle. Further funding was raised from the same sources to support operations during a period of tight cash flows.

After establishing a strong foothold in the market, validating its commercial viability, adjusting operations to context demands, securing exclusivity rights, building a network of three stores, and training its employees, the firm was ready for the first professional investment capital to facilitate the scaling up of operations. At this stage, a professional private investment group injected much-needed capital for local expansion, while taking an ownership stake in the business. Access to the investment company was made through a network of relations within the Scandinavian business community in East Africa.

## [H2] Dealing with bribery and corruption

Because of the pressures they face when dealing with unfavorable circumstances, entrepreneurs often find themselves facing ethical dilemmas. Like many other businesses operating in Africa, Atsoko faced the challenge of dealing with corruption and bribery.

When analyzing bribery in particular, one could classify it as a “role distortion” problem (Waters & Bird, 1989), since paying a bribe could be presented as an act made in support of the firm—to ensure fast clearing and delivery of supplies, getting certifications quickly, and avoiding red tape—rather than an issue of personal ethics. Nevertheless, bribery and corruption are harmful from a social perspective, undermine the rule of law and the just distribution of resources, and can affect a firm’s long-term prospects by making it more vulnerable to ongoing extortion and threats.

We can consider Englesson’s decision not to accommodate bribery demands as “benign civil disobedience” in the face of an ethical dilemma (Falkenberg & Falkenberg, 2009). Benign civil disobedience is considered an adequate response to a situation in which one operates under inadequate formal institutions and decides to go against them.

# [H1] The secret of Atsoko’s success

Atsoko gained a first mover advantage, and secured its position in respect to the emerging competition through a series of exclusive arrangements with international brands. It was able to establish a strong brand identity early, thanks to its exposure in social media and television. Nevertheless, achieving this position was not easy. It was a new business, and was in a weak position because of its size and foreign ownership. In addition, it had no strong local presence, money, or partners, and Englesson did not speak the local language. Despite these obstacles, the business succeeded. Without any significant experience in business-to-consumer operations, Englesson had attracted the interest of professional private investment firms within three years of opening her first shop in Tanzania.

At least part of Englesson’s success is due to her skill as an entrepreneur. Her background was also important, however. She was a well-educated, professional businesswoman with broad experience in business in general, and in Africa in particular. She also had the good fortune to have a network of friends and family who could provide her with capital as well as connections. Opening a new business as a lone entrepreneur in a foreign emerging economy is not a risk that many would be prepared to take.

Englesson’s passion for making a positive social impact in Africa proved to be a key to her success. At its basic level, her endeavor filled a consumer need by establishing a reliable retail chain that offers women with dark skin tones in an overlooked market affordable high-quality cosmetics. More important, in filling that market gap, her organization employs and empowers dozens of women by training them in the businesses of retail and giving them the opportunity to earn good steady income. Having opened a new avenue to employment and career development for women in a developing part of the world, her business helps nurture a growing middle class that ultimately will contribute to Tanzania’s overall economic health.

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