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Networks, trust and capital mobilisation: challenges of embedded local entrepreneurial strategies in Ghana’s oil and gas industry

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ABSTRACT

In December 2010 Ghana pumped its first oil and a local content law was passed in 2013 to promote local participation in the oil and gas industry. This paper examines Ghanaian entrepreneurial activities and the dynamics of local participation in the emerging oil and gas sector. We explore Ghanaian entrepreneurs’ strategies of mobilising networks to acquire information, build trust, raise financial capital and reduce risk with the aim to gain entry, win contracts and participate in the oil and gas industry. We argue that the resources and strategies activated by entrepreneurs embedded in the context of the Ghanaian business environment are inadequate and problematic when deployed in the context of the international oil and gas industry. The international oil companies’ cost-intensive standard requirements and state officials’ informal interventions further limit local firms’ prospects for participation in the oil and gas industry.

INTRODUCTION

Extractive industries’ role in Africa’s political economy remains a subject of intense debate in academic and policy discourses. In 2007, Ghana
discovered oil in commercial quantities and started production in 2010 (McCaskie 2008). Efficient management and utilisation of wealth from the extractive sector can promote economic development as in Norway, Malaysia and Botswana (Larsen 2006; African Development Bank & African Union 2009). But as numerous studies from countries such as Nigeria (see Sachs & Warner 2001; Watts 2004, 2005; Humphreys et al. 2007), Angola, Sudan, Equatorial Guinea, Democratic Republic of Congo (see Karl 2007; Appel 2012a) and Bolivia (see Auty 1995) have demonstrated, political, economic and institutional factors can lead to resource curse (Karl 2007).¹ The resource curse thesis describes the inverse relationship between natural resource extraction and development (Auty 1995; Humphreys et al. 2007; Yates 2012).

To mitigate the resource curse, the natural resource governance literature emphasises good governance, transparency, accountability, local content and participation as some of the key measures (Humphreys et al. 2007; Klueh et al. 2007). In 2013, three years after the start of oil production, a local content law was passed in Ghana. The Petroleum (Local Content and Local Participation) Regulations 2013 (L.I. 2204) forms part of the strategy to promote internal and external linkage between the country’s emergent oil and gas sector and the rest of the economy. Ultimately, it is aimed at enabling Ghana to avert the typical problems associated with petroleum extraction. The local content law requires foreign companies to use local personnel, goods and services at each level of the oil and gas value chain (Ministry of Energy and Petroleum 2013). With regards to Ghanaian companies, the law requires that preference should be given to Ghanaian companies in any bid process.² The local content law is seen as crucial for promoting Ghanaians’ participation in the oil and gas sector to avoid the potential for offshore oil and gas exploration and production to occur in secured enclaves (Ferguson 2005) with little linkage to the rest of society (Karl 2007; Appel 2012b). Based on case studies of Ghanaian entrepreneurial activities in the oil and gas industry, this study empirically investigates the challenges of local participation in an emergent oil and gas sector.

A body of literature exploring Ghana’s political economy and governance of the oil and gas sector is emerging (see Gyampo 2011; Gyimah-Boadi and Kwasi Prempeh 2012). Obeng-Odoom (2014) examined the ways in which the oil and gas industry is impacting the economy of Sekondi-Takoradi; Ablo (2012) examined the employment process of Ghanaian oil-rig workers; Ackah-Baidoo (2012) looked at the impacts of the offshore oil and gas sector on fishing. Other studies examined the
ways in which capacity building programmes enhance the prospects for Ghanaian businesses in the nascent oil and gas industry (see Ablo 2015).

This study contributes to the growing literature on Ghana’s emergent oil and gas sector by exploring the strategies and challenges of Ghanaian entrepreneurial activities in the oil and gas industry. Focusing on the socio-cultural, institutional, political and financial embeddedness of entrepreneurial activities in the Ghanaian context, we examine the relative lack of success of Ghanaian firms’ entry and participation in the oil and gas sector. It is argued that the resources and strategies activated by local entrepreneurs embedded in context of the Ghanaian business environment are less relevant, inadequate and problematic when deployed in the context of the international oil and gas industry. Additionally, the strict and cost-intensive requirements by international companies also hinder local firms’ participation. This challenge is compounded by the informal interventions by state officials in the award of contracts as well as the lack of enforcement of the local content law.

In the next section we examine socio-culturally specific ways in which networks and trust shape access to financial capital and influence entrepreneurial activities. After a discussion of the data production process, case studies of local entrepreneurship in the oil and gas industry are presented. The strategies and constraints of the entrepreneurs are analysed, and then followed by empirical and theoretical conclusions.

THE CONTEXT FOR ENTREPRENEURSHIP IN GHANA

Entrepreneurship is the development, management and organisation of a business venture amidst risk (Montanye 2006). Though entrepreneurship lacks a single definition, its contribution to economic development is not doubted. In both developed and developing countries, entrepreneurial activities have played significant roles in economic development (Abor & Quartey 2010). In Sub-Saharan African economies where over 70% of people are self-employed in the informal economy (Meagher 2010), the establishment of mostly small but also larger businesses in the informal economy is important for development (Fafchamps 2004). Informal economy here refers to unregistered and untaxed economic activities (Hansen & Vaa 2004), though the borderline between the informal and formal economy is seldom clear-cut.

Enterprises can be categorised according to scale, usually based on the number of people employed. Common categories in Ghana are micro enterprises (1–5 workers), small enterprises (6–29 workers), medium enterprises (30–99 workers) and large enterprises (100 or more
workers) (Abrefa-Gyan 2010). In both the formal and informal economy, micro and small-scale enterprises make up 96% of all manufacturing businesses, while medium-scale enterprises constitute 3% (Abrefa-Gyan 2010). It is estimated that small- and medium-scale enterprises (SMEs) contribute about 70% to Ghana’s GDP and constitute 92% of businesses (Abor & Quartey 2010). Large-scale enterprises on the other hand constitute only 1% (Abrefa-Gyan 2010). The large numbers of SMEs are owned by indigenous entrepreneurs whereas the very few large enterprises are often owned by foreign entrepreneurs (Yoshino 2011). As in most African countries, this creates a dualistic enterprise structure in Ghana (Yoshino 2011).

We contend that if Ghanaian entrepreneurial activities could be promoted in the oil and gas industry it has the potential to link the sector with the broader Ghanaian economy. It could generate spillover effects and facilitate trickle down of the oil-wealth. However, Ghanaian entrepreneurs in the oil and gas industry face challenges in terms of lack of access to finance, appropriate technology and limited managerial skills. The development of a large and vital Ghanaian oil and gas sector will therefore be a demanding and perhaps not very likely outcome, despite the local content law.

Additionally, the public administrative system in Ghana and several other African countries is characterised by poor planning, lack of managerial capacity, inefficiency, corruption and increasing absence of professionalism (Fafchamps 2004; Quartey 2007). These result in a ‘slow and ponderous bureaucracy, weak supervision at all levels and unresponsiveness to the needs of the public’ (Quartey 2007: 16). As Fafchamps (2004) noted, the African civil service is often underequipped and officials are paid less in relation to their job schedules. The implication is that enterprises across Africa operate in what can be described as an insecure institutional environment. In the oil and gas sector in Ghana, this could lead to a lack of enforcement of the laws including the local content law as a result of lack of institutional capacity.

In order for enterprises to ‘survive’ in a system characterised by limited efficiency and high risk, entrepreneurs create networks and build trust to secure their businesses (Lyon 2000; Fafchamps 2014). Personal trust then becomes ‘an effective substitute for security’ for these businesses (Fafchamps 2004: 14). The networks take various forms and are mostly established through marriage, kinship, ethnicity, religion and political parties (see Hanson 2005; Overà 2007) as elaborated further in the next section.
Economic actions are socially, culturally and politically embedded (Granovetter 2005). According to Bråten (2013: 7), ‘prevalent economic forms are not born by market rationalities and efficiencies, but are the results of complex socially embedded production of meaning’. People’s activities are intricately made of the meanings they incorporate in their lives (Schudson 1989). These meanings are informed by cultural codes like norms (how people are expected to behave in a given society), values (what is dear to people) and beliefs (how people think about the universe) (Griswold 2008). Such cultural meanings shape the resources and strategies of entrepreneurs.

These cultural meanings are fundamental to the formation of social relations and economic activities (Bråten 2013). As Overå (2006) observed, to participate in Ghana’s market system, a trader needs to take into consideration several moral, social and cultural concerns and cannot operate with a simple individualistic logic. Norms are thus the basis of building and maintaining trust and as will be discussed next, social networks and trust are integral in economic activities including local participation in the oil and gas sector.

Social networks and trust

Social networks influence the flow and quality of information (Granovetter 2005), which is vital when entrepreneurs establish a business. As Granovetter (1985) pointed out, the structure of exchange relationships has an impact on economic outcomes which in this context refers to local entrepreneurs’ successful entry and participation in the oil and gas industry. According to the embeddedness argument, personal relations and networks are relevant for generating trust (Granovetter 2005). Trust as used here denotes the confidence in others in spite of uncertainties and risks (Lyon 2000). Trust is particularly important in situations characterised by lack of legal mechanisms (Davis 1973), imperfect information (Lyon 2000; Fafchamps 2004) and when individuals cannot entirely depend on institutional arrangements or shared norms (Granovetter 1985). For Ghanaian entrepreneurs in the oil and gas industry, information about opportunities thus has to come from a trusted source. Such sources can be provided through relevant formal and informal networks in the oil and gas industry. Networks and trust are therefore crucial for access to the financial and non-financial resources relevant for any entrepreneurial activity.
Entrepreneurial capital conversion

Entrepreneurs are members of various social fields (empirical systems of social interconnections) with ascribed and achieved social statuses (Bourdieu 1977). Party politics, religion, ethnicity, kinship and the public sector bureaucracy are some of the social fields within which Ghanaian entrepreneurs are embedded. A field is described as ‘a social arena within which struggles or maneuvers takes place over specific resources or stakes and access to them’ (Jenkins 1992: 84). In underscoring the resources deployed by Ghanaian entrepreneurs in the oil and gas sector, we consider Bourdieu’s distinction of cultural, social, economic and symbolic capital to be useful.

Cultural capital, according to Bourdieu (1986), exists as credentials and assets embodied in individuals and their families, objectified in the form of cultural goods and institutionalised as educational qualifications. It includes ‘shared understandings of the symbolism in discourse, images, goods, or actions that can be transformed into other forms of capital’ (Perrault 2003: 330). Social capital can be described as ‘the structure of relations between actors and among actors’ (Coleman 1988: S98). It entails networked ties of favour, mutual support, shared language, shared norms, social trust, and a sense of mutual obligation (Crossley 2005). Social capital can thus be understood as a social resource on which individuals can draw in pursuance of a particular goal (Westermann et al. 2005).

Social capital is not necessarily independent of cultural capital since cultural codes are fundamental to ‘homogeneity’, the basis of social ties. Social ties shape economic behaviour and as Meagher (2010: 11) noted, ‘social ties and embedded institutions have entered into the heart of contemporary economies’. In Ghana’s oil and gas industry where actors embedded in different local and international contexts interact, it is important to understand how this shapes the prospects for local entrepreneurship. Economic capital, according to Bourdieu (1986), is directly convertible into money and can be institutionalised in terms of property rights. It may include shares, financial capital and factories (or other physical assets). The economic (or physical) capital of local entrepreneurs is a prerequisite in a capital intensive oil and gas industry. Symbolic capital is understood as trust, prestige, honour or good faith and as the outcome of conversion of other forms of capital. Bourdieu (1989: 17) considered symbolic capital as ‘the form that the various species of capital assume when they are perceived and recognised as legitimate’. For example, money has no inherent worth but relies on societal recognition as a legitimate form of exchange (Lawler 2011).
Possessing one or several of these capital forms does not guarantee entrepreneurial success. Rather, the ability to enact and combine multiple forms of capital is crucial for entrepreneurial success. Entrepreneurship involves the combination of capital to attain a particular result (produce goods and services) amidst uncertainties (Kuenyehia 2012). Essential here is local entrepreneurs’ ability to convert one form of capital into another form of capital that can be activated beyond the local business environment and be made relevant in the oil and gas industry. In this study, we focus on the ways in which crucial forms of capital are mobilised and converted, or not converted, into other capital forms shaping various degrees of success among local entrepreneurs in the oil and gas industry.

**METHODOLOGY**

The study is based on eight months of fieldwork carried out in Accra, Tema and Takoradi, the main cities of oil and gas activities in Ghana. The fieldwork took place between May and August 2011, November–December 2012, April–July 2013 and September–October 2013. Doing the fieldwork over a long period enabled us to study the evolving strategies of some of the first Ghanaian SMEs that gained entry into the oil and gas sector, and to discover new businesses that aspire to enter the sector.

We examined 11 SMEs consisting of three ‘leading’ local oil and gas service providers located in Takoradi and eight aspiring SMEs drawn from a list of 30 businesses obtained from the Enterprise Development Center (EDC) in Takoradi. We purposively selected SMEs that aspire to provide products and services to the International Oil Companies (IOCs). Access to informants influenced the sampling of businesses. Some informants provided invalid phone numbers, email addresses and locations, which sometimes made it impossible to locate their businesses to include them in the sample. Five of the 11 sampled SMEs are presented as illustrative case studies.

Interviews were conducted with 90 informants (23 women and 67 men) including managers, administrative staff and employees of the businesses. The issues explored included the strategies, resources, and challenges of local businesses attempting to gain entry into the oil and gas sector. Key informants such as officials of the EDC, the Ministry of Energy and Petroleum, and an international oil company (IOC) were interviewed using an interview guide. The IOC official was interviewed about experiences in dealing with Ghanaian public institutions and the criteria they use when awarding contracts to local companies. Secondary
data sources for the paper included the local content law document (Ministry of Energy and Petroleum 2013) and newspaper publications on the oil and gas industry between 2007 and 2015. In the following sections, the challenges and strategies adopted by local entrepreneurs are examined.

**LOCAL ENTREPRENEURIAL STRATEGIES IN THE OIL AND GAS INDUSTRY**

The 11 Ghanaian sampled SMEs are owned by one or two persons, often relatives or friends, and sometimes without any formalised management structures. They engage in training and recruitment of rig workers, catering, cleaning and housekeeping services, supply of safety equipment, warehousing, waste oil management, transport and logistic services. Training and recruitment of oil rig workers is a new business niche while the rest entails diversification of existing businesses to take advantage of new opportunities in the oil and gas industry. Supplying safety equipment, for example, represents a continuation of supply businesses in Ghana’s mining sector where supplying Personal Protective Equipment (PPE), such as boots, helmets, coveralls and gloves, has been an important business for many years.

Before a local company is invited to bid for contracts, they must meet the IOCs pre-tender requirements. These include registration with the Petroleum Commission of Ghana, the main regulator of Ghana’s oil and gas industry. They also need a VAT certificate and insurance for their business and staff. Additionally, local companies are required to have a minimum annual turnover determined by the IOC, which is based on the value of the contract they tender for. This minimum turnover requirement is necessary since local companies must have the financial capacity to pre-finance the contracts. Businesses that meet these requirements are registered as qualified local ‘vendors’.

According to the IOC official, a proven track record is a key determinant of whether or not a Ghanaian company qualifies for contracts with them. In his view, most of the local firms have inadequate expertise and understanding of the operation of the oil and gas sector, and this makes it challenging to do business with them. A proven track record gives IOCs an idea of local firms’ ability to deliver quality goods and/or services on schedule. Keeping appointments is a common problem according to this informant: ‘I now have a new understanding of GMT [Greenwich Mean Time] as Ghana Maybe Time’. The IOC official used this term to describe the uncertainties encountered when doing
business with Ghanaian companies. Sometimes, he claimed, representatives of local companies turn up hours or even days late for their appointments. Also, Ghanaian entrepreneurs may quote high prices for their products and services based on the perception that IOCs pay enormous amounts. This is frustrating, according to the IOC official, so they prefer to engage other international companies that they have dealt with before.

In the following, we present cases showing how different local companies operate, emphasising the socio-cultural embeddedness of their strategies and the practical, financial and institutional constraints they encounter. We first present examples of local companies that have ‘successfully’ gained entry and are participating in the oil and gas sector. Thereafter, cases showing the variety of more or less successful attempts to gain entry and to ‘make it’ in the new and demanding oil and gas industry are presented.

The pioneers

The pioneers are leading local oil and gas service companies that gained early entry into the oil and gas sector. These businesses are owned by Ghanaian entrepreneurs who have worked in the oil industry in other African countries, the Persian Gulf and in Europe. They returned to Ghana when oil was discovered in 2007. Below are the life histories and strategies of three men who have succeeded in establishing an oil and gas service company. We stress their strategies of combining locally mobilised financial capital with their internationally acquired expertise through socio-culturally embedded business strategies.

Case 1: Successful entry and participation

After the announcement of the oil discovery three childhood friends, James, Ekow and Ebo came together to set up an oil and gas service company. James (70) is a marine engineer from Northern Ghana. He moved to Takoradi as a child when his father got a job in the then Gold Coast Railway Company (now Ghana Railways Corporation). After obtaining his O-level and A-level certificates, he was awarded a government scholarship to study marine engineering in West Germany. However, in 1966 when Kwame Nkrumah, the president of Ghana, was overthrown his scholarship was cancelled. He worked part time with a shipping company in Germany to finance his education. In 1980, James moved from Germany to Gabon where he worked as a
marine engineer in the oil industry. While in Gabon, he purchased two vessels, one for cargo haulage and the other used to ferry workers to the oil rigs. After spending over a decade in Gabon, he sold his boat and moved to Burkina Faso in the mid-90s where he invested in mining. He acquired concessions and invited Ghanaian miners to work for him. In 2007 he sold his mine and moved back to Ghana to explore the opportunities for business.

Ekow (66) is a Fante (one of the Akan linguistic groups) from Takoradi. He holds an O-level certificate. In the 1970s, he moved to Denmark, where he enrolled for a two-year college education. After college, Ekow moved to Sweden where he enrolled at a trade school in Gothenburg and trained as a welder and fabricator. When Ekow’s training ended, he moved from Sweden to Norway and worked as a welder with a gas extraction company. He later worked on a fishing vessel before joining a friend in Oslo in 2000 to start a private company doing interior and exterior decorations in real estate. Ekow studied logistics and warehousing before starting his own business in 2004, importing foodstuff to Oslo from Ghana. He moved back to Ghana in 2007 and invested in a poultry farm.

Ebo (51), a business man with O-level education, comes from a fishing town near Takoradi. In 1984, he moved to Takoradi with the aim to start a business. After starting with petty trade in Takoradi, he sold mobile phones in Nigeria for a period in the 1990s. Returning to Ghana he imported white goods and electronics from Italy to Ghana and later computers from China. He invested the profits in an internet café, and subsequently in hostels rented out to students at Takoradi Polytechnic and in trucks for haulage of goods across the country. In 2007, he built a two-storey office complex in central Takoradi which he rented out to other businesses.

In 2007, the three friends reunited and with James’ and Ekow’s experience and Ebo’s economic capital, they decided to start a rig worker recruitment agency in Takoradi. One floor of Ebo’s new building was converted into an office for their new business. In order to secure a bank loan, Ebo’s house, hostel and office building were used as collateral. According to them, they found it difficult to approach the IOCs in this early phase. They made several trips to Tema where the Ghana National Petroleum Corporation (GNPC) is located, and as Ekow recalled: ‘We moved from office to office lobbying for contracts.’ After the 2008 presidential and parliamentary elections, the National Democratic Congress (NDC), of which James is a member, came into power. One of James’ party colleagues was appointed to an influential position in the GNPC. James’ friend introduced
them to some IOCs and helped them to secure their first contract. In the words of Ekow: ‘We would have remained where we were till today if not for the help of that GNPC guy.’

In 2010, they had their first contract where they recruited 15 men to the rig including a radio operator. However, after the radio operator had gone to work on the rig, they discovered that he did not have the level of expertise and experience he claimed to have. He could not perform his duties in a satisfactory manner and was returned onshore. According to Ekow, they almost lost the contract and the IOCs confidence. He immediately contacted one of his friends, a former radio operator who had worked in Gabon, whom they sent to the rig. This new person performed well and this rescued their first contract and the company expanded rapidly.

In 2013, six years after its establishment, this ‘pioneering company’ provided rig workers to four IOCs operating in Ghana. Currently, they employ 20 permanent administrative staff and depending on the availability of rigs, they employ from 10 to sometimes more than 200 rig workers. Ebo’s hostel has been converted into a Health, Safety and Environmental (HSE) training centre for oil rig workers. They have also started the construction of a hospital in Takoradi to provide private health services to both expatriates and locals working in the oil and gas industry.

Between 2007 and 2013 the company has diversified its activity portfolio from simply recruiting rig workers to providing a variety of services: training of rig workers, housekeeping and catering, security services, warehousing, transport and other logistic services. This is crucial since most of their contracts with the IOCs are short-term contracts. Recruitment of rig workers, for example, is only in demand during the period when a particular rig is operational in Ghana’s waters. The rigs usually drill for a maximum of three years and then move to other countries upon which the contracts are normally terminated. Occasionally, a few rig workers are needed to carry out maintenance on the rig until it reaches its new destination. As a response, most ‘pioneering’ local recruitment companies have diversified their activities. The companies that first gained entry have an advantage since they became known and trusted by the IOCs. A Logistics Manager remarked that: ‘Our [the local company’s] diversification is demand driven. The IOCs prefer a one stop shop.’ Thus the IOCs prefer one trusted local company to provide the variety of products and services they require.
Servicing a ‘mafia’ industry

No official source of information regarding available business opportunities exists in Ghana’s oil and gas industry. The few local businesses that manage to get contracts rely on their contact persons within IOCs and state institutions, whom they refer to as ‘insiders’. A Technical Director of one of the local companies noted that: ‘To survive out here [in the oil and gas industry] you must have insiders with the Petroleum Commission, GNPC and the big companies [IOCs].’ Insider contacts in important institutions can provide updated information about upcoming contracts or about new IOCs coming to operate in Ghana. When local entrepreneurs know insiders in the Petroleum Commission, for example, they are informed prior to the arrival of new rigs in Ghana. With this information, local companies contact the foreign rig operators and negotiate contracts even before the IOC and other foreign oil and gas service companies arrive in Ghana. Additionally, local entrepreneurs regularly network with Ghanaians working for the IOCs and their subcontractors, who can also provide information about contract availability in Ghana.

Local companies with ‘insiders’ who are key actors have advantages not only through information access but also tender processes. In one case, Bray Ltd was initially awarded a contract to recruit rig workers for an IOC. However before the contract was due for execution, it was terminated. A different local company, Alks Ltd was awarded the contract to recruit the rig workers. Investigation into this case revealed that the CEO of Alks has contacts with the IOC. Their contact informed them how much Bray was charging for the service. Alks sent a proposal offering equally skilled workers at a cheaper rate. With the influence of Alks’ contact person, the contract was taken from Bray Ltd and given to Alks. This is possible because local companies sometimes provide goods and services to IOCs without any written and legally binding contracts. In January 2014, for example, three Ghanaian crew members on the Floating Production Storage and Offloading (FPSO) vessel ‘Kwame Nkrumah’ were laid off by the foreign company managing the vessel (Alhassan 2014). The Offshore Installation Manager (OIM) on the FPSO claimed that the activities of the three workers were compromising safety on the vessel. The Ghanaian workers had been recruited to the FPSO by a local company, which had no formally written contract with the managers of the FPSO on this service provision which lasted for more than three years. This made it easy for the foreign company to terminate the contract without any legal ramification.
The current state of affairs in the emergent oil and gas sector in Ghana causes suspicion among local entrepreneurs. For example, a Human Resource Manager in a Ghanaian company was initially not willing to discuss salient issues during interviews because, as he puts it: ‘You [researcher] could be a spy from our competitors.’ Many informants describe the difficulties and non-transparent nature of activities in the oil and gas industry as ‘mafia’. Hence, personalised trust between management and staff of local companies is considered important for survival in such a ‘risky’ business environment. In order to find trustworthy workers, business owners often employ members of their church and/or ethnic group. As Ablo (2012) showed, ethnic networks are clearly important for the recruitment of rig workers. Ethnic and religious affiliations therefore provide sources of trust development for many local entrepreneurs. Fafchamps (2004) further highlights that trust is essential in contexts where legal frameworks are non-existent or not enforced. Justifying their use of ethnic networks, some informants claim that they are promoting ‘regional employment’ or ‘providing opportunities for our people’. Thus recruiting workers of one’s own ethnicity is seen as a way to ensure ‘trickle-down’ of the oil wealth to one’s own home region, ethnic group or kin. In Case 1, for example, most of the employees are Fante, which is also the ethnicity of the owners. Similarly, the majority of employees in two other leading companies are of the same ethnicity as the owners, Ewe and Ga-Adangbe respectively. In the cases above, we have seen how the few local companies engaged in the oil and gas sector strategically combine capital forms. There are however several businesses that are unable to gain entry due to several barriers.

CHALLENGES ASPIRING LOCAL ENTRANTS FACE IN THE OIL AND GAS INDUSTRY

This section examines challenges local companies face in their attempts to participate in the oil and gas industry, such as bureaucracy, inability to meet IOC standards, lack of financial capital and relevant networks.

Case 2: Bureaucratic challenge

Serwa (32) is a Fante from Cape Coast in the Central Region of Ghana. She is a graduate of the Ghana Institute of Management and Public Administration (GIMPA) with a degree in Marketing. Serwa has worked with Barclays Bank, Ghana Cement (GHACEM) Ltd and an
estate company in Accra. After deciding to start her own business, Serwa pulled together her personal savings and started selling clothes. She travelled to Lome and Cotonou to buy women and children’s clothes which she sold in Takoradi. But she was not making much profit, so she stopped. One of her friends working with an American company in Accra offered to help her become the Western Regional Distributor of the company’s lubricants. In 2013, she opened a lubricant shop in the Takoradi Kokompe Market, an artisanal car mechanics and spare part dealers market. With money accrued from her clothing business, Serwa purchased and stocked her new shop with the lubricants and employed an assistant.

On weekends, Serwa plays golf at the Takoradi Golf Club where several expatriates and Ghanaians working in the oil and gas industry also play golf. Some of Serwa’s friends at the Golf Club are influential officials in both local and international oil companies. In February 2013, one of the expatriates Serwa plays golf with asked her to submit a proposal to supply them with lubricants. At the time, she did not have a VAT certificate, one of the main requirements for her to get the contract. She applied for the certificate from the Ghana Revenue Authority’s Western Regional Office, but they did not issue it on time, so Serwa missed the opportunity. Seven months later the VAT certificate had still not been issued. Upon her persistent pursuit of the VAT certificate, Serwa claimed she was told that the regional office receives a limited number of VAT certificates from Accra, so priority is given to bigger companies rather than to small companies like her own. Four other informants share similar experiences of not having received a VAT certificate more than four to seven months after they applied.

Case 3: Constraints to meeting the standards of IOCs

Razak (47) trained as a navigation officer in Southampton, UK, where he worked until 1996 before moving back to Ghana. In Ghana he continued working as a navigation officer on a ship until 2002. According to Razak, he quit his job in order to have time for his family since he sometimes spent up to two years away from home. Between 2002 and 2009, Razak bought six trucks to haul goods across the country. However, the haulage business became unprofitable: ‘The drivers were not sincere and the mechanics also did very poor maintenance of the trucks.’ The truck drivers did not account the sales accurately. They also took inadequate care of the trucks which resulted in frequent
breakdowns. This led to the eventual collapse of his transport business. In 2009, he sold all the trucks and invested the money in a cleaning business in Takoradi instead. While studying in the UK, Razak had worked part-time in a cleaning company where he acquired knowledge about the cleaning business.

Razak started a janitorial service company in Takoradi in 2009 with the help of his wife. They do interior decoration, cleaning, sales and installation of curtains. They also engage in laundry services, landscaping and fumigation. They employ 40 people, 21 women and 19 men. Due to the arduous procedures and requirements from the banks it was difficult for Razak to obtain a loan to expand the business. In 2011, he got a contract to provide janitorial services to a rural bank in Takoradi. He became friends with the bank manager who eventually helped him secure the loan though he did not have all the collateral and guarantees required by the bank.

After expanding his business, Razak decided to take advantage of opportunities in the oil and gas sector. The main challenge has been the difficulty of securing contracts with IOCs. As he puts it: ‘Contracts are awarded on a “whom you know” basis and not necessarily [according to] your skills or expertise to deliver.’ He noted that most of the IOCs prefer to deal with other international companies: ‘The system is not fair. The local content [law] is not working.’ Also, the IOCs are not interested in the services of local companies: ‘All they [IOCs] do is to award contracts to foreign companies and locally formed expat companies.’ By this he refers to the situation where local firms front for foreign companies.

In 2011 Razak sent proposals to several IOCs and service companies to provide janitorial services but was not successful in getting any contract. In 2013, he was invited to a pre-tender seminar in Accra by one of the IOCs he sent the proposals to. After the pre-tender conference and evaluation, the IOC suggested that Razak should put in place some structures to become an eligible service provider. These structures included insurance of equipment and staff, as well as a workman compensation package for employees. In addition to himself, the Chief Executive Officer (CEO) and his wife, the Head of Décor Department, they should have a management team consisting of two supervisors and a health and safety manager. Razak found that the requirements were beyond their financial capacity. Additionally, meeting these requirements is not a guarantee that a contract will be awarded.
Eventually, with the help of a friend, Razak got a housekeeping contract with an IOC. This contract lasted only for three months and was abrogated without any reason. According to Razak, the official of the IOC only called and informed him that their services are no longer required. This contract was awarded to Razak by word of mouth without any formalised agreement. Though disappointed, Razak was happy for the exposure and experience which he considered important for the profile of his business.

Case 4: The challenge of delivering food in a new context

Akua (40) is a native of Takoradi married to a pastor with five children. She holds an A-level certificate, a diploma in IT, Intermediate Diploma in Catering and is currently pursuing a Higher National Diploma (HND) in Hotel, Catering and Industrial Management at Takoradi Polytechnic. Since 2001, Akua has been involved in small-scale agro processing, catering and housekeeping for individuals and corporate organisations. Her investment capital was accumulated through personal savings and support from her husband. She currently employs 10 people (seven women and three men) all of whom have no professional qualifications and all of whom are members of her husband’s church.

In 2012, with the help of a church member who works with an oil service company, she secured a contract to provide lunch for the company. According to her, the contract lasted only for a short period due to several challenges. She was unable to deliver the food on time since she did not have a vehicle of her own. The vehicle she rented was too expensive and never on schedule. Frequent traffic jams also led to delays in delivering the lunch. There were occasions when she delivered the lunch an hour or two late. This disrupted the oil company’s schedule and as a result, the contract was eventually abrogated. In this case, Akua was able to secure a contract but lacks the expertise and ability to meet the requirements of the oil service company.

Case 5: Lack of relevant networks as a barrier

Sedem (40) is a Subsea Engineer who studied and worked in the UK and later in Dubai. His friend Nana (40) is an accountant based in Accra. In 2011, Sedem returned to Ghana from Dubai with the aim of starting an oil and gas business. He did not have the financial capacity to start the business on his own, so he contacted his friend Nana who agreed to finance the company. In April 2012, they partnered to start an oil and
gas service company located in the Airport Residential Area in Accra. Sedem then invited his friend Adjoa (35), who was working in the UK, to join them. Adjoa holds a master degree in Development Management from the UK and she became the Business Development Manager of their new company. They employ ten Ghanaians and seven international consultants from the UK. They procure subsea and offshore products, subsea engineering solutions, subsea and offshore ancillary services and oil and gas development courses for Ghanaians.

According to Adjoa, they seek to provide internationally competitive products and services in the oil and gas industry. This motivated them to engage the services of the seven international consultants. Additionally, they partnered with six international companies to enable them to provide highly specialised products and services. Difficulty in accessing credit facilities from banks is one of their major challenges. Also, they have not been able to secure any contracts yet, despite possessing all the requirements and expertise. In an instance, they decided to provide a consultancy service to an IOC for free in order to prove their competence. It was also the only basis on which the IOC would have awarded them the contract. According to Adjoa, they would not have secured the contract if they had charged the IOC for it since they do not have contacts in government institutions and IOCs.

**DISCUSSION**

**Outlook of the Ghanaian enterprises**

From the various case studies, it is clear that the Ghanaian companies in the oil and gas industry are generally small- and medium-scale businesses. This is not surprising, considering the general make-up of the private sector in Sub-Saharan Africa where most businesses are SMEs (Fafchamps, 2004; Abrefa-Gyan 2010; Meagher 2010; Damman et al. 2011; Yoshino 2011). As the case studies show, SMEs are ‘managed by owners or part owners in a personalized way, and not through the medium of formalized management structure’ (Abor & Quartey 2010: 219). This is a drawback as it contributes to the IOCs perception of local firms being unprofessional.

In order to access wider opportunities in the oil and gas industry, local companies project themselves as diversified. This characterises both companies that have gained entry and those aspiring to secure entry into the oil and gas sector. From their study of Ghanaian supply companies in the oil and gas industry, Damman et al. (2011) concluded that by
spreading their resources on many activities, local companies have inadequate capacity to build up the expertise, networks and production system necessary to succeed in a sector requiring high expertise and specialisation. In this study, diversification by local companies that have gained entry has been more successful. They now provide a wide range of products and services to the oil and gas industry. However, for the aspiring businesses in the oil and gas sector, to present or ‘brand’ themselves as diversified could be a drawback on their competitiveness and eventual successful entry into the sector.

**Networks, trust and embedded entrepreneurship**

There are many informal ‘flows’ of more or less reliable information about business opportunities in the oil and gas industry. Ghanaian entrepreneurs need relevant, correct and timely information that can lead to their successful entry and participation in the sector. However, lacking official information sources, personal networks remain all-important for local entrepreneurs in the oil and gas sector. As Fafchamps (2004) argued, reliance on personal networks in African economies is a solution to the lack of reliable sources of information. In the emergent oil and gas sector, there is no authorised information source concerning contracts and businesses opportunities available for Ghanaians. Neither is there a comprehensive and updated database of local companies that IOCs can use to search for local companies matching their needs.

Building trustworthy relationships are essential for local businesses’ effective participation in the oil and gas industry. Networks influence both the access to and quality of information available to Ghanaian entrepreneurs. They are also essential for financial capital mobilisation. As we saw in Case 3, Razak managed to secure a bank loan facilitated by his friend, the bank manager. Davis (1973: 211) described this as credit flows along personalised and not merely economic relationships. For both the well-established local companies and those aspiring to gain entry into the oil and gas industry, networking with certain categories of actors is invaluable. Membership in a political party and friendship with bureaucrats is particularly useful in linking local entrepreneurs with the IOCs as demonstrated in Case 1. Similarly, Akua’s (Case 4) church membership helped her get an initial contract in spite of her obvious lack of capacity.

According to Granovetter (1985), trust is essential in circumstances where individuals cannot rely on institutional arrangements. Typically, in contexts characterised by imperfect information (Fafchamps, 2004), trust is crucial for the possibility to interact. Ghanaian
entrepreneurs therefore attempt to build up trust both amongst each other and in relation to the IOCs. As we have seen in this study, networking is crucial for building a trustworthy reputation and for finding trusted partners. By relying on ethnic networks, Ghanaian entrepreneurs minimise the risk of recruiting incompetent rig workers. Similarly, the IOCs prefer to engage the few local firms they have built trustworthy relations with.

The empirical analysis of local entrepreneurial activities in the oil and gas industry showed that economic actions are embedded (Granovetter 1985; Aoyama et al. 2011; Bråten 2013) in social, cultural, religious and political contexts. For example, as a Christian, Akua’s contact person with the IOC feels a moral obligation to help those who need it, and not the least his pastor’s wife. Even if he is aware that Akua does not have the capacity to deliver, he is somehow obliged to offer her assistance as expected of a Christian. Another socio-culturally embedded practice by local entrepreneurs is the recruitment of workers from their own ethnic group, which they justify as helping ‘their people’.

**Capital conversion and local entrepreneurs’ strategies**

Drawing on Bourdieu’s (1986) distinction between social, cultural, economic and symbolic capital, this paper explored the strategies deployed by Ghanaian entrepreneurs in the oil and gas sector. As all the cases show, possessing only one or two forms of capital is not sufficient to enable local companies’ effective participation. Though Sedem and Nana in Case 5 have the expertise and financial capacity, it was difficult for them to secure contracts since they are not ‘well connected’ with the IOCs and state institutions. Conversely, Akua has connections through her husband’s church, but lacks the financial resources and logistics to provide the service. Clearly, a skilful combination of several forms of capital and conversion of a capital form in one social field into another capital form in another field is necessary for local companies’ successful entry and participation in the oil and gas industry.

In the first case, a combination of James and Ekow’s experience from the oil industry internationally with Ebo’s success as a transnational businessman is an important cultural capital which gave them a promising image, a relevant form of symbolic capital (Bourdieu 1977) in the oil and gas industry. Economic or physical capital in the form of Ebo’s estates was used as collateral to secure a loan from the bank, constituting the conversion of physical capital into financial capital. Additionally, the use of an entire floor of Ebo’s building as an office, gave the company a
‘modern’ outlook and promising impression of having a good reputation (constituting the conversion of economic capital into symbolic capital). Some of Ebo’s properties were also converted into hostels and training centres for their rig workers which facilitated the company’s diversification process. As a member of the NDC party, James got assistance from a fellow party member at the GNPC who facilitated their first contract. Here, social capital (Crossley 2005) was mobilised from the political field to access social capital in the bureaucratic field which resulted in a contract in the oil and gas industry.

**Barriers to local entrepreneurial activities**

The study identified several barriers to local entrepreneurship in the oil and gas industry. An inefficient bureaucracy could make it difficult for local entrepreneurs to meet some of the requirements by IOCs. As Case 2 showed, Serwa missed out on an opportunity to gain entry to the oil and gas sector due to delayed issuance of her VAT certificate.

The strict and capital intensive requirements by the IOCs and other foreign companies render some local resources and socio-culturally embedded business strategies inadequate, irrelevant or problematic in the oil and gas industry. For example, the IOCs requirement of more international standards in the management of small and medium local businesses indicates that they consider local expertise to be part of what Ferguson (2005) termed ‘unusable Africa’ in the field they operate within. Their requirements can be considered as attempts to ‘transform’ the local companies into what the IOCs might consider viable businesses that are ‘suitable’ in the international context. This greatly hinders local entrepreneurial activities in the oil and gas industry.

In the resource curse and governance literature (Klueh et al. 2007) local content and participation is considered a useful tool to promote linkage between the extractive sector and national economies. The lack of institutional capacity to enforce these requirements could mean that the effect of local content laws will remain very limited when it comes to actual local participation. This situation is compounded by the complicity of state officials in influencing access to information and the awarding of contracts. While the influence of state officials promotes some businesses, the participation of a majority of SMEs without political and bureaucratic contacts could be potentially hindered in the oil and gas industry. Moreover, such informal meddling by state officials could lead to political clientelism in the oil and gas industry. In Ghana, as elsewhere
CONCLUSION

Although oil and other natural resources extraction play important roles in the development of countries, the dominant discourse is that resource extraction is a curse for most African economies (Sachs & Warner 2001; Humphreys et al. 2007; Weszkalnys 2011). In the natural resource governance literature, local content and participation is considered essential for the creation of linkage between the extractive sector and national economies (Ovadia 2012).

However, as shown in this paper, apart from a few local businesses that have managed to gain entry and are effectively participating in the oil and gas industry, most local SMEs are not able to cross the capital conversion barriers between the embedded local business environment and the international oil industry in their attempt to secure contracts in the oil and gas industry. Thus the strict and capital intensive requirements by IOCs leads to a disconnect between the local context of entrepreneurship and the multinational oil industry.

NOTES

1. The resource curse refers to the paradoxically slow growth and often poor social, economic, environmental and political performance of natural resource-abundant countries.
2. See Ablo (2015) for review of the local content law and its significance for local companies.
3. The EDC is established by the government of Ghana and a consortium of International Oil Companies (IOCs) (the Jubilee Partners) in 2013 to provide training and capacity building for Ghanaian SMEs in the oil and gas sector (see Ablo 2015).
4. All names in this article are pseudonyms.
5. GNPC is the state company doing exploration. Until the establishment of the Ghana Petroleum Commission in 2011, GNPC was in charge of regulation.
6. Names of local companies in this article are pseudonyms.
7. An FPSO is an offshore production facility that processes and stores oil and gas, which is periodically offloaded to shuttle tankers or transmitted via pipelines.

REFERENCES

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