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Ele Agbe in Search of a New Light in Ghana's Shea Sector

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Abstract

Ele Agbe is a Ghanaian phrase meaning “God is alive.” Founded as a small and medium enterprise (SME), in Ghana in 1996, Ele Agbe Company is currently a dynamic business operating in the downstream shea export sector. Demand for shea is increasing for skin and hair products on the foreign market. Ele Agbe’s artisans use traditional Ghanaian tools and methods, and the highest quality materials available, including unique scents. The protected knowledge build up of unique scents in its shea product mix has given Ele Agbe its trade secret. At Ele Agbe, artisans pass on their skills to younger generations, conducting workshops for school groups and accepting apprentices from throughout Ghana. The business is confronted with challenges partly as a result of non-existent working policy for shea and breaks or gaps in the shea supply chain preventing it from achieving full potential. The company needs to consider how to improve on its’ firm and business networks given its internal and external environment in order to expand.

Keywords: Ele Agbe, SME, networks, shea supply chain, exports

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Company Background

Ele Agbe is one of the leading names in Ghana's shea processing sector. Fourteen years ago, when they began exporting, they had six full time workers and 150 casual workers (wood carvers). Today, the company has 10 full time workers and about 300 casual workers. They have remained sustainable through strong marketing, innovation and diversifying products based on consumer needs and expectations in both domestic and international markets. In the past five years, 20 new product lines have been introduced by the company to include shea varieties of soap, lotion bars and lip balm. Other shea products include: body oil, hair pomade and cream for babies. New product lines are driven by market testing and by the young staff who come up with ideas they find interesting and which peers perceive as the trend. All these inform product development. Ele Agbe's success may be attributable to its networks and initiatives management. For example, the company has received several international recognitions.

Comfort Adjahoe-Jennings is the founder and CEO of Ele Agbe Company Ltd. She is a social entrepreneur, engaged in reaching out to the rural women in particular, and creating opportunities for them to make a living. Comfort is also president of the Africa Women's Entrepreneurship Program (AWEP) in Ghana. With an optimistic view¹ of its potential, Ele Agbe remains undaunted by the seeming lack of a regulated shea sector and breaks in the shea supply chain. The company now needs to consider which of its firm and business networks it can leverage to achieve its potential given both its internal and external environment.

Ele Agbe, an SME², established in 1996, began full operations in 1998 focusing mainly on producing ornamental beads, original jewelry designs and handmade home decor which they started exporting in 1999. Shea butter products were introduced to its export product line sometime in 2004. The expansion was made possible through the use of retained earnings (equity) in the amount of \$400 in order to launch a range of shea butter products. One of the purposes of this expansion was to provide a higher market profile for the products of rural women to afford them a more sustainable livelihood. The vision of Ele Agbe is to satisfy a demand in local value-added products and create jobs for rural and urban women; and youth which can help them earn a living by targeting domestic and international markets. Comfort's leadership and vision are fueled by 18 years of export and work experience gained in another company, self-learning and feedback from buyers. Other contributing factors are her high involvement in export trade and frequent travels abroad.



Today, the company targets the domestic market, sub-regional markets through trade fairs, exhibits and international markets, primarily in the USA, Japan and occasional orders to the UK. The quality of products is very high and is assured through work relations requiring maintenance of Fair trade practices and standards.

Current Management Structure

The company has one top level CEO, Comfort Adjahoe-Jennings, four mid-level, and five junior-level staff. Reporting is centralized around the CEO. The mid-level staff supervise the casual workers which are primarily

¹ In the view of the CEO the lack of regulation may not be an inhibition as more regulation would entail more levels of (male) bureaucracy which would bring further challenges, especially of patriarchal power and possible opportunities of corruption

² SMEs are defined in terms of assets/employees as follows: Micro: ≤ \$US10,000/1-5 employees; Small: \$US10,001 ≤ 100,000/ 6-29 employees; Medium: \$US100,001 ≤ 250,000/30-50 employees

shea pickers represented by an association. They work seasonally during shea harvesting and processing. The junior staffers perform the mixing, packaging and labeling of products.

The company has a weak board with low internal controls although management is expedient in meeting regulatory and monitoring requirements. The CEO provides the directives. The centralized structure for this small company has been effective in delivering timely export orders especially resulting from the familial work rapport established with casuals and contractors who provide input supplies.

Key Success Factors



Entrepreneurship, product chain characteristics and social capital are the driving forces for the business sustainability and export performance of Ele Agbe. These, forces coupled with direct linkages are what have improved the company's reputation. Comfort Adjahoe-Jenning's connections to world leaders and renowned personalities have put Ele Agbe in the limelight. Comfort Adjahoe-Jennings was selected to participate in African Women's Entrepreneurship Program (AWEP) an outreach, education, and engagement initiative that targets African women entrepreneurs that are making a positive impact. AWEP was an initiative founded by former US Secretary of State, Hillary Clinton as a support to boost trade under the Africa Growth Opportunities Act (AGOA)³ in Africa. Comfort also had an opportunity to join the Cherie Blaire Foundation Mentoring Program 2012. Her final blog gave her the opportunity to meet Cherie Blaire and develop a business linkage. These two programs were instrumental in boosting the image of the company worldwide.

The outcome is in line with the company's vision to support sustainable jobs for rural-urban women and youth, which it does through its community business-based model for shea-pickers and processors. The company has developed bonds with over 300 shea pickers and processors belonging to about 10 groups or associations, which provide downstream input supplies of raw shea butter. The community business model concept provides the shea pickers and processors a market for their produce at competitive prices. The women and youth are also taught to apply Fair trade practices and quality standards as part of their work.

Although the company has not yet registered its trade secret⁴ as intellectual property, it has closely guarded it. It has an agent in the United States who provides other input supplies (oils, fragrance) not available locally. The quantity mix of various inputs and the processing forms a part of the trade secret that gives Ele Agbe the competitive edge in its final products.

A strong network alliance with its suppliers and buyers has developed a formidable bond. This has been achieved through the CEO's long term vision to maintain familial relations, built solidly from the foundation of relationship to ensure sustainability. Work relations do not end with one generation but is carried to their younger generations as well. There is also the desire to remain in business to mentor young people who aspire to start their own businesses. The pillars for these relationships are good work ethics, trust, and, sound principles. The strong alliance has opened up different markets which provide valuable consumer feedback which has enabled the CEO to make optimal buying choices. The strong network alliance creates a buffer for the company from the unregulated and seasonal shea sector; and strong competition. Ele Agbe also considers the welfare of its suppliers. The competition evolves from large companies (local and foreign) including their agents that move

³ The AGOA is a US initiative to promote exports of developing economies.

⁴ The process and admixture for products constitute Ele Agbe's trade secret

to buy huge volumes of the shea nut (unprocessed). The price offered by these large companies, though cheap, is higher and distorts local market prices. The shea pickers are rationally attracted by better prices since shea is seasonal and not available year round. Shea grows in the wild and is not farmed. Shea processors (some of whom are shea pickers) process the shea nuts into shea butter using a local rudimentary approach. Because of the increasing demand, the government has received requests to regulate this sector similar to the cocoa sector.

The ability of Ele Agbe to integrate its shea supply chain from downstream shea pickers to upstream bulk buyers has enabled the company to spread risk and costs of production in a way that harnesses its driving force of:

- Fair trade practices and quality standards acquired under a USAID programme is applied in all contract dealings downstream and upstream.
- Operation of one centralized production location ensures effective supervision and guarded trade secret.
- High expansion drive and involvement from staff in decision-making, particularly things that affect them, promotes innovation, and has led to the introduction of 20 new products within the past five years.
- Strong network and rapport facilitates timely market information from visits to export markets. Feedback from buyers and agents is used to offset constraints arising from frequent changes in regulations from importing countries and the need for more learning.
- Use of product differentiation and quality processes are core business strategies to meet market entry requirements and consumer expectations.
- Work is executed in small cohesive teams with employees (contractors) that are able to work in all areas of production.
- A positive business outlook is supported by novel products, bold initiatives, and innovation by the CEO.
- Meeting local regulatory and monitoring requirements; and financial audits.
- Complete ownership of business property, equity financing, well-equipped warehousing facility, and application of free-on-board export channels eliminates operational shocks occasioned by fluctuations in debt servicing.

Another key factor is that the products are non-perishable and can be held in stock for more than two years. This, coupled with the high profile network linkages forged by the CEO, boosts the image of the company as a credible trade partner. The contact networks of the company are very well-known and provide the company with valuable information. The product brand is catching on abroad. This is clearly shown by buyers such as, 'Ten Thousand Villages' in the United States of America who only places assured or quality products on its website and also included Ele Agbe's products on its website. Consequently, the company has seen a significant increase in export orders with sales revenue increases of more than 200% over the last three years. It has had to decline some requests because of its small production facility.



Despite the increased demand for shea-based products, the CEO is concerned that the lack of a national policy on the shea sector means that it is difficult to ensure that quality standards are maintained by all producers and exporters. The activities of foreign companies remain unregulated as they have unlimited access to the shea pickers. They are competing with indigenous companies for the raw shea nuts resulting from the increase in global demand. The competition drives up prices and limits supply for a product that is seasonal. This practice hampers year-round production of shea products as the demand erodes the possibility for local shea stock build-up.

Strategic Issues for Ele Agbe

The company has concretized strategic linkages with leading personalities and appears to have focused less on local strategic linkages with the exception of downstream input suppliers. The company considers it would be beneficial to link up with local shea associations such as the Shea Producers Association and Shea Network to which some known shea exporting companies belong. Such links would help the company identify other companies within these associations it can partner with for group exports. For example, AWEP targets female entrepreneurs. There is an advantage to male entrepreneurs to take opportunity from such partnership especially as the export market is already established. They would therefore not have to develop the export chain.

Ele Agbe is taking steps to register its trade secret as a sure way to prevent seepage or industrial pilferage. Next steps include the possible franchising of the trade secret in contract arrangements with shea butter producing associations such as Christian Mother's Association, Pagsung Sheabutter Association, and, Gubdanda Women's Group. This will help to generate increased revenues from the franchise and from export volumes.

The company's upstream buyers are mostly retail outlets in the US, Japan, and, UK. Management is initiating an arrangement whereby the retail outlets provide links to others who are interested in shea products. This will increase existing market for the products and serve as an incentive to contract arrangement with the shea butter producing associations. The shea butter producing associations will find the venture profitable as higher revenues can be expected. Promoting the welfare arrangements that the company has with its current input suppliers (in the contracts with the shea butter producing associations) suggest that gain from the social setting is assured. This strategy is in line with the company's vision of targeting rural women and the youth.



An analysis of 14 other shea exporting companies supports Ele Agbe's perception concerning the challenges faced in the shea sector. Some of these companies export to other African countries such as South Africa, Liberia, Sierra-Leone, Nigeria and Asian countries such as India, China, and Japan. Since these companies do not mention frequent changes in regulation covering imports as a constraint, Ele Agbe may consider venturing into these other markets.

The government now has a draft shea policy in place awaiting legislation for implementation. Effective communication among shea producers and government will enable beneficial implementation of the policy. In particular, indigenous shea producers could lobby government to formulate a policy either limiting the proportion of shea nut exports or determining the percentage of a company's exports in shea nut and processed shea. The company hopes to work to seize this opportunity to make the platform for shea exports more favorable to local companies through advocacy to government.

Looking Ahead

Ele Agbe appears to have positioned itself for international (especially Japan and US) markets based on the networks developed through leading world personalities in these areas. While the social network of familial relations has helped the company with its branding and market penetration, frequent changes in export market regulations for the shea sector is costly to the company. The question for the company now is how to sustain its network which is linked solely to the CEO and to a lesser extent to the company? Should more effort be made to harness local social networks and exploit other network opportunities in the sub-region to reduce costs further? How should the company expand its business model of operations without compromising its vision? Could the strategy of developing network ties with world personalities be used for international markets or in sub-regional markets?

The concept of developing the capacity of rural women and youth through a franchise of registered trade secret is appealing. This is because business model can be replicated in different communities. Although, it is not clear how viable this may be given the constraints associated with intellectual property registration at national, regional and world levels, and the tightly guarded trade secret.