Studies in Economic History

Grietjie Verhoef

The History of Business in Africa

Complex Discontinuity to Emerging Markets

Springer

Studies in Economic History

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Complex Discontinuity to Emerging Markets

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Preface

I am an African. I am an Afrikaner African.

The unexplored potential of the people of my continent is the single most distressing fact of our times. Africa has the benefit of centuries-long culturally enriched diversity. There is strength in this diversity. Meeting colleagues in international business history gatherings has always left me explaining the disunity of Africa, the diversity and the devastating power struggles. This book was inspired by the need to introduce the strength of that diversity on the African continent. Since Africa is not the home of the world's largest multinational corporations, business historians have paid scant attention to the development trajectory of business in Africa. The impressive growth performance of African economies since the last decade of the twentieth century and the emergence of African multinational corporations on global bourses hint at the fact that the time has come to consider African business development in its own right. The largest emerging multinational corporation in the market is Naspers, a South African enterprise. The biggest transaction in the global beverages industry was completed by Anheuser-Busch InBev acquiring South African Breweries in 2016. The largest mobile telecommunications company in Africa and the Middle East is MTN, greeting the world as 'Yello'. The richest black man in the world is Aliko Dangote from Nigeria. There must be something in Africa's water!

Since my first attendance of a business history conference in Palo Alto, San Francisco, in 1999, aspects of the business history of Africa entered international business history meetings. Single papers on African and South African topics were difficult to fit into the internationally oriented sessions in the USA, Europe and other leading economies. Since 2002, I organised sessions at the International Economic History Association's conferences, hoping to attract wider interest. The first session on Africa history was at the Buenos Aires congress of the IEHA in 2002. At the 2006 IEHA congress in Helsinki, Finland, two sessions devoted their attention to economic and business development in Africa. In the 2009 World Economic History Congress in Utrecht, the Netherlands, the momentum grew as scholars from Africa organised sessions on the economic history of Africa and early

eighteenth-century Cape Colony and on business in Africa, especially the financial sector, insurance in comparative perspective. In 2012, the first IEHA World Congress came to South Africa, where the number of sessions on economic development and business in Africa testified to the growing interest in Africa. The one dimension that remained underdeveloped was the business history of Africa. At the World Economic History Congress in Kyoto in 2015, Africa featured in a total of eight sessions. It was in Kyoto where the idea was mooted to write a full text to introduce the state of business history in Africa on African business.

This book developed from many long, penetrating and inspiring discussions between perhaps one of the business history community's leading intellectuals, Franco Amatory from Bocconi University, Italy, and myself. He brought me to the point of attempting to put the business history of Africa on the agenda. He encouraged the discipline to engage in a manuscript to introduce other scholars to the history of business in Africa. His inspiration has always been directed at encouraging young scholars and creating opportunities for open debate whereby the crucial new directions in business history enter inspirational dimensions. This intends to bring scholars together in pursuing many of the outstanding issues pertaining to the nature, progress and limitations of Africa's business. The book outlines the broad trajectories of development in business in Africa and shows a persistent entrepreneurial presence. It shows multi-ethnic manifestations of entrepreneurial talent and the fostering of individual aspirations, ability and success. Those are the foundations of African business Amatori encouraged me to write about and to inspire African scholars to pursue. This book is by no means an exhaustive text on African business. It identifies the gradual convergence between business in Africa and business in neighbouring and global markets. It calls scholars to accept the challenge to write the history of business in Africa, by Africans and from Africa into global markets. The presentation of the wide range of biographies, collected and synthesised here, constitutes the fabric from which future African business development will take off. An unmined field of entrepreneurial biographies, organisational studies and configuration of business groups are the themes inviting future research. There is a lifetime of work on the impact of technological progress on business in Africa, on the role of organisations in creating economies of scale and on the emergence of big business as 'an act of rationality' (Amatori 2015) open to scholars of business in Africa.

The vision to engage systematically with Africa's economic and business history has taken a long winding road through world congresses and business history meetings. I am indebted to all the participants in the sessions since 1999 and continued the discourse about Africa. Moreover, I thank the band of economic and business historians in South Africa, for their perseverance and dedication to the vision of Africa's past. My work has benefitted immensely from those initiatives, debates and meetings on home soil and in global meeting places. I thank Franco and Maggi Amatori for their generous hospitality during a number of visits to Bocconi, towards myself, as well as towards the scholarly community seeking to stretch the boundaries of business history. My work has benefitted to no limited degree from the invaluable research assistance of Dr Suzanne van Eeden-Allen, who has been an

exceptional explorer, synthesiser and editor to my endeavours. The work on the history of business in Africa has only just begun.

Johannesburg
May 2017

Grietjie Verhoef

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Contents

1 The History of Business in Africa: Introduction . . . 1
References . . . 5

2 Africa and Africas . . . 7
2.1 Conclusion . . . 22
References . . . 22

3 Networks of Exchange . . . 31
3.1 Business Unit of Operation . . . 36
3.2 Merchants and Trade in the East . . . 45
3.3 Indian Business in Africa: Mia and Dockrat Family Business . . . 48
3.4 Conclusion . . . 51
References . . . 52

4 Business in New Markets Under New Masters . . . 55
4.1 Escalating Cost of Competition Mandated Diplomacy . . . 57
4.2 Strategy: Chartered Companies . . . 57
4.3 African Entrepreneurs in South Africa: Exceptionalism and Similarity . . . 69
4.4 Concluding Overview: The Role of Credit and Banking . . . 76
4.5 Conclusion . . . 81
References . . . 81

5 Business in Independent Africa . . . 87
5.1 Ideology, Policy and Business . . . 89
5.2 Power, Business and the People: Ghana . . . 92
5.3 Power, Business and the People: Nigeria . . . 94
5.4 Power and Business: French West Africa . . . 99
5.5 Statism and Business: East Africa . . . 101
5.6 The State, Power and Business: Central Africa . . . 108
5.7 Outlier South Africa . . . 111
5.8 Conclusion: African Business at the End of the 1980s . . . 115
References . . . 115

6 Enter the Market: African Entrepreneurial Rebirth After 1980 119
6.1 Contextual Overhaul 119
6.2 Privatisation: Enters African Entrepreneurs 122
6.3 New Generation Entrepreneurial Innovation 126
6.4 Transforming Humble Trading into a Corporate Empire 133
6.5 Transforming Socialism into a Market 137
6.6 Muslim Maghreb 148
6.7 Banking 152
6.8 Black Business and Open Markets in South Africa 154
6.9 Conclusion: The Journey Has Just Begun 160
References 162

7 Into the Global 167
7.1 Big and Powerful 169
7.2 The New Global African Business: Entrepreneurs and Billionaires 189
7.3 Conclusion 201
References 203

8 Conclusion: The Beginning of African Business History 207
References 215

List of Map and Tables

Map 3.1 Precolonial African civilisations. Source: Jeff Israel (ZyMOS)—Own work, CC BY-SA 3.0, https://commons.wikimedia.org/w/index.php?curid=2660560 33

Table 7.1 OFDI, Africa by region and South Africa, 1990–2015 ($m) 171

Table 7.2 OFDI stock as percentage of gross domestic product, 1990–2015 (%) 172

Table 7.3 Value of cross-border M&As, by region of purchaser, 2007–2015 (US$ m) 172

Table 7.4 African top 100 nonfinancial TNCs, ranked by foreign assets, 2012 and 2015 174

Table 7.5 African firms approaching 'EMNC' status 190

Chapter 1
The History of Business in Africa: Introduction

Africa evokes an image of poverty and underdevelopment. The painful emigration of millions of people annually underlines this. Africa also evokes a dramatic distant history from slave trade to colonisation. Africa is nevertheless full of contradictions. Across its vastly diverse regions, in a process of non-linear growth, enterprises or groups of enterprises have emerged, actors able to mobilise the most advanced technical and organisational resources. It is the enterprise, both private and state-owned, being able to act effectively on the market, to be the protagonist of modernisation and development, that rose in response to market opportunities and that has put Africa on the post-liberalisation trajectory to global engagement. This book is the first systematic study on African enterprise in its different typologies of size and organisation. This book underlines the geographical differences, the dynamically changing policy and the institutional context volatility of African business development. Using a longue durée approach, it wants to explain the reality of the present.

The preoccupation amongst many business historians with the inventor's paradigm, namely, the Chandlerian focus on the rise of industrial enterprise and those firms' managerial hierarchy of control, has left the pursuit of business history of Africa outside the agenda. As new forms of organisation, especially small and medium-sized firms, family enterprises, business groups and business networks, entered the scope of business history (Jones and Zeitlin 2008), the research attention moved towards those manifestations of business alongside the big enterprises. A revival in the interest in entrepreneurship puts the human dimension back into business history. This perspective encouraged the investigation into the different trajectories of business development in Africa. The complexity of contexts in Africa makes this subject more challenging. Ultimately, business operations in Africa developed in the context of discontinuities. The western development trajectory of firms was introduced long after the Arabs conquered Africa and enforced their trading organisational forms on networks of exchange. Indigenous African kingdoms and chiefdoms organised exchange in alignment to the structure of political and social authority. With colonial penetration, western-style firms

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came to Africa and developed along similar lines as in the rest of the western capitalist world. Cross-fertilisation occurred between the form of business organisation of the new European entrepreneurs, the indigenous African traders and other ethnic business entities. Nevertheless, as Hannah argued in the case of First World industrialised economies, it is not large-scale enterprises that account exclusively for the extraordinary success of the US economy during the early twentieth century, but the non-industrial sectors of the economy or the achievements of small-scale firms (Hannah 1999). The development of business in Africa underlines this view. This book addresses the first systematic focus on business in Africa from this legacy of informal, small, medium and large-scale enterprises.

Much of the political economy literature of the past underestimated the longue durée of entrepreneurship in Africa, as well as underplayed the diversity of entrepreneurial roots on the continent. Some entrepreneurs were 'silenced' on grounds of race, creed or ethnicity, but the belated opening up of Africa's polity, society and markets since the end of the twentieth century started to change that. This book shows the persistence of entrepreneurial activity in Africa over its long history. Its premise is that Africa is a diverse community of peoples. Diversity in origin, culture, creed and race injected a variety of business orientations since the eighth century into the vast geographical landscape of the continent. The lack of access to well-organised primary document repositories makes the endeavour exceptionally difficult. An incremental approach was adopted. General anthropological, historical and political economy texts introduced the wider context of Africa and her peoples. These were used to reconstruct early forms of exchange. Extensive use was made of different collections of selected cases of business development in the secondary literature, as well as selected interviews with African businessmen. These were used to compile a colourful tapestry of entrepreneur biographies. The biographies constitute the building blocks of the identification of Africa's business development. The book uses a chronological approach to introduce the history of business in Africa.

Chapter 2 introduces Africa as the continent of many Africas. A historiographical overview outlines the marginalisation of business in Africa in the international literature on business history. A critical approach to the notion of Africa as the home only to indigenous black peoples is dispelled by the history of conquest and assimilation by the Muslim Arabs into Africa since the eighth century and the migration from other locations of the world by people making Africa their permanent home. The dominant perspective on business in Africa was from the perspective of the foreign firms operating in Africa. The multicultural population composition of Africa contributed to variation in exchange relationships and regional domination. The extant business history literature does not address this textured composition or development trajectory, because the focus was not Africa, but the domicile of the foreign firm. An assessment of how the people in Africa conducted business operations will provide the understanding of the behavioural dimension of business throughout the development of Africa's internal and external commercial activities. These relations must be understood from the earliest past,

since they impact throughout history. Here commences the justification for this book on Africa's diverse business past.

The first 'globalisation' of African trade relations manifests with the Arab Muslim invasions of the eighth century. In Chap. 3, the roots of African business become apparent in the networks of exchange between the succeeding African empires of sub-Saharan Africa and Arab Muslims. The important characteristics of kinship networks are firmly established in the era and remain fundamental to the understanding of business operations in many parts of the continent. The organisation of trading operations in the sub-Saharan African kingdoms was centralised around the authority of the king, but was not monopolised. Trading amongst members of the same kingdom was conducted on moral principles of fairness and honesty. All the trading entities displayed the same organisational form or a central 'manager' supported by various levels of caravan owners, administrative officers and suppliers of commodities. As the trading networks expanded, middlemen emerged to facilitate access to supplies and stock control. The organisation of trading operations did not change fundamentally when the slave trade was terminated. The state-business nexus in Africa has deep roots and remains persistent through its history. In the trading networks on the eastern coast of Africa, the kingdoms were weaker and permitted greater agency to middlemen. This region experienced the added dimension of Asian Indian traders establishing themselves as middlemen between Africa and Asia. Diverse cultures of business are introduced, contributing to the complexities of multicultural exchange. This is illustrated in Chap. 3 and becomes a persistent thread through the business development in Africa.

The colonial era delivers an important dimension to the history of business in Africa. Chapter 4 explains the establishment of colonial government, but adds the perspective of the agency of colonial subjects that emerged to display the positive response of entrepreneurs to new opportunities as well as the ability to compete with new entrants to the market. The business community in Britain was not in favour of colonial expansion. In the British colonies, chartered companies did not have unchallenged market control. The business environment changed as the colonial administrations sought to generate income from the colonies. Chartered metropolitan companies had the benefit of market regulation favouring their access to resources, finance and the state. Chapter 4 explains the competition and coexistence of European companies and local businesses. The successful competition by local entrepreneurs in small enterprises, in larger merchant businesses and in agricultural production points to the competitive business landscape. The bigger and better organised chartered companies were not necessarily able to conduct successful business. Many of those enterprises failed, while smaller local enterprises sustained operations on the lower end of the market. Knowledge of the market in Africa proved vital for success and remains a critical dimension of future business success in Africa. The context of market knowledge embedded in former trading networks constituted an important dimension of success. The emergence of trade associations amongst local businessmen was a new form of 'network' to sustain local enterprises. These trade associations emerged in different regions,

both Anglophone and Francophone colonies, and remained powerful mechanisms of business agency. In South Africa, the early African trade association became an instrument of business activism opposing state policies. Chapter 4 offers a perspective on business development alongside that of the dominant colonial commercial sectors.

Perhaps the most disruptive context of business development in Africa started with decolonisation. Two developments constituted discontinuities in the development of business in Africa. The first is the emergence of the newly independent state under the control of the educated political elite, who spearheaded political independence and mobilised continent-wide anticolonial movements to gain power. The predominant, although not exclusively so, prevailing economic policy was macro-economic centralism and state control. This led to anti-private enterprise policies. The promotion of small or medium private business was not a priority, but the second discontinuity, namely, nationalisation of business, was. During the post-independence period, state-owned enterprises dominated the commanding heights of the new economies. This is interpreted as a 'discontinuity', because existing private business faced yet another market distortion. Policies of indigenisation also introduced ethnic-exclusive criteria for market participation and led to the destruction of valuable economic assets across Africa. In South Africa, the policies of racial segregation indeed constituted another form of market distortion, but a strong African and Indian business community developed in the townships. State finance and business support, albeit in segregated geographical areas, enabled enterprising businessmen opportunities to establish businesses that eventually survived well into the twenty-first century. Exceptions to socialist-oriented economic policies in Kenya, Botswana and Cote d'Ivoire make interesting cases. The chapter offers a multitude of short cases of such enterprising businessmen, who successfully identified market opportunities and sustained themselves under conditions of state centrism and enterprise control. Business development in independent Africa addresses the notion of a multi-ethnic African entrepreneur corps, entrepreneurial ingenuity under conditions of market distortion and a persistent large and small informal business sector unable to progress beyond localised market trade. Woman entrepreneurs are especially represented in the lower end of the market, but businesswomen emerge.

The destructive impact of the 1970s oil price hikes and the subsequent global recession contributed to the escalation of debt in developing economies. Latin America was the first region to admit inability to service public debt. Africa followed. By the mid-1980s, debt levels rose beyond the capacity of African governments to service them. Growth performance in Africa had also declined dramatically, leaving only one option open for consideration: debt rescheduling. This meant that the World Bank and International Monetary Fund debt rescheduling programmes were introduced across Africa. These programmes had serious disruptive effects on especially ordinary people's lives, but the subsequent macro-economic reforms reintroduced the market. Chapter 5 explains the widespread reawakening of entrepreneurship in Africa. Strong business growth developed from South Africa and entered a new dimension after the democratic elections of 1994. This chapter presents the cases of successful entrepreneurs from all regional blocks of Africa as liberal market policies gradually enabled

entrepreneurship. In this chapter, the themes of Africa's entrepreneurial talent from different ethnic, religious and racial categories meet the opportunities opening up as economic growth of the continent took off. The most interesting cases are those of centuries-old trading families emerging as big corporate businesses. From very backward environments emerged impressive businesses, especially from Ethiopia. Government policies supportive of private enterprise as well as the development of small and medium-sized enterprises have been instrumental in the rapid growth in private business in Kenya, Ethiopia, Zambia and South Africa. This chapter does not claim to present an all-inclusive cohort of post-market liberalisation of Africa, but it sets the framework for the research agenda in business history.

The final chapter returns to the theme of globalisation. Africa was never isolated from the trends in world business, but in the last quarter of the twentieth century and the first decades of the twenty-first century, globally competitive corporations joined emerging multinational corporations in the market. This chapter introduces the leading South African EMNCs and shows where growth potential exists amongst EMNCs from other African countries. Notable is the development of Africa's own financial institutions operating across state boundaries into regional markets. The question arises about the reasons for success of South African-based EMNCs? Several competitive dimensions of South African corporations are discussed, but special attention is afforded to the role of management. Although a fair degree of interregional trade occurs in Africa, evidence shows that the relative small size of the majority of African enterprises means that they lack critical mass to compete in markets outside Africa. In this chapter, the first overview of effective globalisation of Africa's leading EMNCs is presented. Future research is called for, especially into the competitiveness of the remaining SOEs in Africa, since some SOEs have also embarked on operational globalisation.

This book opens the history of business in Africa to systematic historical research. A challenging agenda in locating sources and engaging businessmen and businesswomen in placing the enterprise at the centre of research on Africa is hereby posed. Private business engages increasingly with the state on policies to foster economic growth. Africa needs economic strategies to address poverty and social marginalisation. These policies are doomed to failure if not premised on the agency of the entrepreneur to create wealth, to widen the scope of opportunities and to inspire ambitious individuals to engage in creative destruction of innovation, invention and inspiration.

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Chapter 2
Africa and Africas

Abstract Verhoef maps out the complexity of Africa since earliest times, which exposes the myth of African unity, a single African nationalism and 'the African culture' as concepts of political expediency rather than historical validity. Focusing on what was published on business in Africa, the chapter exposes the lack of an all Africa inclusive focus on business of all its people. This chapter highlights the under researched Business History perspective of the agency of individuals, entrepreneurs and business organisations in Africa. Verhoef shows the emergence of business activity among the diverse people of Africa at different stages of the discontinuities of Africa's history. That sets the context of business development under different modalities of capitalism to guide the study of Business development in Africa.

Africa is for its people another place from how the world sees it. The context of Africa presents a complex business environment. This is such a complex endeavour because Africa is not one country and not home to one people or civilisation. Africa is a vast area containing a great number and variety of distinct peoples, each with its own culture and language and each with its own history. The history of these societies flowed along their own river beds, but were not solely an indigenous endeavour. Human society in Africa was deeply affected at times by major forces of change emerging from neighbouring continents of Asia and Europe. Africa is home to 56 states, each comprising numerous tapestries of ethnic indigenous peoples. When colonial powers carved out the borders of the colonies under their control, those borders cut across ethnic identities leaving most African states after decolonisation and independence composed of different ethnic societies and splitting some ethnic societies between two or more states. On the continent there are some 1000 different languages, divided into about 100 language groups. In a small country such as Sierra Leone, which is smaller than Scotland, the people speak 16 indigenous languages and Nigeria 395, but in Central and Southern Africa, the language diversity is less since the broad Nguni language family encapsulates numerous closely linked languages. Swahili is spoken across ethnic divisions across East Africa. Colonial penetration introduced English, French, German and Portuguese, which are European languages spoken in various countries in Africa.

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Another layer of horizontal division amongst the people of Africa is religion. Traditional 'religions' with ancestral cults, magic and other cultural elements coexist with Islam and Christianity (Binns et al. 2012: 57–59; Waller 2013: 94–113). The north of Africa is Islam dominated, but Islam has a strong presence also in western, eastern and southern Africa, while Christianity is strongest in eastern and southern Africa. Colonialism contributed to the development of a territorially generated 'state' nationalism, which towards the late 1940s correlated with resistance against colonial control and the demand for independence. The mobilisation of resistance was led by a new educated elite of young intellectuals responding to sociopolitical and economic marginalisation by European controllers. A new 'Africa nationalism' developed, but was actually only politically expedient mobilisation of opposition to colonial oppression (Rotberg 1965; Hargreaves 1991; Crowder 1971). African 'unity' was afforded wide publicity with the formation of the Organisation of African Unity (OAU) in May 1960. The euphoria was immediately marred by cross-border and intrastate ethnic conflict. Some of the armed conflicts continued for more than 20 years and remained unresolved by the time of the formation of the African Union in 2001.

The history of business in Africa plays itself out in the complexities of ethnicity, culture, religion and the politics of colonial control and, after decolonisation, intra-African political contestation and state power. The organisational form of commercial enterprise in Africa developed in the context of political and family control situated in firm authoritarianism (Fage and Tordoff 2002: 56–59). Indigenous African kingdoms, such as the Sudanic kingdoms, the kingdom of Kanem or the kingdom of Ghana, later succeeded by the kingdoms of the Sokoto and Yoruba in West Africa. In East Africa the Bemba and Kikuyu kingdoms controlled exchange. Since the seventh century, Arabs penetrated Africa from the north and encountered the autonomous kingdoms, where the king was worshipped as the creator of life and death. The Arab worshipped Allah and thereby introduced the concept of universalism in religion to Africa. Arab raids into the indigenous African kingdoms extended their trade routes well beyond the North African regions. The phenomenon of a firm emerged only after European commercial interests penetrated commercial exchange with African markets during the eighteenth century. The business history of Africa commences with exchange in a different form from the enterprise in Europe. Commercial domination from outside the continent led many to focus on the enterprise as an extension of western capitalist exchange. The Victorian view is that exchange of commodities is accompanied by the diffusion of knowledge, 'the interchange of mutual benefits engendering mutual kind feelings....It is, that commerce may go freely forth, leading civilization with one hand and peace with the other, to render mankind happier, wiser, better' (Robinson and Gallagher 1981: 2). The Victorian conviction of private enterprise did not engender the same sentiments amongst indigenous African traders. The extensive exposure to private capitalist enterprise did eventually result in the emergence of a variety of organisational forms of enterprise and ownership in Africa, but not exclusively the favoured Victorian model. A nuanced perspective on African business unveils the unique characteristics of business in Africa, but also the complexity of the business environment and responsiveness to external forces by businessmen in Africa.

The broad historiography of African business history follows the contours of Africa in the world economy. The theoretical framework of business histories exploring these exchanges was that of the two continents, two markets and the colonizing power delivering development and progress, facilitating international trade and economic development (Amsden 1971; Hopkins 1976a, b, 1987; Jones 2000). This literature departed from the imperial perspective of the European powers, Britain or the French companies operating in British and French colonial locations (Hopkins 1987). It was assumed that European firms made substantial profits, reinvested in expanding industrial enterprises in the metropolis and thus reduced African commercial activity to the supply of natural resources (Wickins 1980). All the general histories of Africa described the trade relationships, but few historians pursued the history of the companies.

First the literature focussed on the African slave trade debated the Williams thesis (Williams 1944) on the profitability of the slave trade for British trading companies (Davies 1999; Anstey 1976, 1975; Fogel and Engerman 1974; Thomas and Bean 1974; Inikori 1979, 1981; Austen 1987; Klein 2010; Law 1991). Vos (2010) recently published the first investigation into Dutch slave trade from the Windward Coast. The initial debate was about the profitability of the institution. The dominant focus was on the culture of slavery and the transformation of societies selling the scarce resource of labour and power between rulers, traders and subjects (Law 1991; Lovejoy 2000; Curto and Lovejoy 2004; Lovejoy and Richardson 1999, 2005). Recently Green (2012), Ferreira (2012) and Lydon (2009) afford closer attention to the cross-cultural nature of the organisation of slave trade. Green explains the development of Afro-European 'cultural communities' as the facilitating institutions of the extensive trading activities. This shows the nature of the business operations, the management and the business strategies of slave trading companies and explains the massive scale and sustainability of operations. In a similar fashion, cross-cultural collaboration in Lusophone Angola and Brazil facilitated the slave trade, as Ferreira illustrated through biographical analysis. It has come to be accepted that a large number of companies of different sizes participated in the slave trade, some posting greater profits than others. Lydon in *On Trans-Saharan Trails* (2009) further adds to the sociocultural organisation of the economic enterprise, with specific attention to the complexities of contracting between culturally diverse trading parties. Nwokeji's *The Slave Trade and Culture in the Bight of Biafra* (2010) explored the extensive non-Islamic ethnic slave trading operations in the hinterland of the Bight of Biafra as one of the largest areas supplying slaves to the Atlantic slave trade. This study confirms the agency of African peoples in the trade and the complexities of abolition (Lovejoy 1993).

Commercial activities of African entrepreneurs in the trans-Saharan trading networks were transferred to the post-slave trade commodity trade. The historiography depicts African entrepreneurs as 'capitalist cocoa farmers', as Hill (1966) described Ghanaian cocoa farmers in her first publication *A Plea for Indigenous Economics: the West African Example* (succeeded by further research—see Hill 1970, 1997) and enterprising networks of ethnic trading communities observed by Cohen in *Cultural Strategies in the Organization of Trading Diasporas* (1971),

Curtin (1975) in *Economic Change in Precolonial Africa: Senegambia in the Era of the Slave Trade* and Lovejoy in *Caravans of Kola: the Hausa Kola Trade 1700–1900* (1980) and *Salt of the Desert Sun: a History of Salt Production and Trade in the Central Sudan* (1986). These entrepreneurs engaged in commodity and goods exchange across Africa—Cohen explored that entrepreneurial engagement in the northern parts of Nigeria, Curtin in the Senegambia region and Lovejoy in other parts of West Africa. The literature acknowledges the role of female entrepreneurs (Falola, 'The Yoruba caravan system of the nineteenth century', 1991), especially in devising strategies to deal with competitive imports (Kriger, 'Textile production and gender in the Sokoto Caliphate', 1993, 2006). Aspects of indigenous business operations and organisations precede the arrival of 'firms' but constitute institutions of exchange. Wariboko ('A theory of the canoe house corporation', 1998) revisited the canoe house system (*wari*) in the Niger Delta prior to the slave trade and found the operation of a rational system of governance by indigenous traders, responding to transaction-specific investments in the interest of long-distance trade (p. 169). Business people replaced market exchange with traditional hierarchy. Transaction costs were thus internalised in the 'canoe house' to facilitate exchange between buyers and sellers in a stable context where skills were easily transferable without the risk of losing value. These are not firms in the sense of western capitalism, but constitute the entrepreneurial response to opportunity and present the 'location' of business activity. The 'enterprise' or 'firm' was the trading community.

A gradual shift occurred in the post-decolonisation period (after the 1950s) to a study of 'economic imperialism' (Austen 1975, 1987) where the focus was on the escalation of African-European commerce based on new transport and medical technology and the resource needs of the industries in Europe (Cain and Hopkins 1980; O'Brien 1982; Austen 1987). These histories on aspects of business in Africa appeared in *The Economic History Review* and in general history journals such as *The Journal of African History*, *The Journal of Modern African Studies*, *The Journal of Imperial and Commonwealth History*, *African Affairs* and one special issue of *Business History Review* (2007) on Africa. The focus was on the nature and impact of imperialism from a political economy perspective. The attention was not directed at the enterprise and the entrepreneur, but at the expatriate imperial enterprises operating in colonies, serving the interest of their foreign shareholders. Entrepreneurial agency, capital and managerial capabilities originated from outside Africa. Studies on expatriate companies offered detailed accounts of their business operations, aspects of the interactions with the colonial state and the later newly independent African state. Many of these studies explore the activities of the mining companies from the perspective of the owners and shareholders and the opportunities for expansion and development of the mining and related industries in African countries—Malcolm (*The British South Africa Company, 1889–1939*, 1939) dealt with the chartered company of CJ Rhodes, established in 1888 in an area north of the southern African British possessions, to administer the territory on behalf of the British monarch. The study by Flint and Williams (*Perspectives of Empire*, 1973) and Galbraith (*Crown and Charter*: *The early years of the British South Africa Company*, 1973) described the predecessor to the larger mining

interests of the Anglo-American Corporation and the De Beers diamond company (Gregory 1962: *Ernest Oppenheimer and the Economic Development of South Africa* and Hocking 1973: *Oppenheimer and Son*). The mining companies operating in the Northern Rhodesian copper industry included Chester Beatty's Rhodesian Selection Trust, a London-listed diversified mining company operating in various mining locations in Africa. Selection Trust soon linked up with the American Metal Company (AMCO) through the exchange of shares. AMCO later merged with other American mining interests to form the American Metal Climax Inc., which acquired full control of the Selection Trust Group of companies in the 1970s. Prain ((1975) *Copper: the anatomy of an industry*) conducted this business history and in West Africa Greenhalgh's business history (Greenhalgh 1974: *An economic history of the Ghana Diamond Mining Industry, 1919–1973*) framed his analysis in the imperial perspective of neo-liberal market relations. Apart from AMCO and its successor company, the other European businesses in the mining industry were 'free standing' companies and not yet multinational enterprises.

A major mining company operating in South Africa and in the former Southern Rhodesia (Zimbabwe) and Northern Rhodesia (Zambia) is the Anglo-American Corporation (AAC). Innes, a sociologist, (1984—*Anglo-Anglo American and the rise of modern South Africa*) delivered a Marxist class analysis without accessing official company records. The intention was never to conduct a systematic business history of the group, but to 'assess the class character' of the mining group (p. 20). A sound business history of AAC remains wanting. Newbury (1987, 1996) explored the early business history of the formation of De Beers, as well as the international dimension of De Beers' role in international diamond sales.

In a similar fashion the company histories on mining concerns in Katanga, the private possessions of King Leopold and later the Belgian Congo (Slade 1962: *Leopold's Congo;* Anstey, 1966: *King Leopold's legacy: The Congo under Belgian rule, 1908–1960*; Cornet 1950: *Terre katanaise: annniversaire du Comité Spécial du Katanga, 1900–1950*; Y'dewalle 1960*: L'Union Miniere du Haut-Katanga*) were constructed within the 'imperial' paradigm. On West Africa Hopkins (1976a) noted that very little was written about the Ashanti Goldfields Corporation (only a booklet by Eaton [1947] *Short history: Ashanti Goldfields Corporation Ltd., 1897–1947*), and it was only recently updated in a PhD thesis by Taylor (2006), *An Economic History of the Ashanti Goldfields Corporation, 1895–2004: Land, Labour, Capital and Enterprise*, completed at the LSE. The mining industry attracted metropolitan capital to Africa and subsequently led to a diversification in trading and shipping and other commercial interests.

These mining companies were examples of modern western business corporations, organised initially in the centralised U-form of organisation, but gradually adjusted to the M-form of organisation as operations diversified. Early forms of collaboration occurred in the South African mining industry, since high technical costs in extracting very deep-level gold ore necessitated cost-saving strategies. One such mechanism was the so-called group system amongst local mining companies, whereby they collaborated in labour matters, in financing arrangements and in general engagements with the governments. The managers of the mining

companies were also referred to as the 'Randlords', depicting their social and financial status and business networks in the region. These mining groups were the predecessors of later mid-twentieth century; diversified conglomerates or 'business groups' (Colpan et al. 2010) emerged from the initial mining conglomerates. These were European business concerns and excluded any African participation in shareholding or management. Expatriate companies were targeted by newly independent African governments and were often nationalised at independence, as had happened to the BSAC copper interests in Zambia in 1964 (Barton 2015).

The early concentration on mining companies soon led to the study of other merchant companies trading in other resources such as timber, rubber, cash crops such as cocoa, palm oil and coffee (Hopkins 1976a). In the paradigm of imperial expatriate business, attention was devoted also to the plantation economies of the Cote d'Ivoire (coffee: Frechou (1955) *'Les plantations européennes en Cote d'Ivoire'*) and Edwards (1955: *Cadbury on the Gold Coast*), Kenya (coffee: Hill (1956) *Planters' Progress: the story of coffee in Kenya*) and Southern Rhodesia (tobacco: Clements and Harben (1962) *Leaf of Gold: the story of Rhodesian tobacco;* and Haviland (1954) 'The economic development of the tobacco industry in Northern Rhodesia' *South African Journal of Economics*, 22(3): 375–384). Several state-chartered companies performed a central role in the development of commercial agriculture in West Africa. The *Royal Niger Company* (*1886*) was explored by Flint (1960: *Sir George Goldie and the making of Nigeria*), and Wilson (1954) captured aspects of the history of the *United Africa Company* (*UAC*) as the predecessor to *Unilever*. In 1978 Fieldhouse revisited Unilever, but then as a 'multinational' company (*Unilever overseas: anatomy of a multinational*), and then in 1994 D.K. Fieldhouse published the first comprehensive business history on the UAC—*Merchant Capital and Economic Decolonization*: *the United Africa Company 1929–1987*. The paradigm was revisited by Geoffrey Jones (2002, 2005) in his reassessment of Unilever operations in managerial and global transformation contexts. Histories of state-associated merchant companies in East and West Africa describe their operation as preparing for formal empire, similar to the operations of the BSAC in Rhodesia. Galbraith is critical of the operations of the Imperial British East Africa Company, which he displayed as inadequate and a commercial failure (Galbraith 1972: *Mackinnon and East Africa, 1878–1895*), while other companies such as the British East Africa Corporation (established in 1906) developed successful manufacturing, engineering and servicing operations which spread across East Africa, and the Africa and Eastern Trade Corporation linked its successful operations with the UAC (Hopkins 1976a). Clarence-Smith (1983) acknowledged the *Business Empires in Equatorial Africa* as the operation of networks firmly grounded in the metropolis. In Kenya, Swainson, in *The Development of Corporate Capitalism in Kenya*, *1918–1977*, studied the emerging corporate business networks since the beginning of colonial rule and sustained operations in the postcolonial context of East Africa. On the two French trading companies CFAO and SCOA, Catherine Coquery-Vidrovitch (1972, 1975) published a history of the business operations of these companies and assessed their efficiencies by the time of withdrawal during the 1960s.

Bank expansion was closely associated with imperial expansion, and business in the colonies developed a reciprocal need for the management of capital and savings. Credit extension was not limited to colonial banks, but had a long history of indigenous forms of credit, savings and loans. Austin and Sughiara (1993) explained the phenomenon of indigenous credit and lending in *Local Suppliers of Credit in the Third World*, *1750–1960*. Austin investigated the supply and demand of local credit in West Africa (1993), while similar research was published by Verhoef (2001, 2002) on informal savings networks, despite the existence of modern banks. The histories of European banks and other financial institutions were also covered fairly extensively as part of the imperial history paradigm. Banking as a financial service was introduced under imperial control—both under British and French colonial rule. The banks serviced primarily colonial administrations and expatriate business enterprise, such as the functioning of a currency board (Hopkins 1970), and demanded by a more sophisticated system of financial institutions in the British colonies of southern Africa (Arndt 1928). Banking developments in the context of the empire as explored by Newlyn and Rowan (1954: *Money and banking in British Colonial Africa*), Fry (1976: *Bankers in West Africa*), Henry 1963: *100 Years of the Standard Bank*) and Crossley and Blandford (1975: *The DCO Story*), which depicts the expanding network of Barclays Bank's operations across the empire, were supplemented by histories of the *Banque de l'Afrique*, the *Banque du Sénégal* and the *Banque du Congo* in the French and Belgian colonial spheres. General admiration for the prudent banking practice by the 'imperial banks' were expressed in South Africa (Jones 1996; Webb 1992), but also collusion and uncompetitive behaviour (Jones 1993, 1996; Austin and Uche 2007). The result of such 'prudent' banking supported credit extension to the existing client base, but also inhibited non-clients from raising capital 'through impersonal channels (Austin and Uche 2007: 25). In South Africa this marginalisation led to the establishment of local banks and other financial services institutions since the 1920s, which assisted local non-British clients (South African *Afrikaners*) in accessing credit for business development (Verhoef 1992a, b; 2016). The dominance and uncompetitive conduct of banks made them a target of nationalistic opposition under decolonisation and often led to nationalisation.

These studies in the imperial paradigm of the expansion of European capital, the extension of the 'engine of growth' by metropolitan business expansion and the development of mining, banking and trading enterprises, often family-owned or carefully managed by shareholders in the metropolis, represent studies on business in Africa, not 'African' businesses. Many of these were what Mira Wilkins called 'free standing' companies (Wilkins 1988), since the investment came from Europe, especially Britain and France, with the bulk of the business operations conducted in the colonies. Hopkins (1976a) was not very optimistic about the depth of the 'business histories' mentioned in the imperial paradigm, since few were actually 'company' histories with the focus on the enterprise, the entrepreneur, risk taking and market structure, the institutional context or organisational and managerial dimensions of the enterprise. The imperial context facilitated relative stable operating conditions, except for natural disasters and

international price fluctuations. The 'glorious' descriptions soon changed as decolonisation led to independence.

Post-independence Africa developed in a context of scepticism of capitalism and an association of liberal capitalism with colonialism and imperialism. The prevailing intellectual climate of the new leadership was leftist and statist. Africa was suddenly integrated into the bipolar world of the Cold War. The prevailing ideology of decolonised Africa's leaders was extensive state involvement in the economy and society. Colonial regimes, especially after 1945, had engaged in extensive public investment to support economic development. This investment created and ran economic planning agencies, agricultural marketing and stabilisation boards and industrial and infrastructure parastatal enterprises. They had instituted wage and price controls and generally intervened in a large number of economic activities. Thus, most of the African leaders who came to power in the 1960s reverted to state economic intervention and planning. Private entrepreneurs, especially of European origin, were replaced by government institutions and enterprises with monopolistic market control. Only some independent African governments allowed private entrepreneurs to operate in the market. Kwame Nkrumah of Ghana saw no place for African private enterprise apart from small-scale businesses. In Kenya Jomo Kenyatta encouraged and supported the emergence of big African enterprise, leading to a phenomenon of national capitalist development. Kenya was an exception. The general trend was state opposition to foreign business, indigenisation and state-owned enterprises (SOE).

The business history on post-war decolonised Africa**,** since the 1950s, remained within the framework of expatriate-controlled big foreign firms. While post-war reconstruction occupied the attention of the first world, the non-aligned movement emerged in the bipolar Cold War era. Africa was caught up in the 'dependency' theory debates, and until the fall of the Soviet Union, the debates were dominated by the political economy of exploitation, underdevelopment and socialism. 'Radical' Marxist approaches to African history since the 1970s discouraged any business history, based on the argument of the indivisibility of the economy and politics. Class analysis and the deterministic explanatory model were not suited to business history (Hopkins 1987: 125). In Africa the economic history literature was dominated by studies on colonial exploitation, underdevelopment and nationalisation of former privately owned enterprises (Leys 1975; Kirkpatrick and Nixon 1981; Austen 1987: 211–259; McCarthy 1982).

Less attention was directed in Africa at the operations of firms, but rather at models of economic transformation. This occurred in the environment where the state emerged as an 'entrepreneur' and planner, while the form and structure of firms changed, multidivisional groups emerged in Japan and Europe and multinational firms spread operations across the globe (Amatori and Colli 2011: 161–206). The limited business history attention on Africa explored expatriate firms. Some included Jones (1983: *The United Africa Company and the Gold Coast/Ghana, 1920–1965*), Greenhlagh (1985: *West African diamonds, 1919–1983*) and Phimister (1978) on meat monopolies in Southern Rhodesia, Munro (1983) on speculation in the British West African rubber industry, McCormack (1976, 1979) on airways and

specifically the establishment of the South African Airways and Davies (1978: *Sir Alfred Jones: shipping entrepreneur per excellence*), Jones (1986: *Two centuries of overseas trading: The origins and growth of the Inchape Group*) and Porter (1986: *Victorian Shipping Business and imperial policy: Sir Donald Currie, the Castle Line and Southern Africa*). In the cold war and with a socialist government in France, a renewal was awakened in the role of the 'colonial state' in promoting capitalism, or as 'agent of capitalism', especially in the French-speaking colonies (Hopkins 1987: 129), while some studies explored similar connections in West Africa (Milburn 1977: *British Business and Ghanaian independence*). Many foreign trading companies continued their operations in Africa, but these were not incorporated in Africa nor had any significant (if any) African ownership (Jones 2002).

Acknowledgement of the early emergence of African capitalism at the fringes of traditional communal subsistence economies opened the door to the small African farmer and trader seeking incorporation into the market economy. In Iliffe's The Emergence of African Capitalism (1983), Iliffe noted the diverse origin of post-independence African businessmen, especially their experience in foreign-owned firms in the same trade (Iliffe 1983: 64–67; Bundy 1979). The larger African firm of the later 1960s was not owned by persons of technical experience, but by small businessmen or traders who were the children of former businessmen (Iliffe 1983: 75). These studies are not business histories, but a description of capitalist market engagement of small enterprises. An entire conference in Paris in 1981 was devoted to African enterprises and entrepreneurs, resulting in a two-volume publication Entreprises et entrepreneurs en Afrique (XIX et XX siècles) (Coquery-Vidrovitch and Forest 1983). The publication devoted four parts to indigenous entrepreneurship, another with expatriate business, the third with the relationship between the firm and the colonial government and the last part with indigenous and foreign enterprises (Hopkins 1987: 120). These studies highlighted the nature of African entrepreneurs, the agency of indigenous people, their adaptation to capitalist market relations and joint business activities taking shape in the independent states after the end of colonial control. Local business in Africa had developed in the case of South Africa (Jones 1988, 1992; Verhoef 1995, 1999, 2003, 2005, 2006a, b, 2008, 2009a, b, c), depicting the establishment and growth of businesses outside the imperial context. This business sector has been marginalised in business history research on Africa, by choice, because of the bias against the white-controlled South African state. These businesses were locally owned, driven by a desire to establish local ownership of commerce and industry and display the 'independence' from British or foreign capital. It is in these studies that the wisdom of the Hopkins warning that 'colonial capitalism ought not to be regarded simply as an extension abroad of the interests of metropolitan industry' (Hopkins 1987: 133) is a sobering voice.

Business history on independent Africa's enterprises is limited. Studies on business enterprises and entrepreneurial activity can be grouped in three categories: multinational corporations, state-owned enterprises and private enterprise owned by the indigenous population. Some of the work on multinational business in the

post-decolonisation period was framed in the 'neo-colonialism' paradigm, pointing towards new forms of domination of African markets by foreign capital (Nkrumah 1965). Slowly a body of African scholars entered the field of study, but not from a business history enquiry, but rather from the political economy of the dependency theorists Walter Rodney (1972), Immanuel Wallerstein (1972) and Samir Amin (1978). The dependency literature has had an extended influence on African economic history (Fahnbulleh 2006; Tignor 2007). This literature explains the unimpressive performance of newly independent African state-controlled economies from the political economy theoretical framework, arguing structural 'underdevelopment', rather than addressing the agency problem of African political leadership. Amartya Sen argued in his book *Development as Freedom* (1999) that the agency of the individual to act freely is the cornerstone of development. The only test for development is whether the integrative processes to enhance people's substantive freedoms improved their lives (Sen 1999: 8). Since the focus was placed on the state as agent to protect the public interest, individuals or ordinary citizens were overlooked.

When Tignor surveyed the history of business firms in Africa in 2007, he identified only three contributions in three business history journals (*Business History Review, Business History* and *Enterprise and Society*) amongst more than 90 that had used the word 'Africa' in the text that actually explored the history of a firm using primary sources of those businesses. These contributions were not by black Africans, but by Europeans, and were written in the 1980s. (These were the Alford and Harvey (1980) *Copperbelt Merger: the Formation of the Rhokana Corporation*, *1930–1932*; Newbury (1987) *Technology, Capital and Consolidation*: *the Performance of De Beers Mining Corporation*, *1880–1889*; and Dumett (1988) *Sources for Mining Company History in Africa: the History and Records of the Ashanti Goldfields Corporation (Ghana) Ltd*.) These were not histories of African business in the independent state, but completed after independence reinterpreting the operations of expatriate companies in colonial Africa. This literature communicated a growing perspective that perhaps after decolonisation there was no *decolonisation* of African economies, but attempts to collaborate with African commercial interests to secure access by foreign business interests into the market (Leys 1978; Kitching 1985; Berman and Leys 1994; Harneit-Sievers 1996; Swainson 1980). Butler (2007) captured the intricacies of negotiating 'decolonization', e.g. in the mining industry, by reflecting on the role of an individual businessman in the Central African Federation prior to independence (Butler 2007). Marseille (2005) noted that French private entrepreneurs lost in the colonies after independence and therefore very limited literature exists on postcolonial French expatriate business in Africa. He underlines business operations through 'free-standing companies' and the role of businessmen in negotiating sustained market access in the wake of an increasingly intrusive state, challenging the notion of 'gentlemanly capitalism' of Cain and Hopkins. Tignor also noted the publication of literature related to aspects of business development *in* Africa and *on* aspects of African economic history in more general history journals, but none/few on business firms. In *The Journal of Imperial and Commonwealth History*, Butler (2007)

and Cohen (2008) point to the strategies sought by business (primarily British in origin) to resort to 'pragmatism' to protect business interests in that country. Similarly, Tignor (1990) studied the Ford Motor Company of Egypt around the Egyptian independence in 1951, showing the rise of the agency of local interests (Egyptian business family) and how the multinational had to negotiate its future position to avert nationalisation, taking into account local business interests.

The business history historiography has not engaged with SOEs in Africa. SOEs in South Africa were more successful in indeed promoting the development of the economy and business enterprise, but no business history of either has been undertaken. In the context of the 'renaissance' perspective on Africa, new studies emerged to reassess indigenous business operations, organisational form and entrepreneurship. This gradual shift of focus to the African entrepreneur and businessman occurred as African governments slowly reversed their opposition to the liberal market policies of capitalist economies. Forrest in *The Advance of African Capital* (1994) published a comprehensive outline of private enterprise in Nigeria showing indigenous business development gaining gradual momentum since the 1960s. His research pointed to the development of manufacturing in Nigeria, the formation of big conglomerate businesses and the rise of a prominent Nigerian businessman, M.K. Abiola. Forrest's work is not business history analysing the nature of the firm, the management and structure of the enterprise, performance in the market or strategies of development and expansion. Forrest rather gives an overview of the political economy of indigenisation, business and the relations with the state. The revival of the appreciation of the African entrepreneur, especially in West Africa, resulted in Dumett's studies on John Sarbah in *John Sarbah, the Elder, and African Mercantile Entrepreneurship in the Gold Coast in the Late Nineteenth Century* (1973) and other indigenous merchants of the 'Gold Coast', in *African Merchants of the Gold Coast*, *1860–1905*: *Dynamics of Indigenous Entrepreneurship* (1985), while his *Imperialism*, *Economic Development and Social change in West Africa* (2013) returned to a sociopolitical developmental analysis. Stephen Baier (1980) explored the life of Al-Hajj Muktar, who was a prominent Zinder merchant in the early twentieth century. In 2010 Uche wrote the first comprehensive study on the indigenous banking development in Nigeria ('Indigenous banks in Colonial Nigeria'). At the same time, a reassessment of entrepreneurs from other ethnic origins in Africa emerged. Malki (2008) in *The Alienated Stranger: A Political and Economic History of the Lebanese in Ghana*, *c.1925–1992*, highlighted the role of Lebanese businessmen in Ghana. Oonk focussed his attention on the Indian enterprises in West and East Africa in *The Karimjee Jivanjee Family*: *Merchant Princes of East Africa 1800–2000* (2009) and in *Settled Strangers*: *Asian Business Elites in East Africa 1800–2000* (2013) on the business networks on the East African coast. Himbara (1994) in *Kenyan Capitalists*, *the State*, *and Development* acknowledged the central role of Indian businessmen in the development of the manufacturing sector in Kenya.

Indigenous Sierra Leoneans' role in the transport business in Freetown was explored by Jalloh (1998) in 'The Fula and the Motor Transport Business in Freetown, Sierra Leone', pointing to the family structure of ownership and

operations. The ethnic Fula from Sierra Leone as well as from neighbouring Guinea emerged as the entrepreneurs, who established themselves successfully in the motor industry. Jalloh (1999) in *African Entrepreneurship: Muslim Fula Merchants in Sierra Leone* used a case study to show early ethnic entrepreneurship before the exploration of oil in Nigeria. Family business histories have gradually entered the journals (Verhoef 2010b; Verhoef et al. 2009; Bawa 2006), with the focus on the entrepreneur, the colonial heritage of some firms already in the fourth generation. The context of African family businesses is sometimes complicated by traditional succession systems where the 'chief' maintains an inherited position, not compliant with the risk model of private business in the free market context Osnes (2011). The nature of African entrepreneurship has been the focus of a wide range of studies (Marsden 1990; McDade and Malecki 1997; Fick 2002; McDade and Spring 2005), with a specific attention awarded to the establishment of networks of business people for support, information, access to finance and a stronger voice in the public arena. Most of the histories on business were undertaken by non-Africans, depicting the preoccupation with the 'colonial conscience' of the legacy of imperialism. Olukoju admits limitations to indigenous entrepreneurship in Western Nigeria before independence (2013), but also highlighted the entrepreneurial role of African businessmen in early shipping initiatives (1992: 'Elder Dempster and the shipping trade of Nigeria during the First World War') and family enterprises in colonial Western Nigeria (2015). Only in 2002 did Jalloh and Falola publish *Black Business and Economic Power*, in which the indigenous business initiatives across a wide range of entrepreneurial activities were explored.

The nuanced business history on an old client, the Ashanti Goldfields Corporation (1895–2004) [AGC], is perhaps the first business history on an African firm this century. Ayowa Taylor revisited the AGC in a thesis at LSE in 2006. His work is based on the AGC company records analysing the evolution of the AGC as a stand-alone British company through the colonial period to the point of emerging as a multinational corporation in the twenty-first century. Throughout the study the focus is on firm profitability, efficiency and social responsibility in society. Taylor acknowledges the political economy context of the post-independence era as only one phase of 'uncertainty' the company had to negotiate. Addressing all the theoretical paradigms applied to African economic history, he refutes the dependency theorists, agrees with Cain and Hopkins' 'gentlemanly capitalism' for a period of AGC's history and then notes the opening up of the market after the Ghanaian state embarked on free market policies in 1983. The critical success factors were all management related: he puts the longevity of the company to technical expertise, continuity of persons responsible for management and executive conservatism (pp. 295–296).

The side lining of South Africa has impacted negatively on business historians' engagement with the business history of South Africa. On the development of the financial service industry (banking, building societies, investment banking, central banking and community banking), an extensive literature was published since the mid-1980s. This literature explores the financial structure underlying the development of a sophisticated modern economy, portraying successful management

strategies as well as collusive practices, as observed in other parts of Africa. Foreign-owned banks controlled the financial sector until the late 1980s, when statutory requirements mandated majority local ownership. This development can be compared to the 'first indigenisation' policies of independent African states, but internationally the development was observed as repressive, because the country was still under white minority rule. A highly concentrated financial services sector, with interlinking ownership between local insurance companies and banks, developed, resulting in the country's ability to sustain access to finance for domestic development in spite of international sanctions (Verhoef 2010a). South African financial services were, despite isolation, linked to international developments. The domestic industry deregulation followed international financial deregulation, but was not absorbed by globalising international banks (Singleton and Verhoef 2010). The size and nature of big business depended on a sophisticated well-capitalised banking system.

Industrial protection since the early 1920s promoted the development of the local industrial sector and local entrepreneurship. The stimulus for manufacturing started with the development of the mining sector, but local and immigrant entrepreneurs competed freely in all spheres of business. Jewish, English, Indian and African traders, merchants and proto-industrialists accepted the opportunities of the market (Mendelsohn 1991; Kaplan 1986; Herrman 1935; Verhoef 2014, 2015). More extensive social histories about Indian hawkers and traders were published by Hirajlal (2000a, b), Vahed (1999, 2005), Padayachee and Morel (1991), Edwards (1989), Buijs (1985) and Tomaselli (1983). These studies are not business histories, but as was done in the studies on traditional trading activities of early West African cultural entrepreneurs, highlight the sociocultural dimensions of immigrant society survival initiatives. No entrepreneur from any ethnic community in South Africa was ever forbidden from entering into business, but statutory racial segregation intervened in the market by restricting business operations of specific racial entities to designated geographical locations for different racial groups since the late 1920s. It is on the entrepreneurial level that careful investigation is needed into the nature of ethic entrepreneurship in South Africa and across Africa.

In South African business history, various studies were published on agribusiness (Van Zyl 1974, 1975, 1993; Aucamp 1987, 1989), shipping companies operating on the East Coast of South Africa (Dickinson 1988), the development of a local motor industry under protectionism (Duncan 1992; Dix 1995; Kaggwa et al. 2007), Afrikaans mining enterprise challenging the dominant English mining industry (Verhoef 1995), local engineering businesses (Verhoef 2001), local entrepreneurs and the development of manufacturing in South Africa (Schirmer 2008) and international linkages in the development of technological capabilities in the chemical industry, with reference to Sasol (Bromfield and Barnard 2009) as well as the operation of foreign multinationals in South Africa—Fieldhouse on Unilever, Barker on Pilkington, Killington on British textile manufacturers and Newbury on the international diamond trade and De Beers (SAJEH 1995). The discourse on African business failed to consider the business history on South Africa, since sanctions and isolation excluded the consideration of 'white-owned' business in

South Africa. These studies nevertheless constitute the ground work now calling for integration into the whole story of Africa. These businesses challenged foreign enterprise to promote local ownership and enterprise, which is a process currently emerging forcefully in African business.

The sophisticated banking system contributed, as in other parts of the world, to the growth of big business conglomerates, which were able to take advantage of the opening up of the international markets for South Africa after 1994. There is now a dynamic and fascinating history to be told of the globalization of South African conglomerates (Verhoef 2011, 2016; Goldstein 2010). This development is increasingly occurring in collaboration with African business partners, e.g. South African banks are partnering with African institutions to develop joint ventures in insurance, banking, finance and electronic payment systems. Recently a doctoral study on the policy-holder profile of a leading South African insurance company revealed the marketing of policies to all race groups in South Africa since its establishment in 1918, the employment of people of colour since the beginning and its growing black, Indian and coloured people policy holder base since 1918 (Halleen 2013). In more than quarter of a century existence of the SAJEH, more than 70 articles were published on company histories, private enterprise in agriculture and manufacturing, banking and business as well as the development of industries, with two special issues devoted to business imperialism in South Africa and entrepreneurship. These now need integration into the African-wide examination of emerging African business—irrespective of the race of the owner/entrepreneur. Large conglomerate African business has entered the market since the last decade of the twentieth century, but no systematic business history of those enterprises has been conducted.

The history of Africa is textured, complex and dynamic. The continent displays a diversity in human capital and in historical development, delivering a business history with a scope almost too ambitious to attempt in one monograph. The temptation to focus on discontinuities and disunity of Africa stems from the traditional history of Africa sweeping boldly across precolonial Africa into the scramble for colonies, imperial divisions and independent Africa in an unconvincing display of 'unity' in the Organisation of African Unity and later the African Union. An exploration of the business history of Africa turns the attention to the engagement in markets, the creation and manipulation of markets by businessmen who supply in response to demand. African business activity occurred in different social institutional structures, many organisational forms and numerous state contexts, but the field of Business History remains under-researched in Africa. The development path of African business does not justify the traditional business history departure from the firm or corporations, but a closer attention to networks, entrepreneurs, traditional culture and ethnic and religious family allegiances. The call for Business History to 're-establish the entrepreneur, not only as central actor in the history of business, but also as a determinant of wealth and poverty' (Friedman and Jones 2011: 4) opens the research agenda of African business history to an investigation of how Africa conducted its business, how the African context impacted on foreign businesses and what the varied and different African business experiences meant for the integration of Africa's business with global markets.

There is still no single African business model. Aspirational unity and the emphasis on 'Africanness' are only gradually acquiring meaning in the twenty-first-century African awakening. Africa is now producing its own multinational corporations, but simultaneously gives new meaning to the role of the state in business. The relationship between business and democracy is a complex relationship and in Africa presents particular new dimensions to entrepreneurial opportunities and enterprise development.

Africa is home to 1.2 billion people, with Nigeria home to 183 million—the largest African country by population. Forecasts predict Africa to post the fastest population growth on the globe by 2050. The largest portion of sub-Saharan Africa's population is between the ages of 15 and 64 years of age (51.6% in 1990 and 53.8% in 2014) (Africa Survey, 2015/2016: 7). Real GDP growth between 1970 and 1980 was 4.3% and then declined to a growth rate of only 1.8% between 1980 and 1989, but between 2000 and 2010 economic performance improved to 5.3% annual growth. The year 2015 was especially impressive, with real GDP growth rising by 5.8%. Of greater significance is that when GDP growth in South Africa and Nigeria, the two largest economies on the continent, are excluded; sub-Saharan Africa's GDP growth soared above 6% annually since 2004 up to 2012, after which output was adversely affected by the impact of the global financial crisis (GFC) (IMF 2014: 63). The global contraction in commodity prices hit Africa hard: growth slowed down to less than 1.5% in 2016, which was the worst performance in Africa in 20 years (IMF 2016: 1). Nigeria contributed 13.9% of Africa's GDP at constant 2005 prices in 2014, South Africa 23.5% followed by Algeria with 9.5% and Egypt with 9.4% (Africa Survey, 2015/2016: 50). A meaningful phenomenon for sub-Saharan Africa's development is that the real GDP growth rate, excluding Nigeria and South Africa, consistently outperformed the region since 2004. For the development of African business, the dominance of resources, primarily under state control, has discouraged economic diversification and led to the 'resources curse' effect in many African countries (Collier 2008; Bevan et al. 1999; Badia-Miró et al. (2015). Industrial production and manufacturing as a proportion of GDP growth remains insignificant in sub-Saharan Africa, excluding South Africa. The bulk of the top 100 companies in Africa are engaged in oil and petroleum-related business and mining (Africa Survey, 2015/2016: 96).

The optimism about the advances in business history was grounded in developments in which sub-Saharan Africa sadly lagged. Amatori (2009) hailed the spreading of democracy, technological innovation leading to the information explosion, the globalisation of finance and the spreading of market economies. In Africa in 2000 only 13% of the countries could be classified as 'free', while 35% were 'not free' and 50% only 'partially free'. By 2014 only a slight improvement was observed: 16.3% countries were 'free', but 43% was 'not free' and 34% 'partially free' (Africa Survey, 2015/2016: 349). Sub-Saharan Africa has only a 72% literacy rate, compared to the global rate of 89%, which undermines innovation and technology leadership. The relationship between democracy, business, totalitarianism, the one-party state and big business, often SOEs, in Africa therefore presents an important dimension of analysis. The editors of *Business History Review* also

questioned this seemingly unresolved contradiction in business (Friedman and Jones 2011: 7). So did Scranton and Fridenson (2013). They warned that growth in different modalities of capitalism should be explored, especially in contexts where the exploitation of resources did not universally contribute to diversified economies or follow from individual freedoms. So democratic Europe did not deliver a 'free market', but a huge borderless 'Euro' market (Scranton and Fridenson 2013: 155). In Africa this state-business symbiosis presents a particular interesting dynamic.

2.1 Conclusion

What is business in Africa and who are the Africans are questions underlying the understanding of the complex discontinuities of business in Africa. The different modalities of capitalist exchange manifesting in Africa since the early contact between the inhabitants of Africa and people from other continents gave rise to different forms of business organisation reflecting the sociocultural context of development. Africa's experience with foreign contact, conquest and coexistence gave entrepreneurs the opportunity to adapt. This complex history affected business or the forms of exchange. Historians have not shifted the focal point of investigation to the relationships of exchange or the modality of trade by the people of Africa, but rather the dominant metropolitan enterprises. This chapter shows the scope of historical work on business in Africa, but also exposes the lack of the perspective from Africa. The emerging themes of business in Africa, as will be addressed in the following chapters, are embedded in the way the diverse African population adapted to their interaction with the rest of the world. The history of business in Africa is a history of this early 'globalisation' responses and internalisation of influences into local modalities of business.

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Chapter 3
Networks of Exchange

Abstract The central characteristic of the persistent entrepreneurial inclination of merchants, tradesmen, middlemen and politicians before effective colonisation is outlined in the constantly changing relationships of trade. Verhoef identifies the dynamic interplay between political power and business as a golden thread through the history of Africa. Individualism in business is subject to networks of religion, kin or culture, signifying the underlying undemocratic authoritarian nature of exchange. The organisation of managerial functions did not monopolise exchange, but enhanced wider entrepreneurial opportunity. Verhoef not only offers original case studies to substantiate the kinship/business connection since pre-colonial times but also observes the pursuit of profit irrespective of the commodity exchanged.

Commerce wove through Africa since early civilisations, and it was Africa's wealth of resources that attracted attention and may have been the cause of the early invasions. Access was not easy, but trade around the Mediterranean connected commercial activities in the northern parts of Africa with the Roman and Byzantine empires. The Muslim network of exchange connected these routes to the Ottoman Empire in Turkey, the Mediterranean coast through to Spain and then across the North African coast from Morocco to Egypt. This opened up the window to Islamic invasions from the seventh century. The Arab conquest or Islamic invasions changed the nature of commercial exchange in Africa by mandating increased centralisation to protect economic interests against the invaders. Muslim settlements developed in west of Egypt, known as the *Maghreb* (the 'west'), and remained politically independent of Egypt, separated by the Libyan Desert. Arabian influences from the northern and southern Arabia extended commercial activity to the Muslin states of Somalia and southern Ethiopia. Conflict with Christian Ethiopia blocked Islamic expansion, but commercial exchange flourished. When the Christian Spaniard and Portuguese explorers entered Africa, trade entered a new phase of connecting to metropolitan Europe. Soon English and French interlopers followed, and commercial exchange served to integrate communities across the African continent with other continents.

Before European penetration and the establishment of colonial settlements since the last half of the nineteenth century, Africa was rife with business activity through

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extended networks, but small in operational units. Commercial exchange was organised in networks controlled by kings and authorised subjects. Trade conducted by non-African traders, who visited the coast, established acquaintances with the indigenous population and negotiated permission to trade. Trade was also inter-African, that is, amongst the dynamically changing political entities on the continent—the kingdoms and the chiefdoms. Trading exchange occurred not primarily in agricultural produce, but in commodities unfamiliar or inaccessible to the traders. Trade in humans, slaves, was part of the exchange networks in the Islamic world and Africa since the earliest years of exchange. Extensive trade occurred in precious metals such as gold and copper in Nubia (Egypt), the western parts of Sudan, between the Senegal and Faleme Rivers (West Africa), the empire of Mwene Mutapa (Zimbabwe) and the Kingdom of Mapungupwe (southern Africa). Gold, copper and iron were traded frequently in the exchanges off the Egyptian coast, as well as the west and east coast. Traders carried Turkish boy slaves to the north of Africa following the Ottoman defeat of Egypt. By the end of the eighteenth century, slaves from black Africa were the domestic servants and concubines in Egypt until the British had driven the French and remaining Mamluks out of Egypt.

The organisation of trade reflected the relationship between political power and society. The king of the African empire controlled trade, but permitted private individuals the right to enter trade on conditions set out by the royal majesty.

Map 3.1 displays the locations of precolonial African civilisations. This illustrates the dominant civilisations of West Africa and the relative small and dispersed civilisations of East and southern Africa before colonisation. African kingdoms consistently and dynamically adjusted themselves to changes in power relationships determined by war, defeat and conquest. In West Africa successive kingdoms of Ghana, Mali and the Songhai extended from the far west coast, while on the southern coast of West Africa, the forest states of Oyo, Benin, Asante and Dahomey exercised the dominant power. Further into the interior, the state of Kanem succeeded Borno by the fifteenth century. The king monopolised permission of trade, thereby securing control of the movement of commodities across his empire. Shifting power through the conquest of warfare resulted in changes in power relationships, but not in the nature of the organisation of the trade. Family control through the royal house was central, but did not exclude private merchants from operating on the trade routes. The African kingdoms to the east and central parts of Africa were smaller, but organised trade along similar lines. These empires were the Congo Kingdom, the Lunda State, the Luba State, the Kingdom of Aksum, Christian Ethiopia and the Bachwezi Empire. Further south was the Great Zimbabwe Empire. The northern trade networks were organised in the Islamic Caliphates and controlled by families authorised by the caliph. All trade exchanges was organised from a strong central base of power—either by the authority of a king or an Islamic politico-religious leader. The central political power, the king or Islamic ruler issued permission to trade, which commodities to trade, the timing of trade and the mechanisms of extraction of benefit to the king. None of the exchange relationships was consultative or 'democratic', but centralised and authoritarian. The initial seventh century Islamic invaders operated in small family units extending their business operations across from Araba to the western shores of the Maghreb. These

Map 3.1 Precolonial African civilisations. Source: Jeff Israel (ZyMOS)—Own work, CC BY-SA 3.0, https://commons.wikimedia.org/w/index.php?curid=2660560

operated relatively independently from each other, but subject to central caliphate authority.

The business in Africa before 1900 was exchange of natural resources (salt, gold, iron, copper, precious stones, kola nuts and other foodstuffs) locally manufactured cloth, leather hides, ostrich feathers, gum arabic and ivory (elephant tusks). The extensive caravan commerce is the core of ‘business’ activities in Africa in the period prior to colonialism. Between 1500 and 1900, these trading networks intersected with the European voyages of discovery seeking to circumvent the ‘silk route’ linking the Mediterranean basin and Southwest Asia with Central Asia, India and China (Austen and Cordell 2002: 80). Trade routes crossed the Sahel, the northern shores of the Sudan, connecting the cities of the region. These cities were Kumbi in ancient Ghana; Timbuktu, Jenne and Gao on the Middle Niger; and Katsina, Kano and smaller centres in central Hausaland. These cities were the ports on the rivers in the region and the political capitals of the medieval Sudanic

empires. The vast distances between the centres meant that the cities served as collection points for goods from areas outside the reach of existing camel routes. From the second half of the fifteenth century, the people of the Gold Coast began trading with Europeans, while the people from the Bight of Benin and Biafra commenced commercial exchange in a significant way from the mid-seventeenth century. In the beginning this trade exchanged gold for metal hardware (brass, iron bars and copper), cloth, beads, slaves and cowries (Vogt 1973; Inikori 2007). During the post-1700 trade exchanges with Europe, the single most traded 'commodity' in Africa was humans, slaves. Lovejoy (2000: 19) puts the slave exports from Africa between 1450 and 1900 during the Atlantic slave trade at 11313000. In the medieval period from 650 to 1600, the trans-Saharan slave trade exchanged 4,820,000 people, and the Red Sea and East Africa slave trade between 800 and 1600 exchanged 2,400,000 people from Africa (Lovejoy 2000: 26). The phenomenon of slavery and the varieties of slavery in Africa is not the focus here and therefore suffice it to note that the transition to a post-slavery society and economy required a fundamental reorientation towards production and trade. The slave and trade routes overlapped only partially, but the organisation of that 'business' reveals the sociocultural nature of the political economy in Africa before 1900.

The organisation of trade exchanges started with communities of literate Muslim merchants located in the cities on the North African coast, such as Tripoli, Tunis and Fez. The Muslim merchants were also located on the northern edge of the Sahara in cities such as Murzuk, Ghadames, Ghat, Wargla and Insallah. As Islamic invasions spread to the south of the Sahara, Muslims grew up in the Sahel and Sudan. There were subsequently Muslim merchant communities in Wadai, Massenya, Kukwa, Zinder, Kano and Timbuktu. The merchants on the Mediterranean side of the trade network controlled capital and credit. In these northern trade locations, the most valuable import and export goods passed hands. From there the caravans transported the goods across the Sahara and returned with goods from the Sahel and Sudan.

The European and Jewish traders controlled merchant shipping of the Maghreb. These traders lived in commercial or factory enclaves in the port cities, but they engaged with middlemen who grasped the opportunity to enter as local entrepreneurs in the emerging trade networks. In exchange for commission, transport agents carried the commercial cargo to markets in the interior. The African kingdoms of western Sudan and upper Guinea organised inland trading activities along similar lines. The merchants who managed the trans-Saharan trade were rich, influential and respected leaders in their communities. These merchants competed with large state enterprises in production and trade. This was particularly the case in the Great Songhai and Mali Empires. These states had superior military capacity they used to secure their trade routes. Private merchants developed their businesses as authorised by the state and not in competition with the state but complementary to state controlled trade. State formation and trade were mutually reinforcing processes. When the Great Songhai Empire fell to the Moroccan sultan's military onslaught towards the end of the sixteenth century, the centre of trade networks shifted south to the Guinea forest. The caravan system remained the transportation

mechanism of the commercial exchange, but the volume of trade across the Sahara diminished. The previous trade level highs were only met and exceeded by the eighteenth and nineteenth centuries when European penetration into Africa was regular. Austen and Cordell explain the growth of commercial exchange despite technological stagnation in transport technology in Africa; as the result of the natural barrier, the Sahara offered African trade to European maritime competition (Austen and Cordell 2002).

The caravan was not a permanent commercial institution in the Saharan trading system, but was organised as a temporary organisation by a group of firms ready to transport goods to markets. Entrepreneurs organised caravans across the desert, with the following operational protocol: merchants transported their goods to the edge of the desert in small caravans, then offloaded the merchandise, divided the cargo in smaller quantities and placed them onto camels to make up a new caravan to cross the Sahara. Entrepreneurs transferred authority over the caravan to an agent or guide, who worked for the merchants, but was not a merchant himself. The entrepreneurs organised their activities in firms. Informal and formal bonds kept the firms together. Under Islamic principles of a partnership between trading partners for the purposes of a trading venture, or the advance of credit between independent merchants, these relationships operated. Under Islamic law, the principles of accounting and business practice formalised the business relationship amongst merchants collaborating in caravans. Merchants generally had written documents explaining the content of the cargo for despatch as well as the destination of the goods (Wickins 1981: 151). The relationship between the merchants in the different locations of the trade route was not formalised in written agreements, but based on relationships of kinship, clientele and slavery. The participants in the trade network included the wealthy merchants, slaves and people who simply worked as camel attendants (Curtin 1984). The dynamic interaction between the Muslim northern coastal merchants, the 'middlemen' acting as agents to the merchants, the societies living in the Sahara and the settled societies (kingdoms) on the southern side of the desert constituted an integrated network of autonomous coexisting actors. The nomadic inhabitants of the Sahara, the inhabitants of the *bilad al-Sudan* (land of the blacks), formed a natural frontier between the Islamic societies of North Africa and the Mediterranean societies on the one side and the kingdoms of the Sudan. The nomadic desert peoples' knowledge of the desert—its water and fodder—the supply of camels for the caravans and the products of the desert (dates, salt and *senna*) afforded them a key position for the successful completion of the caravan transportation of goods.

All these actors—merchants, agents or 'middlemen', the nomadic Saharan inhabitants and the societies of the central and southern Sudan—interacted in the economy of emerging Africa. The engagement in caravan trade involved extensive risks to all involved. High risk bore high profit. It was very difficult to monopolise trade routes primarily because of the high profit rates. Austen and Cordell indicated profit rates varying between 328% and 36.25% on trade carried by caravans between 1845 and 1906. Entrepreneurs on the coast and the intermediaries who carried the goods shared profits equally. The high-risk levels explain profit sharing. The provider of capital and those actually travelling the transportation route faced

the natural and human risks of the Sahara—people's lives were at stake and so was the merchant's capital (Austen and Cordell 2002: 100–101). A sense of mutuality in coexistence prevailed amongst those engaged in specific trading networks, but 'the proliferation and greed of political authorities and foreign and domestic warfare' often disrupted trade and undermined economic development (Wickins 1981: 128; Austin 2002: 117). New political configurations, such as the demise of the Songhai Empire through the Moroccan defeat of 1591 and the subsequent rise of the states in the Guinea forest, opened new trade routes and opportunities for entrepreneurs.

3.1 Business Unit of Operation

The organisation of business in Africa before 1900 did not resemble the European formal structure of a firm, an entity operating in the public domain under rules of operation. African business entities emerged from the association of entrepreneurial persons operating within family or household structures. In Africa, economic activity outside the context of the subsistence household was the exception rather than the rule, because self-sufficiency was the primary objective (Wickins 1981: 116). The core characteristic of a firm as described by Coase is the 'supersession with the price mechanism' (Coase 1988: 36), or as Penrose put it, the firm is the basic unit for the organisation of production. The firm is part of the wider theory of value (Penrose 1995: 9–11). In the early history of commercial exchange in Africa, the volumes of household production available for trade were limited. Even the long-distance traders, such as the Hausa, who traded kola nuts, were active farmers who produced food to sustain their families as a first priority. The organisation of business activities outside the household subsistence system developed only gradually after the transition from the trade in people (slaves) to the so-called 'legitimate' trade in other goods. Exploring the business activities of early African entrepreneurs, the father as head of the household emerges as the entrepreneur who initiates the selling of surplus production. The father could also emerge to engage in the trade of nonfood production, such as rubber. During the 1800s African entrepreneurs did not organise their businesses in 'firms', but operated as businessmen and business women within the extended family structure. The head of the household initiated economic activity (farming, trading and manufacturing) and directed the distribution thereof for gain, either for subsistence or exchange.

The organisation of African enterprise in the period of the extensive trade in human beings either across Africa or finally across the transatlantic displayed the kinship relationships involved in trade as well as the leadership role performed by emerging entrepreneurs. It shows that the African societies were not disengaged from business, but conducted commercial exchange in an organisational form different from the western-known company. Law vividly describes the slave trading enterprises as conveying the dynamic balance of power in African slave trade. The case study is the trade in slaves from Dahomey. At first the kingdom of Dahomey was situated to the inland of the coastal kingdoms of the Allada and Hueda. The

coastal kingdoms commercially exchanged slaves with European traders since the early seventeenth century. The commodity that was traded was people acquired either as war captives or criminals or simply bought from inland suppliers of people, such as slaves sold by the inland kingdom of Dahomey or of the Yoruba. The king controlled the exchange of slaves. First, the king gave permission to European ships to commence trading in slaves. The permission came at a cost—the value of fifty slaves. The king also had pre-emptive rights on offering his slaves first to the European buyers as well as pre-emptive rights to the goods offered in exchange for the slaves. Secondly, royal control permitted other entrepreneurs access to the market for slaves: private merchants in the kingdom could also trade in slaves once the king granted permission to such transactions. The king received an 'export duty' on each slave sold. The king thus controlled the commercial exchange in slaves in a similar way as later commodity trade. The revenue raised by the king amounted to the payment for the slaves as well as the export duty. The king did not monopolise the market in slaves, but regulated access by charging duties.

The king of the coastal empires and Dahomey in the inland manipulated the market in slaves. Barbot showed that the king used different mechanisms to manipulate the market in his favour. The king usually conducted more slave transactions than his subjects. He used his right to set the price of slaves so high as to inhibit sales when he had few or no slaves to offer the market. This effectively closed off the market at times, but never fully monopolised the slave trade. Private merchants remained active in the slave market and sometimes as agents of the king. Towards the beginning of the eighteenth century, the kings of both the Hueda and the Allada attempted to establish a royal monopoly of the slave trade. These market-monopolising strategies included royal powers to assert the king's powers of pre-emption more rigorously, to demand higher export duties, and that all cowrie shells be sold to them. The suppliers of slaves in the interior wanted unrestricted access to the European traders, and that then led to the conquest in 1727 by the inland Dahomey king of the Hueda and Allada kingdoms to secure sole access directly to the European traders (Law 1977: 556–559). Despite several claims to the effect of a newly established monopoly by the Dahomey king, Law maintained that it was not the case. The Dahomey king had a similar relationship to the European traders and private merchants: European traders are paid to get permission to engage in slave trade, the king received an export duty on each slave sold, and the king asserted his rights of pre-emption and reserved for himself exclusive rights to purchase certain commodities. Parallel to royal trading, private merchants engaged in similar activities, with the permission of the king.

The business operations of the trade in humans occurred in a market manipulated by the king. It was not an open competitive market with free trade. The king manipulated supply, price and access to slaves first to secure revenue to the royal coffers, but never monopolised the trade, since private merchants' operational freedom subject to royal regulation constituted a secure stream of income. The slave trade was restructured by the mid-eighteenth century to remove some intermediaries (kings' traders, agents mediating between the king and European

traders). The king as entrepreneur understood market forces and manipulated the market for his benefit. African business has been subject to similar market intervention throughout its history—under indigenous royal authority, colonial administration, independent states and, after the introduction of market-oriented reform policies, the new generation African state.

The organisation of the salt trade commenced in the sixteenth century and peaked in the late nineteenth century. Salt extraction, production and trade of the central Sudan region was a family enterprise, but as the scope of the industry expanded, control shifted to the political rulers, the king and the state. At first Borno was the central point of the industry, but after the Muslim *jihad* of 1804–1812, the Sokoto Caliphate constituted the core of the industry. Different types of salts were produced in different regions by different ethnic entities. Ownership of the natural resource, slat, resided in the occupants of the land. These people were of certain ethnic groups, such as the Manga, Segurti, Kanuri and Hausa. They produced the salt and sold it to merchants, in exchange for other goods exchanged by other ethnic groups, dominating the trade in those specific goods (Lovejoy 1986: 252–255). Ethnicity changed its social dynamics over time as the structure of political control shifted. As new political rulers took control of the Sokoto Empire, the nature of the aristocracy, or ruling class, changed, but the relationship between the people responsible for the production of the different types of salts, namely, slaves, peasants and artisans and rulers who controlled the trade, remained unchanged. The merchants accepted and operated under the Muslim class/religious stratification, because under Islam trade, the religion went hand in hand. Lovejoy noted that capitalist penetration of European salt importers towards the late nineteenth century did not change the organisation of the industry. Merchants and aristocrats accumulated ‘profits’ from the salt trade through profits of the exchange or through taxes on salt production. The accumulated profits were used for changes required in the production of salt, the hiring of slaves for use in agriculture and trade and the acquisition of other commodities. No big merchant enterprises developed in the salt industry, which remained a regional industry, where producers, merchants and aristocrats shared the profits of the industry (Lovejoy 1986: 259). Although the salt industry constituted a major industry in pre-1900 Africa, the lack of technological innovation in production and transport (caravans, oxen donkeys) explained the limitation on industry expansion and modernisation. The salt industry remained a regional enterprise, trading in regional markets and failing to establish significant links to the capitalist markets. The business of salt did not contribute to the development of modern diversified enterprise.

After the termination of the slave trade in the British Empire (as actuated by the Slavery Abolition Act of 1833), the private merchants in West Africa showed a keen interest in trade in other commodities, especially palm oil. It is significant that these traders emerged as enterprising businessmen, responding positively to newly emerging market opportunities. Hopkins found that the transition from slave trade to ‘legitimate’ trade resulted in discontinuities. During the domination of slave trade, the kings and other traditional people in political and military power

dominated the slave trade, while a significant openness existed in trade of other commodities. Coquery-Vidrovitch identifies this as a period that saw the rise of new entrepreneurs, especially the small producing farmers and merchants. Entrepreneurs, both small and large producers of commodities, responded positively to demand by European traders. As the profitability of the palm oil plantations became apparent, the king cultivated large plantations using slave and military labour as well as disguised marketing channels to obscure royal participation. By the end of the eighteenth century, private merchants dominated the production and trade in palm oil. The king of Dahomey appointed private merchants to be his commercial agent in 1860 (Law 1977: 572–576).

In the aftermath of the slave trade, the market for other commodities offered opportunities to entrepreneurs from both small-scale farming communities as well as cash-rich merchants acting as intermediaries between producers and European traders at the ports. The private merchants were large-scale plantation producers themselves, and they purchased from small producers. It is important to note the persistence of privileged 'state' or royal intervention in the market, while private entrepreneurs were also afforded the opportunity to engage in the market for new goods. Towards the middle of the nineteenth century after Britain had abolished all slave trade, the Dahomeyan king declared a royal monopoly on palm oil trade. The king claimed possession of all palm oil trees and started his own plantations, but Law doubted the efficiency of the 'monopoly' apart perhaps from taxing all palm oil trade. The significance of the business development in the kingdoms of West Africa was the dynamic relationship between royal power and private entrepreneurs. Royal control over commerce did not exclude private initiative, neither in Dahomey nor in the kingdoms of the Asante and Benin. Private entrepreneurs consistently challenged the dominant position of the king and never allowed the attempts at establishing a royal monopoly, to push them from the market. Private merchants' market knowledge, manufacturing and trading skills and business acumen gave them a competitiveness often required by the king. The abolition of the slave trade strengthened private enterprise, since the private merchants were skilfully able to enter both the producing as well as the marketing side of the new trade in palm oil. The same applied to other regions, such as the Gold Coast.

A significant contribution by the Asante to the organisation of business was the system of management. The organisation of management of the royal Asante trade was through as system of officials. The bureaucratisation of management was a process. During the reign of King Osei Kwadwo in the late eighteenth century, a class of professional managers evolved. Administrative officials were appointed on the basis of skills, merit and performance. They were appointed by the king and responsibility was owed to the king. These administrative officials conducted professional operations, which later on were no longer inscriptive, but professional operations. The king appointed the officials. New categories of officials developed, thereby creating a hierarchy of bureaucrats in management, and their authority derived directly from the king and not by inheritance or dignity. The duties of the appointed officials developed into fixed duties of the position. These duties were defined and of a clear administrative nature. An extensive administrative system

evolved over time, later also dispersed over a wide geographical area (Wariboko 2002: 239–242).

A more federal system of business organisation and management is the *wari* or ‘house’ system. The people in the Niger Delta organised their business on a decentralised system of ‘houses’. Each ‘house’ was a competing business or entrepreneurial entity, with a manager or leader who had the responsibility for the economic well-being of the trading group. This system of management consisted of local units that controlled resources and information. The individual *wari* received powers of trade and operation. This system is decentralised and employees were managed by results. The manager did not dictate to employees, but they had discretion to act (trade) to the benefit of *wari*. Performance, success in expanding trade and accumulating wealth for the *wari*, was the motivation to work hard and be successful. The boundaries of discretion to employees were set out and so were the criteria of success. Management was not above or removed from operations, but they were not as near to the actual business and therefore had less knowledge than the employees themselves. Therefore the manager was more involved in giving the *wari* a ‘sense of direction’ rather than those in operations. The canoe house system of management did not focus on formal structures of hierarchy ‘or adopt an inflexible top-down-style’ (Wariboko 2002: 245). A high level or mutual trust operated in the house system of management.

The end of the slave trade unleashed entrepreneurial capabilities amongst the African people, who displayed the first manifestations of well-organised big business in Africa. A category of private merchants developed large enterprises on the coastal belt between the European trading concerns in the port cities and the small producers to the inland of the ports. Dumett described in great detail the activities of the Ghanaian coastal merchant, John Sarbah. The development of steamships bringing cargo to and from the West African coast since 1852 stimulated the development of big businesses on the West African coast. Other independent African traders had already made their mark prior to the arrival of the steamship. Kwame Daaku had written about the Gold Coast ‘merchant princes’ John Kabes and John Konny (Daaku 1970) and Priestley about the Brew family (Priestly 1969), explaining the influential role performed by those merchants and their families in the broader social and political life of the Gold Coast. There were also earlier role models of people such as Samuel Collins Brew, James Bannerman and George Blankson, who established independent enterprises before the arrival of steamships.

The valuable collection of primary documents belonging to John Sarbah, a private Gold Coast merchant who established extensive business operations in the region during the late nineteenth century, is a case of African entrepreneurship before British colonial control. The rapid growth in the palm oil market, supported by a high international price, coincided with the expansion of major steamship lines down the West African coast. The people of the Fanti, the Agona and the Aakan in the central coastal states displayed an aptitude towards commerce during the nineteenth century. Small trading was common, and the principle to purchase cheaply and sell at a higher price for profit was fully acceptable in their societies and practised widely in commercial exchange. Dumett noted that there was no

aversion amongst the Akan against competitive enterprise, no constraints against the accumulation of personal profit nor any limitation on the development of individual achievement. Sarbah emerged from an educated African background, and while many of the nineteenth century African mercantile elite had their roots in family production and sale of palm oil, Sarbah's education influenced his endeavours. A vital aspect of the case of John Sarbah is the family firm as core organisational structure of private business. The family firm developed from family-based production and sale on the market. The family as the core business unit provided the capital for business expansion, the leadership as partners and managers of the enterprise and a values system embedded in the traditional socio-economic system of the ethnic people. It was the infusion of traditional values with the influences of western culture through education that strengthened the entrepreneurial capabilities of Sarbah. At Christian mission schools, Sarbah and other African leaders received an English education, which equipped them with book-keeping skills, basic reading and writing abilities and an unwillingness to return to traditional occupations in agriculture. The western education instilled in many young African person a sense of status based on achievement, a creed of frugality, hard work and a disciplined routine—an attitude to life underlined by the English self-help manual of the period (Dummett 1973: 657; Kimble 1963). Most of the aspiring young businessmen, who had attended the missionary schools, became members of the Methodist Church, while others in East Africa had joined the Wesleyan Church. Irrespective of the religious affiliation, the educated African person enjoyed a high social status as their economic achievement reinforced their prestige as educated elite.

John Sarbah was a member of the Anomabu royal family, went to a mission school and then was a schoolmaster and mission agent before entering business with his father. His father worked for a European firm and Sarbah later as an independent shopkeeper. Sarbah appreciated the British presence insofar as the British acted to protect the Fanti states against the aggressive expansion of the Asante. He even fought in the sixth Asante war of 1872 seeking to protect the commercial interests of the surrounding kingdoms. As an educated and ambitious African leader and emerging businessman, he supported the submission of a petition to the Gold Coast Legislative Council demanding.

African representation in 1886 (Dummett 1973: 658). Sarbah's basis of operations stemmed from the trading activities of visiting ships and local entrepreneurial communities around the port city of Cabo Corso (Cape Coast). Road networks linking the port to the interior positioned it favourably for commerce. A rapidly growing small trading community conducted their business in the port city, comprising of small shopkeepers, petty traders and market stall operators. John Sarbah though was a highly respected and wealthy merchant in the city. He and J W Sey were widely considered the two most prosperous merchants in the Cabo Corso society. Sarbah owned substantial capital, several private houses, warehouses, surfboats, steam launches and merchandise inventories, as well as goods and produce en route on the high seas. He continuously reinvested the profits into his enterprises. Demett argues that Sarbah managed his business strategically. In

response to declining palm oil prices, he established branch stations outside the port city, ultimately operating at least ten such stations. The business owner appointed family members to managerial positions. His managerial and organisational capabilities explain his success. He had no formal business training, but appointed kin to positions of authority and trust as branch managers, trading agents and clerks. Sarbah appointed his cousin, Josiah Mills, as his chief field manager and supervisor of the main branch at Winneba. Sarbah had a good business sense and kept a tight personal grip over daily operations. He responded to changes in market supply and instructed Mills to move stock as soon as possible, because 'overstock is destructive of commercial success'. To move excess stock, he used discount sales, a fairly modern management technique, to sell supplies. His branch managers had to keep wholesale stock books, cash books, journals of individual credit accounts, casual labour wage books and ledgers. The exceptional aspect of his business management was that he kept a close eye on what was happening throughout his businesses. Through regular double-entry bookkeeping and communication with branch managers, he had a good sense of what was happening in the business. Loss-making branches were closed, and managers warned against carrying too high volumes of stock (Dummett 1973: 658–663).

The case of John Sarbah is more remarkable considering the 'international' nature of his commercial enterprise, especially because the traditionally accepted view was that the coastal merchants confined their operations primarily to the immediate coastal locations. Sarbah expanded his palm oil business deep into the hinterland and used inland towns as buying centres for oil and kernels. When a world glut on international markets placed serious constraints on the palm oil trade, Sarbah diversified into alternative products for export, such as ivory, guinea grains, calabar, beans and monkey skins. Apart from stiff competition in the local markets, the international market presented different problems. Demand fluctuated, quality was compromised by the long journeys to overseas markets, and delivery times were irregular. To provide for market fluctuations, Sarbah himself maintained a good reputation with merchants in London, Liverpool and Manchester by informing them of the condition and timing of shipping despatches and keeping strictly to shipping deadlines. As a reliable trading partner, Sarbah negotiated prices and secured future contracts.

On the Gold Coast, Sarbah was instrumental in expanding the traders' frontier by bypassing peasant producers and gathering palm kernels himself using paid labour. His remuneration policies were innovative: he paid higher wages or extra remuneration in order to get the local population to respond to his demand for workers. By the time of the introduction of hydraulic crushing plants in Liverpool and subsequent improved prices, Sarbah was well-positioned to service the international demand. When international palm oil prices continued a downward trend during the 1880s and 1890s, Sarbah was one of many Cabo Corso merchants who diversified into the extraction of rubber. With palm oil and rubber production, Sarbah expanded branches of his enterprise to French Ivory Coast, whereby he was instrumental in encouraging traders from Asante and Sefwi to diversify trading operations away from Cabo Corso into the Ivory Coast. The Sarbah business was

not only an export enterprise but also extensive import operations of goods ranging from cotton goods, spirituous liquor, hardware and tobacco and later items for personal health and hygiene. The latter was indicative of Sarbah's innovative merchandising. He imported goods unfamiliar to the consumers, but goods to broaden taste and consumption. As a member of a community of coastal merchants, Sarbah and the others saved capital to finance business expansion. In 1882 Sarbah and a number of business associates floated an African-owned mining company when the first gold rush happened in the Gold Coast. Not much came from this enterprise, but the founders displayed entrepreneurial initiative to enter mining. Finally, the company sold off its mining concessions to European concerns with extensive technological expertise and much stronger financial resources. The Cabo Corso merchants organised themselves into a Chamber of Commerce as a mouthpiece to engage with the colonial government on critical issues of infrastructure, services and commercial facilities. These businessmen were also the civic mouthpiece calling for African representation in the colonial legislative council (Dummett 1973: 665–676).

The profile of John Sarbah was not representative of the African business community in Africa towards the last half of the nineteenth century, but of a small successful band of African merchants able and inspired to engage in market oriented commercial operations. The agency of an individual, as identified by Shane (2003), has been illustrated in the rise of John Sarbah and of Alhassan Dantata, a Muslim trader from Nigeria. Alhassan Dantata was born in Bebeji, Nigeria, circa 1877. His parents were members of the wealthy Agalawa hereditary long-distance traders. His father died when he was young, and his mother left him in the care of an old slave woman. Alhassan was captured as a slave in the Kano war of 1893/1895 and lost his entire inheritance to gain his freedom. As a freed man, he started trading in kola nuts. He introduced an innovation to the transport of the nuts to the European buyers—he transported the nuts by steamship between Accra, Kumasi, Secondi and Lagos. Dantata established a successful trading enterprise with the assistance of his wife, and by the beginning of the twentieth century, he entered into agreements with European trading companies for the supply of agricultural commodities for the European market. He was an agent for the Royal Niger Company from the UK in 1918 to purchase groundnuts. He funded his entrepreneurial activities from his own savings; he managed his accounts personally until the business expanded to a level justifying the appointment of an accountant. By the early 1920, Alhassan Dantata was the richest businessman in Kano and was succeeded by his three sons. His great grandson is Alikote Dangote, the Nigerian cement magnate.

Ajayi (1965) expressed the hope that the influence of the Christian missionaries would assist in the growth of an educated elite Africans able and willing to challenge the authority of the traditional chiefs and lead Africa into modernisation. The traditional chiefs' monopoly on trade and access to imported goods in the coastal regions prevented the development of an open market where entrepreneurs could operate. Furthermore, the production of the palm oil was not by a free peasantry, but by slaves. The configuration of traditional authority monopoly and slavery, according to Ajayi, prevented the 'social revolution' in commercial

organisation essential for economic development of West Africa (Ajayi 1964). A debate ensued in the historiography on the social consequences of the commercial transition brought by palm oil (See Law 1993). The palm oil industry provided an important stimulus for the perpetuation of slavery as the need for labour exceeded supply. Merchant activities developed around the slave trade, not because of higher efficiency in large-scale trade but because of the proximity to political power. The stakeholders in the slave trade industry, namely, the militia, who sold war captives as labour, and the independent merchants, who wanted a an uninterrupted supply of palm oil, built strong enterprises around the palm oil—slave labour nexus (Reynolds 1974; Ajayi 1965; Hopkins 1973; Law 1993). The close association between big independent merchants and state political power emerged as a recurring theme in African business development.

Ultimately, John Sarbah devoted more time to his sociopolitical career and left the 'family' business to members of his family. The Sarbah businesses did not survive into a next generation, except for one branch store in Cape Coast. The rise of the African-owned merchant firms of West Africa in the nineteenth century was followed by their demise, which Dumett explained by offering a very long list of reasons for failure. The complexity of the rise of entrepreneurial inspiration, establishing and sustaining the enterprise and expanding into wider international markets, crippled many businesses in Africa. Considering the multitude of reasons for the demise of the West African firms of the nineteenth century, many African entrepreneurs ventured out into an unknown world of market exchange, money, capital, prices and management unfamiliar to the traditional exchange networks. The following reasons contributed to the demise of the West African merchant firms (Dummett 1973: 678):

- Over or excessive competition, which is explained by the general tendency of many traders to enter the market for trade, because there was no official regulation of market entry
- Ineffective accounting, which follows from the lack of training, if at all, in maintaining accurate accounts or just to do simple bookkeeping
- Severe trade depression, which is a market condition outside the control of the merchants, except perhaps for oversupply of products, a condition collaboration amongst merchants could mitigate
- Excessive credit extension, which may have resulted from insufficient own savings or irresponsible borrowing, not understanding the potentially detrimental consequences of accumulating debt
- Natural disasters, which are calamitous events the merchants have not brought upon themselves, such as floods, hail storms, pests and diseases affecting animals, and drought
- Death of owner and lack of planning for suitable successor, which results from a reliance on inherited authority, especially on kin lacking an interest, inclination or skills suitable to sustain the enterprise
- Fragmentation of business and property under rules of traditional inheritance, which represented the slow fusion of the traditional society with elements of the modern western business enterprise

- Preference of European consignment houses to extend further credit to Africans, which occurred under conditions where the new African entrepreneur needed credit, but has limited or no experience in servicing repayment and understanding of the phenomenon of credit and the cost of credit or can do business planning towards the repayment of the debt
- Oligopolistic price-fixing practices by the major European trading firms on the Coast, which left the African firms only two options, that is, to set up a competing oligopoly and outperform the European firms by means of better quality, quantity and distribution network control or to submit to the market distortion caused by the oligopoly
- High rate-fixing and rebate policies of the West African 'shipping ring' which tended to favour the European firms, a situation which also distorted the market and left the African merchants no choice but to pay the higher rates and attempt to expand production and sales volumes—a strategy often not viable given the large number of competing small firms

3.2 Merchants and Trade in the East

On the East African coast, the Indian Ocean trade networks operated on similar lines as the West African networks. The dominant trade was initially in salt and copper and later in slaves, gold and ivory. African kingdoms off the Swahili coast developed a commercial frontier from Mogadishu on the most northern point down to Quelimane, Sofala and Maputo. The king controlled the trading network, but permitted independent merchants to engage in the exchange of goods. The Bantu kings, especially the Buganda king and the king of the Nyamwezi and the Shambaa, demanded a share of the profits of trade (this was a type of 'tax') and, often, also exclusive access to the source of trade goods. The first European merchants calling on the eastern shores of Africa were the Portuguese merchants, doing business since 1500. A balance of power amongst the kingdoms in East Africa meant that no single kingdom could consolidate power. This meant that it was also not possible to consolidate commercial exchange with foreign traders. Several trading ports developed on the coast, where Arab traders from South-East Asia, especially the Omani, exchanged their goods for African resources. The Portuguese established similar trading entrepôts or conquered Arab trading posts and soon declared vast inland areas in the lower Zambezi region Portuguese crown lands. There, the Portuguese established *prazos,* or crown estates where they encouraged Portuguese citizens to settle and engage in agriculture. Exchange between the African kingdoms, the Portuguese settlers and the Arab Indian Ocean traders, with Zanzibar as the centre, gave rise to trading networks, but of much more limited scale than the West African networks (Austen 1987: 56–68: Seligman 2015). Both the Omanis and the Portuguese broke with traditional trade patterns by establishing trade entrepôts into the interior of the indigenous kingdoms in East Africa: an example was the Portuguese

colonisation of the Zambezi Valley. The Arab-Swahili had already met the Shona gold producing people in the interior by 1500.

The Indian Ocean commercial system was more efficient than the trans-Saharan caravan trade. This was the case because the ocean (water) was a much more efficient form of transport, able to carry larger cargo at higher speed. Merchants invested in owning their own ships. Merchants were literate and urbanised, and the Arab Omanis were skilled accountants, experienced business managers and trained in administration. Both the Omanis and Portuguese integrated with the local African population. Whereas the indigenous African population had very limited business capacity, they acquired it through intermarriage and social integration. A third component of East African commerce was the Muslim and Hindu groups from India. The Indian merchants were the more wealthy and sophisticated businessmen on the east coast. They had access to overseas capital and often offered credit to the African traders in the form of trade goods. Credit was difficult to access outside the family, which presented an entrepreneurial opportunity to the Indian merchants. The merchants used credit to establish goodwill with the indigenous kingdoms. The Indian merchants did not travel into the interior with caravans as the Arab-Swahili traders did. They preferred to live within the close Indian family community and therefore combined their commercial organisation with sociopolitical arrangements of security. The Indian merchants were literate and efficient managers of the trading enterprises. Their advantage followed from their superior shipbuilding capacity, which secured them full control of all trade between East African and India (Oonk 2015).

The Indian merchants controlled the export trade of the East African coast as creditors to the export trade and merchant—shippers. The balance of power in East African commerce displayed a geographical dimension. With the Indian creditor-merchants located directly on the coast, Arab-Swahili caravans engaged in extensive inland trade using the borrowed imported goods to accumulate large stocks of export stocks at a minimal cost (Brown and Brown 1976; Oonk 2011: 532–538). The Arab-Swahili people and the indigenous African kingdoms were dependent on creditors from outside the region and that secured the Indian traders a strong position. The organisation of commerce was relatively unspecialised, since commercial and political functions overlapped, whereas the Indian merchants and creditors positioned themselves outside the political sphere (Oonk 2011: 543). A clear hierarchical chain of intermediaries from the European markets and the Indian creditors through to the indigenous sources of power and commodities brought about a stronger regional integration than in the Sudan. A more clearly identified single market developed, and the different participants in that market sustained some autonomy, which exceeded the autonomy of participants in the West African trading networks (Austen 1987: 66–67). Commercial agriculture was virtually non-existent in East Africa before 1900. The people planted grain and rice, but there was no commercial agriculture to speak of. The easy access through the Indian Ocean port cities gave the advanced European producers and manufacturers' direct access to the East African market, but no comparable big African merchant enterprises rose to prominence in East Africa. There was no comparable local

agro-industry in East Africa linked to international markets during the late nineteenth century to assist the emergence of big independent merchant enterprise. Local entrepreneurship developed in small family-owned businesses. These firms maintained informal bookkeeping and extended forms of family property rights. They relied on indigenous relationships of kin and slavery as the basis for organising firms in a society where the labour market was weak.

The Omani traders of Zanzibar and the Indian traders of the east coast organised small enterprises to manage the exchange. The administrative organisation was in Arabic (Omanis) and Indian, which made it difficult for the traditional chiefs to interfere. Later during the early nineteenth century, the ruling Omani dynasty made Zanzibar its permanent residence. The Omanis became African. In contrast the Portuguese organised large merchant firms, known as *pombeiros*, operating in the European centres of commercial activity in western Africa. These enterprises used caravans to collect goods from remote markets in the interior of Angola and the Congo and then transported the cargo to the continent. The Portuguese defeated the indigenous states en route to secure control of the trade (Austen 1987: 90). These enterprises did not integrate with African business development, but operated as Portuguese enterprises in Africa.

An important contribution to business development came from the establishment of Indian family-owned trading enterprises on the East African coast. As early as the 1870s to 1890s, Indian traders came to Africa via the east coast. The first independent Indian traders, primarily of the Gujerat region in India, came to the Natal Colony in the late 1860s, where they traded imported goods from India as well as vegetables they cultivated in the fertile soil of the Natal coastlands (Hiralal 2000a, b; Vahed 2005; Padayachee and Morel 1991). The Indian business units were family enterprises, owned by the entrepreneur, but managed as a social security organisation. The family consisted of the direct family, but also included relatives, involving all human capital the entrepreneur could mobilise, as well as the savings of the family. The Indian trading enterprises remained small, but performed an important role in distributing consumer goods to people living in the remote areas of the colony, as well as the neighbouring Voortrekker Republic. The expansion of Indian trading activities in the *Zuid-Afrikaansche Republiek (ZAR*, South African Republic [SAR], the independent state of the Voortrekker people, recognised as a sovereign state by Britain in 1852 by means of the Zand River Convention) commenced in the 1880s. The Indian traders were people of different origins, languages and religions: some spoke Tamil, some Hindu and others Talegu and the Gujerat. Some were Muslims from the Gujerat region in the south west of India and others were Hindu. Characteristic of these traders was their appreciation of the 'family' as the key social unit and source of social and family values. The Indian traders moved to the SAR to explore trading opportunities. They did not establish themselves permanently in one town or village, but moved around seeking various opportunities. Those who went straight to the Witwatersrand-Pretoria complex did generally not settle there, but moved on to growing towns such as Klerksdorp, Potchefstroom, Rustenburg and Pietersburg. Indian traders moved around the SAR searching for sustainable trading opportunities, whether it was

the black African or the Boer communities. These traders had initially immigrated to Natal to serve the consumption needs of their compatriots, but soon it became apparent that opportunities were beckoning in the SAR following the discovery of gold. The rapid growth of the population around the new mining operations offered opportunities to diversify trading commodities and customer base. The SAR was an undeveloped relatively poor rural economy during the nineteenth century and offered entrepreneurial opportunities only to those who were innovative, hard-working and could persevere. These attributes characterised the Natal Indian traders, and they transferred those skills into the SAR trading environment.

3.3 Indian Business in Africa: Mia and Dockrat Family Business

The Mia family migrated from India early in the 1880s. Suliman Mahomed Mia was a silk and linen trader when he came to South Africa from the west coast province of India, Gujerat. Suliman Mia came with his wife Salalludin, his son Mamood (22) and daughter Kalushi (20). Suliman maintained regular contact with his parents and family in India by regular visits. Mamood Mia moved to the SAR (South African Republic) between 1880 and 1885 to start a hawking business selling clothes. Without a permanent place of residence, he moved around amongst the rural communities, where he was welcomed as the supplier of necessities. The Indian traders were selling their goods where white traders were reluctant to go. Mamood purchased clothing from shops in the towns and hawked them in the remote areas to poor white and black clients, who were unable to visit the towns. He did not have his own transport, and since no public transport was available, he walked for several weeks to visit all his clients. With limited means at his disposal, Mamood Mia could not offer credit to his clients, but the mineral discoveries of the late 1880s brought growing numbers of consumers to Johannesburg. Market conditions did not solve Mia's predicament, since Law No. 3 of 1885 introduced constraints on the location of Indian businesses. This meant the traders had to innovate on strategy to sustain the business. Huttenback commented on the amendment to Law No. 3 in 1886: 'Those (Indian traders) who settled in the Republic to engage in trade... had to register within eight days of arrival and pay a registration fee of £25... If the Indian trader succeeded in the Transvaal, it was because he was used the extended family system to his advantage and was prepared to work hard. The kinship network assisted in the expansion of business interest as well' (Huttenback 1971: 106). The SAR government introduced further statutory requirements: additional licence fees of £5 for hawkers and £3 for pedlars per annum (Pachai 1971: 13). Such licence fees compounded the cash requirements these traders seldom could afford. Mamood Mia soon recruited members of his family to assist in the business. Mamood Mia observed the law and renewed his hawking licence when required and adhered to regulations pertaining to the location of

legitimate trading. He hawked his goods primarily on farms outside the towns, in mining villages or camps and to surrounding communities. Some areas such as Turffontein, Braamfontein, Randfontein and Booysens were amongst the locations he visited on foot.

The discovery of gold and subsequent population explosion brought many Indian entrepreneurs from Natal. By 1887 a large number of Indians settled in the SAR and engaged in commerce and the catering industry. Indians established retail shops adjacent to all compounds where mine owners allowed shopkeepers to erect shops (Collier 1965: 87; Wilson and Thompson 1975: 13; Leyds 1964: 281). The population growth and the concentration of consumers enabled Mamood Mia to grow his business sufficiently to acquire a permanent location in Fordsburg (adjacent to the centre of Johannesburg) in 1888. The largest concentration of Indians was part of Fordsburg and Burghersdorp, an area enclosed between four streets. Mia settled amongst his fellow traders which protected him from competition by white businesses. Indian traders supported each other and avoided trading in similar goods so as to support their commercial enterprise (The Star, 24/1/1896). Soon a stratum of wealthy Indian traders developed as Indian merchants moved from Natal (Cachalia 1980: 6). The Indian business community developed a tightly knit commercial entity capable of serving basic consumption needs of the newly urbanised population.

For a relatively brief period until 1903, Mia's business prospered in the Muslim Indian trading environment. By 1903 the British Colonial administration re-enforced the implementation of Law No. 3 of the SAR, which restricted Indians to specified locations in the urban areas. Indian hawkers were removed from certain streets in the city to provide for the settlement of the white working class. Lord Alfred Milner explained the rationale for the move: 'The Policy of the present Government is not directed against colour or against any special race. It is dictated by the necessity of preventing people of higher degree of civilisation, whatever their race or colour may be, from being degraded by enforced contact with people of lower grade' (Huttenback 1971: 130). After the outbreak of bubonic plague in 1903, one of the Coolie Locations west of Johannesburg was burnt down, and the Indians were removed by the municipal council (Rand Daily Mail, 14/10/1903: 3). The forced removal of the Indian traders resulted in the disintegration of the mutually supportive trading network amongst the community of Indian traders. Some traders moved to a new Coolie Location to the north-west of Fordsburg, others were relocated to the west of Fordsburg, and Mamood Mia was moved with other traders to the city centre near Market Square along Commissioner Street. The Indians lived in crowded flats, using the ground floor for trading purposes (The Transvaal Leader, 11/10/1903: 12). The colonial administration requested the Johannesburg Municipal Authority to enforce Law No. 3 and pass by-laws to monitor the operations of Indian businesses. The municipal council enforced licencing, collected licence fees and determined the physical location of Indian businesses (JMRO: Johannesburg Municipal Council Minutes, 5/6/1907). By 1905 all Indian traders were once more removed from the city centre and relocated to the south-west of Fordsburg. The relocation disrupted the client relationship of Mia's

business, and when an opportunity arose to hawk goods from white owned businesses, he grabbed it. He returned to hawking by purchasing goods from white-owned enterprises and selling it to people on the outskirts of the city. Mia's business expanded to the point where he employed his cousin and soon registered the company as Suliman Mia Family Enterprises. The business provided the livelihood to the entire Mia family. He served white, African and Indian clients, travelled to where they were to deliver goods and priced his imported goods relatively cheaply to secure turnover, rather than high profits. His business strategy was to evade direct competition with other Indian traders, but to deliver a good and reliable service. The enterprise was elementary in structure—Mia managed stock, reconciled sales and managed the accounts. He banked with the Standard Bank, but used own resources to fund expansion. When he died in 1922, his sons succeeded him and developed the enterprise into a more diversified business.

The Mia enterprise represented the profile of many Indian trading enterprises in South Africa since the last decade of the nineteenth century. Not all but many had effective succession planning linked to family relations in place. The Mia enterprise later on split into two different enterprises run by Mahmood's two sons, and both are currently in the fourth generation of Mia control. Another nineteenth century Indian general trading enterprise, that of Ismail Dockrat, has survived into the present day.

Ismail Dockrat came from Asna in Surat, a farming district on the western coast of India, to the SAR by the early 1880s. Economic conditions were deteriorating in Asna, and many inhabitants from the area migrated to Western Europe, the United States of America and southern Africa. These migrations were economically motivated, but were not part of the indentured labour migration to the sugar plantations of Natal. Ismail Dockrat was only about 17 years of age when he made the long journey, but he was not an exception. It was common for young Indian youths around the 1880s to migrate separate from their families to southern Africa. Dockrat married Aysha, a young Indian woman who worked as a shop assistant in her uncle's wholesale business, and they settled in Pretoria. In Pretoria a growing number of passenger Muslims (Indians who came to the SAR on their own account with the aim of setting up businesses) had set up small businesses. By the late 1880s when Dockrat settled in Pretoria, public opposition had already resulted in petitions leading to Law No. 3 of 1885. Dockrat was poor but ambitious and had no start-up capital or a father or other families to rely on. He settled with other Indians in the Aziatic Bazaar in central Pretoria, where he lived in slum conditions because he was poor. Dockrat established a trading enterprise, selling basic consumer goods that he purchased from Indian wholesalers. Competition with better established Indian businesses left Dockrat unable to grow this enterprise. Indian merchants such as Aboobaker Amod, Mohamed Mamojee and Mohamed Dada were capital-rich entrepreneurs when they arrived in Natal and proceeded to the SAR (Guest and Sellers 1985: 242). Dockrat found himself unable to grow his new enterprise in the face of their competition in central Pretoria. He relocated to Marabastad (north of Pretoria) in 1897, where poor people lived, but offered an opportunity, since there were no shops or services. Although immigrant

entrepreneurs often sought the 'protective market' of the same ethnic group, Dockrat could not make his business grow in an ethnic enclave incapable of sustaining growing enterprises. In Marabastad he seized the opportunity of a market with low economies of scale. Aldrich and Waldinger noted that in markets with low economies of scale, a fertile field opened up for immigrant business. In the absence of capital-intensive, high-volume competitors, small immigrant shopkeepers 'can successfully pursue a strategy of self-exploitation' (Aldrich and Waldinger 1990: 117). Dockrat's general trading store opened in 1905 in Marabastad near the train station after 4 years of hawking small items such as recycled plastic, tin containers, cigarettes, sweets, home-made bread and cheap jewellery. He could later afford to appoint an African assistant Ledwaba, and by 1913 as the operations expanded, he pulled his two sons into the business. When Ismail Dockrat passed away, he was succeeded by his sons, and the enterprise is currently in the fourth-generation Dockrat control (Ngwenya 2010).

Many Indian traders dispersed across the interior of the Transvaal colony and the Natal colony despite efforts by the colonial and later the Union Government of South Africa, to contain their movement into the interior. In East Africa the Indian businesses displayed a similar organisation, business strategy and family operational network. Kanji Jeraj Manek from Gujerat in India set up a trading company consisting of family members in Tanzania in the 1880s and soon expanded across Tanzania. So did Subhash M. Patel, who was born in Lugoba in Tanzania, the largest aluminium producer in Tanzania, began operations shortly after arriving from India in 1916, as the merchant business of Manu Chandaria (Sutton 2012). In Uganda two brothers, Vithaldas and Haridas Madhvani, settled from India at the trading town Iganga in eastern Uganda. In 1919 Muljibhai Madhavi commenced coffee production on a small plot of land acquired from the British colonial authority. As sugar prices plummeted after the First World War, the family company ventured into sugar on land at Kakira across Tanzania. In Ethiopia the Mohan Kothari Group was established three generations ago in 1895 importing steel to Ethiopia and has developed into a diversified industrial conglomerate. In a similar way, the Ibrahim brothers established themselves as general merchants in the 1920s and later expanded operations to become a major importer of electronic and household appliances and furniture into Ethiopia (Sutton and Kellow 2010).

3.4 Conclusion

During the precolonial period of African history, exchange networks developed between the indigenous autonomous African kingdoms and the Muslim invaders from the north-east. The nature of business activity displayed a fusion between traditional African monarchical communalism and Islamic authoritarianism. African societies acquired organisational, managerial and entrepreneurial skills from the interaction with Muslim traders. The most important consequence of this cultural, ethnic and religious interaction was the emergence of extensive trading networks. The Muslims and the traditional kings controlled these networks but at

the same time allowed individual entrepreneurs to supplement formal network exchanges. In both the Muslim religious paradigm and the traditional authoritarian-communalistic African kingdoms, individual entrepreneurs emerged. The demand for labour in the newly emerging settlements of the new world stimulated the slave trade. The slave trade strengthened commercial networks in West Africa, which were later transformed into trade routes for palm oil and other agricultural commodities in demand by metropolitan markets. The commercial networks in West Africa developed strong ties to the European markets and were home to emerging independent merchants.

In East Africa Indian and Arab traders dominated the trading networks. The Arab traders were integrated more systematically into the African society, but the Indian traders maintained an exclusive presence collaborating with the indigenous African kingdoms. A symbiotic coexistence characterised the business communities of the eastern coastline. Apart from the Portuguese commercial activities, little trade occurred between East Africa and the European metropole, because agriculture remained subsistence-focussed. The trading networks out of East Africa serviced goods imported from India and the export of ivory, gold and locally sourced materials, such as hides and skins. Business organisation was elementary and managed primarily by families. By 1900 business in Africa was trade. There was hardly any secondary manufacturing, apart from handcraft production, for which there was no mass market outside Africa. The entrepreneurial capacity of the West African population in the post-slave trade era is significant. Austin pointed out that despite a privileged position enjoyed by the kings, chiefs and wealthy people amongst the Asante, a broad middle class of small traders, peasants and producers entered community and village markets as traders, emerging businessmen and women, thus accepting the opportunities of market exchange. Austin challenged the notion of a ‘state monopoly’ of trade by showing the extensive merchant operations of the small men and women (Austin 1996).

In the pre-1900 era, the effective control of African states fluctuated as military conquest constituted a consistently changing dynamic. This fluidity of power created entrepreneurial opportunity for businessmen. In the British colonies and independent Boer Republics of southern Africa, better-organised and more powerfully enforced governments effectively instituted restrictions to the entrepreneurial opportunity of the indigenous population and Indian traders. Despite these market limitations, Indian merchant activities developed successful enterprises. Powerful political authority, following imperial control since the last decade of the nineteenth century, presented a new phase in the development of business in Africa.

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Chapter 4
Business in New Markets Under New Masters

Abstract Verhoef dispels the notion of immediate colonial superiority, by presenting evidence of mutual dependence, successful adaptation by African entrepreneurs and the co-existence of struggling metropolitan chartered companies and local entrepreneurs and middlemen. The pendulum swung between colonial state power enforcing cash crop production and business concentration and resisting local businessmen and farmers persevering on the margins of the market. Entrepreneurial survival in kinship networks in West and East Africa contrasts with the dual model of European and African business development in South Africa. Verhoef offers compelling evidence of entrepreneurial ingenuity and successful survival and growth strategies under colonial and minority governments, dispelling the notion of African business inability to compete in the capitalist market. Local banks from South Africa competed successfully with imperial institutions.

African societies have engaged with the world outside since early times, but a new intensity of international competition developed towards the late nineteenth century. European interest in the possibilities in Africa was stimulated by the operations of the private companies entering the interior, and soon Africa became the battleground of European nations' national imperial ambitions. King Leopold II of Belgium was the first European monarch to commission systematic colonisation of the Central African territory around the Congo Basin. Leopold responded to Henry Morton Stanley's reports on the opportunities of the Congo Basin, by despatching Stanley in 1878 to the Congo to conclude agreements with the indigenous population securing Belgian access and control over the region. With more than 400 treaties entered into with the Belgian King Leopold, the first European power established its footprint in Africa. King Leopold established his personal empire on more than 2.5 million square kilometres African soil and 15 million African people by 1884. The significance of this colonisation was that a European power established a network of trading stations along the Congo River, securing preferential access to inland markets. This strategy was often followed to seek direct access to resources and therefore not having to negotiate with middlemen. Commercial contestation with other European nations was bound to erupt in outright economic and political war. The German Kaiser Otto von Bismarck was initially

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disinterested in direct political control of African territories, but suddenly by the early 1880s he entered the race. The German interest alerted other European nations to the threat of possible confrontation in Africa over control of the different regions of the continent. Tension mounted between Britain and Germany over the protection of British interests in Angra Pequena (Lüderitz, Namibia), while France harboured ill feelings against the British for occupying Egypt in 1882. The ambitious Belgian expansion in the Congo Basin alarmed other European powers. Despite the rising tension, Europe's reluctance to colonise was a direct consequence of the European powers' unwillingness to commit to the high cost involved in establishing full administrative infrastructure in Africa.

During the late 1870s and 1880s, private merchants explored the opportunities of trade in the interior of the coastal trading stations and ports. Access to navigable rivers and control over the trade routes was the source of intense international rivalry. Many of the private British-incorporated or French-incorporated companies found it increasingly difficult to conduct profitable business without monopoly control of the trading activities in the regions of operation. In West Africa the British merchant George Goldie Taubman established the United Africa Company (UAC) by consolidating the operations of four British trading companies operating on the Niger River and delta region in 1878. The UAC's operation exclusively consisted of trading with no industrialisation forming part of the business before the 1960s (Jones 2000; Hopkins 1976a, b). Competing commercial interests of French entrepreneurs also operated in the West African market along the Gambia River, the coast of Guinea, Senegal and the Ivory Coast. The *Compagnie du Sénégal* and the *Sociéte française de l'Afrique Equatoriale* were French companies posing very direct challenges to the UAC's business development (Boone 1992).

A contest developed on African soil between competing European business interests from Britain, Germany, France, Belgium, Italy and Portugal. The only resolution to the intensifying international rivalry of the commercial and national contestation was to agree on the division of spheres of influence. Britain was especially pressurised by British trading companies to protect their commercial claims. The trading companies called for the monopolisation of trading routes, which implied increased expenditure on administration and infrastructure to secure control. Repeated calls for British protection was met by an ever-growing resistance to additional 'burdens and responsibilities', which as it was argued 'would be almost certainly wars with the natives, heavy demands upon the British taxpayer' (Robinson et al. 1981: 165).

The scene was set, either for an exhaustive and very expensive conflict or an agreement on coexistence. Some historians argue that the rivalry amongst the nations in Europe was bound to spill over into Africa. Another explanation for this 'Scramble for Africa' was that Britain was the richest nation in Europe, inter alia characterised by extensive interests in Africa. Other European nations therefore also should acquire similar interests if desiring similar wealth and power. The socialist explanation for European expansion into Africa was the drive of industrialising nations to acquire access to new sources of cheap raw materials outside Europe to sustain their industrial and commercial growth (Fage and Tordoff 2000: 326–327). European nations were less interested in Africa, than in more

lucrative commercial and investment opportunities outside Africa. The attraction was not Africa itself. Fage and Tordoff noted that even by 1913 around 80% of British and French and 90% of German foreign investment was in other European countries or outside Europe in geographies with much longer European settlement and considerably more advanced economic development, such as North America, South America and Australia (Fage and Tordoff 2000: 328). Despite the relative insignificance of Africa for Europe, opportunities did present themselves in Africa towards the end of the nineteenth century, which resulted in European colonisation. One such opportune event was the discovery of diamonds and gold in the territories of southern Africa in 1871 and 1886.

4.1 Escalating Cost of Competition Mandated Diplomacy

In November 1884 all the European powers, except Switzerland, met in Berlin to seek an agreement on the partitioning of Africa. The Conference of Berlin in November 1884 sought to secure an agreement to protect vested European national and commercial interests. The 'Scramble for Africa' resulted in the partitioning of Africa. The Agreement of Berlin of January 1885 provided the signatories with open access for commercial purposes to the Congo, Nile and Zambezi Rivers, while no further annexation of territories on the African coastline would be recognised unless effective control was exercised by the occupying nation. This decision was the beginning of actual colonial occupation and the settlement of effective administrative bureaucracy in Africa. With the principle of 'formal notification', the signatories hoped to address contesting claims and prevent costly conflict and the destruction of potential economic opportunities. From 1885 the European nations colonised Africa. By 1912, with the exception of Liberia and Ethiopia, Africa was colonised by Britain, France, Portugal, Germany and Italy. Historians have written extensively on the history of expanding colonial control; however, less is known about the unfolding of commercial enterprise. All the European nations were seriously concerned with the cost of setting up and sustaining a colonial administration. Protection of the spheres of influence of trading companies offered the European nations the least expensive mechanism to secure control. The trading companies established relations with the indigenous middlemen and entered into contracts to secure access to commodities and a market for imported goods in return for European protection.

4.2 Strategy: Chartered Companies

The European nations' reluctance to be drawn into the exercise of full colonial administration suggested an alternative strategy to gain influence, protect the national sphere of influence and simultaneously contain competing claims. Trading companies were the agents of imperial policy. In West Africa Goldie consolidated

the commercial interests of British trading concerns and in 1882 renamed the enterprise the 'National African Company', but only succeeded in convincing the British Government to grant the company a Royal Charter in 1886. The name changed to the Royal Niger Company. The Royal Niger Company (RNC) enjoyed royal authorisation to engage in merchant activities in the Niger region, as well as administer the region. The costs of local administration were borne by the private company, which just put greater pressure on the commercial concern to run its business cost-efficiently. To the RNC this meant market monopolisation. A similar development occurred in East Africa, where William Mackinnon, co-owner of the *British India Steam Navigation Company*, did business with the indigenous chiefs and the Muslim Sultan Barghash. Britain did not show much enthusiasm in East Africa, until German military forces moved to Kilimanjaro in 1885 and separate treaties were signed with the chief of the Witu people. These developments moved Britain to action. British trading companies called for a charter to protect their interests and enable the establishment of an administration. It became apparent that in East Africa three contesting parties had to find an agreement on the partitioning of the territory. In October 1886, Britain, Germany and the Sultan Barghash signed a treaty dividing the area between the Sultan South of the Tana River and the island of Zanzibar. The German territory was south of the Sultan's land and the British territory to the north. In September 1888 the British Government granted Mackinnon a Royal Charter with respect to the British territory in East Africa. Mackinnon registered the Imperial British East African Company (IBEAC) in 1888 and operated on a similar basis as the RNC (Van Aswegen 1980: 289–290; Swainson 1980: 60). In southern Africa Cecil John Rhodes established the British South Africa Company (BSAC) in 1888 and received a Royal Charter in October 1889 for operations in Central Africa. Serious contestation with Portuguese claims to the land north of Rhodes' territory and with the independent Boer people of the South African Republic resulted further territorial demarcation in terms of the Berlin Agreement. Britain was slow or reluctant to establish full colonial control, but used the chartered companies to exercise administrative control. Much later Britain advanced its colonial ambitions by the declaration of protectorates, crown colonies and full colonies.

Joseph Chamberlain, the British Colonial Secretary, entered the Colonial Office in 1895. He was the first British politician who valued the West African territories highly enough to enter into a battle with France to secure British interests in West Africa. His ambition 'to improve society' convinced him that the *laissez-faire* state led to unwanted social consequences, and therefore he propagated state action through legislation and administration, 'to extend government's functions, and to see in what ways its operations can be usefully enlarged'. Chamberlain actively drove a policy of the development of the colonies with British capital, loans and expertise to generate development that would deliver the revenue to pay for that development. He propagated the doctrine of 'tropical estates', where the chiefs had brought under control and organised the African people to produce crops for export—cotton in Uganda, kola nuts, palm oil, cocoa, fibres and rubber. The profits from such trade, tax on the African population and higher royalties on concessions

and trade had to generate the revenue to pay for the development. Chamberlain propagated railway construction, but the colonies had to pay through their own productive means. The resistance from the indigenous population delayed the implementation of the grandiose plans, and merchants from Liverpool, Manchester and London expressed their dissatisfaction about the interventionist forceful colonial policies for disrupting their trade in Africa. The British colonial policy under Chamberlain left little scope for the development of African entrepreneurship. Britain encouraged British entrepreneurs to expand the trade between Africa and Britain. The agricultural production of export crops was the role Chamberlain envisaged for the African farmers and peasants—produce crops for export. The chartered companies had to assist in sourcing the export goods or produce and the colonial administration secure the infrastructure. The dominant free trade thinking of the late nineteenth century did not take favourably to the Chamberlain interventionism. Ultimately, the colonial estates did not deliver exactly on the Chamberlain expectations, but rather public enterprise did. The British Government provided the capital and the administrative agencies to organise African production. The colonial authority planned and controlled economic activity to deliver on revenue generating agricultural production. State intervention in the colonial markets meant that independent indigenous entrepreneurship was encouraged only as far as peasant farming production delivered crops to the market. The only interface between the continental powers seeking to promote international ambitions and the territories in Africa was the chartered or concession companies. There was no political or commercial movement in Britain calling for the acquisition of colonies in Africa. Businessmen saw no great future in tropical Africa, except perhaps in the southern territories. In fact, public opinion rather restrained than encouraged politicians to act on Africa. It was only during the 1940s that the colonial powers introduced colonial development plans, both in the British and in the French colonies.

The political landscape went through consolidation after the Berlin Agreement. The British Colonial Office took over the administration of the Niger Coast Protectorate from the Foreign Office in 1899 and in 1900 the territories administered by the RNC. France also consolidated its West African sphere of influence under the Governor of Senegal, by consolidating Senegal, Soudan, Guinea, the Ivory Coast, Dahomey, Mauritania, Niger and Upper Volta into French West Africa (*L'Afrique occidentale française*, *AOF*). Chartered companies had a very chequered performance record. The German East Africa Company lacked capital to develop the country and the capacity to administer the territory. The company finally transferred its administrative functions to the German Government. The IBEAC also failed and surrendered its charter in 1895. The RNC lost its charter in 1900, but retained its commercial monopoly. The RNC controlled the existing trade centres, thus making the entry of local entrepreneurs a matter of impossibility. In the Congo the Sociéte générale de Belgique formed the Compagnie du Katanga in 1891 to exploit the copper fields of the south-eastern part of the Congo. In Mozambique two chartered companies, the Moçambique Company and the Nyassa Company, administered the vast Moçambican territories and encouraged European settlement, and the Nyassa Company had to construct a railway to Lake Nyassa. The Nyassa

Company failed to effect administration or railway construction, while the Moçambique Company was more successful. It profited from the control of the transit to Southern Rhodesia. In Angola the Moçamedes Company was established in 1894, but did not achieve good administration of the territory, nor a stable European settlement. A new type of private enterprise, namely, the concession company, which paid for the right to exploit colonial state land, was formed. King Leopold exploited the Congo for his personal benefit, permitting companied to exploit lands or new resources. The Anglo-Belgian India Rubber and Exploration Company and the Société Anversoise du Commerce du Congo paid the king an initial lump sum as well as a tax on the forest products collected—rubber, copal and ivory. More companies were established with exclusive rights to collect rubber.

The concept of concession companies also appeared in the French territories, because budgetary constraints mandated the privatisation of administration and commerce. These concessions were granted for up to 30 years, leading to massive public protests, only to be reissued to more companies. The concession companies had exclusive access to rubber and ivory for periods of 30 years, after which the opportunity to freehold of all the land the company developed was granted. Also in the German colonies of South West Africa and Cameroon, similar grandiose schemes existed for concession companies. In South West Africa, almost half of the total land ended up under the control of concession companies. Capital was nation blind. Not all the concessions were allocated to national concerns—in South West Africa, British companies also received concessions as happened to British companies in Portuguese territories—and British capital participated in Portuguese companies operating in Angola and Moçambique. The concession and chartered companies did not succeed in their ambitious aims of developing the locations allocated to their jurisdiction, because very few of them were adequately capitalised (July 1998: 303–313; Austin 1987: 123–125; Wickins 1986: 42–47). The adverse effect of chartered and concession companies' operations was the marginalisation of the indigenous peoples from trade, but also the inability to deliver on the expectations of infrastructure development. At no stage during the late nineteenth and early twentieth century did the indigenous African, Muslim and Indian traders subject themselves to the chartered companies. Resistance challenged the new entrants. The military capacity of some chartered companies sometimes compelled submission, but never led to the disintegration of the trading organisation. The resilience of the existing commercial organisation of the trading networks across West, East and Central Africa played a substantive role in undermining the viability of the chartered and concession companies.

As the colonial powers experimented with private companies as agents of the government, a definite adaptation occurred in economic activities as new agricultural and commercial opportunities opened up. Extensive railway construction occurred under colonial rule at the beginning of the twentieth century. In Egypt private lines were constructed along the coast to Abu Haggag and to Kharga, but both were later acquired by the state. In French West Africa, the French constructed a line between Conakry in French Guinea to the Upper Niger for the export of rubber. In East Africa the French company Compagnie du Chemin de Fer Franco-

Ethiopién built the line between Djibouti and Addis Ababa in 1918 when the former construction company went bankrupt. In South West Africa, the German authority built a railway line between Swakopmund and Windhoek and in Tanganyika between the Central Railway from Dar es Salaam to Kigoro, on Lake Tanganyika, and the Northern Railway connected Moshi to Tanga in 1911. In West Africa the British completed a line from Lagos to Kano in 1911, from Sekondi to Kumasi in the Gold Coast in 1903 and from Freetown to Pendembu in Sierra Leone in 1906 (Wickins 1986: 70–72; Hopkins 1976a, b). More extensive railway construction was completed in Rhodesia by the BSAC from Bulawayo to the Wankie coalfields via the Victoria Falls in 1907. The railway construction network was more extensive in South Africa, as the Cape Government Railways (CGR) and the Natal Government Railways (NGR) had constructed connecting lines to the Witwatersrand mines by the end of the nineteenth century. After British occupation following the end of the South African War in 1902, the British consolidated the Boer Republics' railway companies into the Central South African Railways (CSAR). As a result of an agreement with the Portuguese on migrant labour for the mines, the British also had to honour the so-called *modus* vivendi agreement. This agreement determined that the Transvaal would pass through the Delagoa Bay port a certain proportion of its exports, which implied transporting the goods on the Delagoa Bay railway line. This agreement was mutually beneficial—the mines retained access to Mozambican migrant labour, while the Portuguese secured traffic on its railway line and through its port (Solomon 1982: 104–105). Also in the Congo did the Belgian rulers construct railway lines from the Upper Congo to the coast. The construction of railway lines encouraged European trading companies to move further into the interior—a move they resisted for a long time and a situation which benefitted the African middlemen. Once the railway lines reached into the interior, such as the Eastern Railway Line in Nigeria from Port Harcourt to Enugu and the western line to Kaduna, it was a tremendous blow to what remained of the middlemen's sphere of the market (Nwabughuogu 1982: 370–371). The railway development fed into the development of ports where modern shipping lines connect the new colony with existing trade routes. The African trading companies adapted easily to the new transport infrastructure by transporting goods to the railway connections for despatch. The railway network did nevertheless not bring about a comprehensive network anywhere in Africa, except perhaps in South Africa. It is important to note that a recent study by Chaves et al. (2014) found that Africa was familiar with the benefits railway transport could afford their states but that a number of reasons prevented the dissipation of railway technology in Africa. These include active British and French colonial intervention in preventing the independent African acquisition of the technology and the construction of railway connections, the lack of centralised political power in African kingdoms or political entities to enforce the adoption of the technology and finally a definite fear that the widespread introduction of railways may hasten colonisation. The significance of these findings is that despite the fact that the social savings created by railways were modest, the social rate of return on capital was very high. For the development of business by African entrepreneurs, the significance of these findings is that independent market

competition was bound to meet with colonial strategies to limit potential competition. Enterprising businessmen soon made good use of the railways to grow or diversify their businesses. A case in point is the Nigerian family business of the Yoruba Muslim Braimah Igbo, who switched his general trading business to trading kola nuts and used the expanding railways to reach well beyond the confines of Yorubaland (Olukoju 2015: 4–6).

The introduction of colonial rule did not immediately alter economic and business activities in Africa. Under the authority of African kingdoms and Muslim emirs, commercial exchange was often monopolised as chiefs or indigenous rulers controlled access to resources and favoured relations with their own agents. The coming of colonial control initially hinted at improved competition, but the reverse occurred. Competition between the most efficient private firms was reduced through colonial state intervention in business. Market distortion through state intervention established dependence on external market forces as well as on local political agencies (Austin 1987: 129). Gradually the independence of the handcraft industries in local markets was in jeopardy through competition with cheaper and superior imported industrial products, especially in the metal and textile sectors. The chartered and concession companies did not succeed panoptically to exercise control over commerce. The gradual transition into the commercial world of capitalist economic relations had already commenced. This was seen in the successful African and Muslim merchants operating on the western, eastern and northern African shores. These trading activities were supported by agricultural innovation. New crops, cash crops, surplus production and engagement with markets outside Africa all pointed to an adaptive capacity. In the Gold Coast, cocoa farming developed successfully around the turn of the nineteenth century. It was a display of entrepreneurial market identification and foresight in calculating the risk of production. Migrant farmers from Accra in the south-east of the country, migrated to the forest belt of the western regions. Here the Africans displayed entrepreneurial capacities contributed to their success. These entrepreneurial farmers knew that cocoa harvesting coincided with a period when other farming activities were quiet. Cocoa farming complemented food production (Austin 2014). In other parts of the world, cocoa production was performed in plantations, but in the Gold Coast, peasant farmers acted entrepreneurially by planting cocoa as a nonfood crop for the market. This action was clearly profit-driven. They financed the initial acquisition of land from own capital, which they accumulated from trade in palm oil and rubber. The cocoa farmers transported their own produce to the point of sale. European trading companies did not participate in the production or collection of cocoa, but arranged the export services. The cost of the land was shared by family or partners in the production enterprise. Cocoa production also spreads to Nigeria, where various sources of capital facilitated the entry into the industry—accumulated savings from handcrafts, farming or trading, or by accepting loans from kinsmen (Hill 1961; Knudsen and Agergaard 2016). These cocoa farmers were small-scale agricultural entrepreneurs, operating outside and independent from the chartered companies. Cocoa production across West Africa secured the local people a very good livelihood. The independence of African

production came under threat when company administrative control transferred to more efficient European colonial administrations.

Business activity in the commercial environment became increasingly concentrated, since entrepreneurs sought market control to secure profitability. Most small-scale enterprises owned by African, Muslim/Arab or European businessmen were slowly pushed out of the market as business concentration developed. In the Niger River area, three companies controlled merchant activities during the late 1890s, but concentration through mergers and acquisitions resulted in cartel formation and a suspension of commercial competition. The RNC merged with the African Association and soon absorbed the Alexander Miller Brothers Company to emerge the dominant player in West Africa. In French West Africa, the FCAO absorbed numerous small enterprises operating in the French colonies to monopolise that market. In the Gold Coast, the African Association effected the merger of small firms to consolidate its position. Also in the shipping industry cartels formed. The British steamship line operating on the West African coast merged with the Elder Dempster and Company and again in 1900 with Woermann-Linie, followed by a merger with the Union-Castle Lines, which was taken over by Elder Dempster and the Royal Mail Steam Packet Company in 1911. By 1920 three companies dominated West African commerce: the CFAO, the SCOA (Société Commerciale del'Ouest Afrique) and the United Africa Company (UAC) Austin 1987: 130; Wickins 1986: 62). The concentration of business made it very difficult for smaller enterprises to compete effectively or survive the competition. Technological advancement and the cost of innovation required capital, and very few African firms could count on sufficient capital resources to compete effectively with the big European cartels. An example of such distortion to the detriment of African farmers was the cocoa holdup in Ghana in the later 1920s. Local cocoa farmers resisted the price-fixing by European buyer pools. The local cocoa producers operated, according to P T Bauer, in 'virtually perfect competition', but did not have the capital capacity to enter into advance giving or advance channelling. The brokers were innovative in extracting rents from African farmers and European firms by using knowledge of the international market price of cocoa, which they learnt from the BBC Radio. These brokers' ingenuity gave them an upper hand in the cocoa market, but they ultimately could not compete with European firms' buying pool that fixed the purchase price of cocoa. The response by cocoa farmers was to withhold supplies from the market. This strategy was repeated six times between 1908 and 1938, while most African enterprises suffered this fate. The outcome was a commission to establish the circumstances of the market and resulted in a farmer-controlled marketing board, the Cocoa Farmers' Association. This was clearly a victory for the farmers and brokers, but shortly after the Second World War broke out, the British Government established a state marketing board, with a monopoly of cocoa exports. The most important observation of Knudsen and Agergaard is the dynamic responses by the cocoa migrants to livelihood possibilities (Austin 1988, 2016; Alence 1990/91; Knudsen and Agergaard 2016: 332–337).

As colonial administration sought to generate revenue to finance colonial administration, African business activities were marginal to the colonial

administration schemes. African business consisted primarily of peasant agriculture producing cash crops to the market, middlemen operating between producers and export firms, transport entrepreneurs and petty trading on local markets. The size of the business operations remained small. In Nigeria, after the consolidation under British colonial control, business was structured, according to Harneit-Sievers, in a pyramid structure. On the broad base of business operations, the large number of petty traders operated. These were the middlemen, operating between producers and the market. The next layer was the small group of independent African merchants, such as John Sarbah, or the 'merchant princes', Alhassan Dantata, the Jaja of Opobo and the Nana of Itsekiri (Nwabughuogu 1982: 365). Within this category one could also place the expatriate Arab and Levantines—the merchants from Morocco. Some smaller European firms such as H W B Russell, Thomas Welsh and Company, or the Miller Brothers also competed in the urban markets (Nwabughuogu 1982: 368). At the top of the business pyramid was the big European firm that organised themselves into Chambers of Commerce in cities such as Lagos, Kano, Calabar, Jos and Port Harcourt.

The unfolding of African business enterprise under colonial rule in Nigeria is very much the same story across the rest of the colonised African continent. The business community in what eventually became the Colony of Nigeria in 1914 included entrepreneurs from different ethnic entities, races and nationalities. Apart from indigenous African entrepreneurs, the business community included Arabs, Levantines and Businessmen of European origin. Olukoju described all businessmen not being indigenous African, as 'expatriate' businessmen, since the 'Tripolitanian Jew, Saul Raccah', was not a native of the region (Olukoju 2002a: 192). Iliffe noted the diverse origins of capitalism in Africa, especially the multi-ethnic nature of the African peoples participating in business activities (Iliffe 1983). Business activity was either export or import trade, and the largest category of people engaged in those activities were 'middlemen'. These entrepreneurs acted as middlemen, or later as commission agents, to the expatriate firms and depended on them for credit or advances to purchase goods for export. The middlemen could not engage in import or export themselves, since the expatriate firms had acquired the licences to engage in export trade. Middlemen controlled the intermediation between peasant producers and exporters, but seldom engaged in the import and export trade because of a lack of capital or simply because they failed to acquire shipping space at the ports. The competition with the indigenous middlemen happened when some small European trading firms moved from their coastal locations into the interior to establish 'factories' closer to producers. More and new 'middlemen' entered the lucrative intermediation market, and the market for middlemen expanded as new commodities came onto the market, such as groundnuts, produced in Northern Nigeria. The British Cotton Growers Association operating in the Northern Nigerian province kept a firm grip on the cotton trade, but after the railway arrived at Kano, Hausa traders were instrumental in organising groundnut producers for the export market (Harneit-Sievers 1996). Nigeria experienced a buoyant export market during and after the First World War. Off course, the Great Depression impacted aversely on primary product prices and dealt a heavy

blow to independent indigenous producers and middlemen, but so were the European trading companies.

Under conditions of market expansion, growing international demand and high prices all Nigerian businesses benefitted, but colonial administration brought regulation. Each of the measures was interpreted as discriminatory, directed at the African traders, merchants or entrepreneurs. The introduction of tolls on the north-south caravan trade were experienced by African traders as a tax on small traders, while the European importers regarded them (the traders) as hurting the Manchester textile exports targeting the interior Nigerian market. The allocation of shipping space to exporters was deemed decided in favour of European firms though 'collusion' with the colonial government. Often the middlemen depended on the European firms for 'trust' or credit to purchase export goods. This dependency was experienced by the Africans as subjecting the middlemen to the dominant position of the European export firms. All forms of licencing also acted as a 'tax' on African traders. When there was a boom in trade to coincide with the post-war boom, middlemen often engaged in conspicuous spending, which left them in a serious position when a slump in the market followed and was exacerbated by the Depression. The impact of the slump was compounded for middlemen when a system of produce inspection was introduced in the late 1920s. Inspection fees were charged to the expatriate European firms, who in turn, simply passed the fees on to the middlemen in the form of lower prices paid for the produce—palm oil and palm kernels. In 1929 some expatriate firms consolidated their operations, which resulted in the United Africa Company (UAC). The UAC was widely seen as colluding with the colonial administration to secure privileged access to markets and contain competition (Van den Bersselaar 2011: 259–260; Murillo 2011). European merchants furthermore organised themselves into a cartel, the Association of West African Merchants (AWAM), effectively out lobbying African merchants. During the Second World War, import restrictions were imposed to protect 'hard currency', but to the middlemen import concessions contracted their access to the market. Import licences limited free access to the market (Murillo 2011; Bauer 1954; Olukoju 2002a: 180–187; Olukoju 2002b: 374–378).

Market changes left most of the African entrepreneurs operating as middlemen in a compromising situation. The size of their enterprises was small and had limited resources (capital, credit, technology) to adjust to market changes. The small enterprises were off course not the only African entrepreneurs. In the previous chapter, the expanding operations of John Sarbah and Alhassan Dantata were mentioned. In the period after colonisation, the entrepreneurial capabilities in assessing market conditions, planning for diversification and structural changes to existing operations and the management of savings and capital, secured the sustainability of Nigerian African entrepreneurs. The surviving enterprises were in the minority. The best businesses outperformed competitors, some being African enterprises. It is in this context that families, linked through marriage, siblings or extended relationships, formed the core of early entrepreneurship in West Africa (Olukoju 2015). In the early 1920s, William Akinola Dawodu (from Nigeria) was an established automobile entrepreneur. He was born in 1879 in an established and respected trading family; he attended the MS Grammar School and then pursued

training at the Hussey Institution in mechanical auto repairs. In 1905 he started his own enterprise in Lagos, but rapidly expanding demand for his services led him to bigger premises. By building an enterprise servicing and repairing bicycles, Dawodu established himself as the mechanical expert for the repair of big trucks. He built carts and repaired transport vehicles and ordinary sedan automobiles, which resulted in the opening up of branches as far as Kano in Northern Nigeria. He imported Ford automobiles to Nigeria and by 1920 was the sole agent for Ford in Nigeria. Soon he acquired the agency also for Firestone tyres, Chevrolet, Dodge and Rio motors. He also ran a freight service with eight two-ton trucks. Dawodu passed away in January 1930, having been outperformed by expatriate firms (owned by Syrians, Lebanese and a few Europeans) challenging his monopoly in the automobile market. Another transport entrepreneur was Orisadipe Obasa (a qualified doctor) and a woman, who owned Anfanni Motors as an enterprise hiring out automobiles and trucks (Oladipo 2012: 231–232; Olukoju 2002a: 182, 189–190). The demise of the indigenous African automobile entrepreneurs, and other African enterprises, was ascribed to the regulatory environment created by the colonial state. The state introduced business licences, allocated shipping space unequally during the First World War (Olukoju 1992), introduced import and export quotas favouring European firms and was unresponsive to calls for protection against competition. Olukoju adds though that on the African entrepreneurs' side, there were explanations for their demise—a lack of capital and access to credit from the foreign-controlled banking sector, management inefficiency, an unwillingness to strengthen small one-man enterprises through mergers and the formation of joint stock companies and to organise collective and persistent public interest groups lobbying. Cultural traits in African society concerning polygamy and inheritance that led to the dissipation of assets at the death of a businessman are also additional factors undermining the longevity of Africa enterprises (Olukoju 2002a: 189–194; Olukoju 2002b: 374–383). During the establishment phase of colonial control, companies able to align their operations with that of colonial policy and contribute to the revenue stream on the colony succeeded in market competition. Colonial policies of regulation and revenue extraction indeed distorted open-market competition. The market distortion by the dominant actor, the colonial state, replaced the former dominancy of indigenous kings, chiefs or Muslim rulers.

Amongst successful Nigerian enterprises, some strong family firms emerged. The family firm of James George and Son conducted trading business for four generations. So did the Vaughan family (patriarch former slave Scipio Vaughan) establish a merchant house in 1873 and survived three generations The Doherty family firm (originally from south-east Nigeria, via Dublin where the former slave family acquired the Irish surname) was established in Lagos in 1891 and accumulated savings from trading operations until substantial capital was available by 1899 to establish an independent hardware, cotton, silver goods and other imported goods importation company. The longevity of the firm was supported by the father's insistence on education for his children and the accumulation of own capital resources. Through business diversification, the Doherty enterprise sustained the business well after the Second World War as a department store. The Odutola

Brothers established a family firm during the colonial period and expanded operations through diversification and physical expansion, while sustaining close family connections in the management of the growing business, until differences led to the dissolution of the family firm in 1949. In the post-independence era, the two branches of the Odutola firms developed into strong Nigerian enterprises. The business of Salami Agbaje started in the 1880s as a tailoring enterprise, but soon diverted into timber trade, using the newly constructed railways to transport his goods. As a typical middleman, entrepreneur Agbaje diversified his business from exchange of goods to transport, processing of food and entertainment. In the post-war boom, the business diversification provided the platform for the succession of his son in the 1950s (Olukoju 2015).

As in Nigeria, African traders in Kenya also displayed entrepreneurial initiatives leading to business development outside the traditional economies. Indigenous African business developed through exchange with traders on the east coast. As Iliffe pointed out, capitalism in Africa is no different from capitalism elsewhere. Its manifestation in a differentiated context from metropolitan Europe accounts for cultural and ethnic adaptations, but not fundamental differences (Iliffe 1983: 3–6). In Kenya long-distance traders used labour from outside the ethnic group or kin in a capitalist manner. Capitalist agriculture developed, as sons of wealthy Kikuyu stockowners of the precolonial period acquired enhanced skills through mission education, and commenced capitalist farming using hired labour and producing for the market. Similar capitalist relations emerged across East Africa as farmers entered the profitable wattle farming, only to be contained by the intervention by international capital and the colonial state in the 1930s (Cowen 1972). The rise of a ‘new elite’ leadership in Kenya by the 1920s was not only displaying the gradual replacement of traditional chieftaincy authority but at the same time the emergence of an entrepreneurial entity. Cowen described their conduct of engaging in two economic spheres simultaneously as ‘straddling’. This meant that innovative young Kenyans worked in permanent employment, while at the same time also engaging in private accumulation. A teacher might use his teaching income to trade or farm simultaneously, thus showing full integration into the capitalist economy (Cowen 1972: 6–17; Iliffe 1983: 31; Swainson 1980: 174). African ‘business’ in Kenya during colonial rule until independence in 1963 was trading enterprises selling agricultural produce. The indigenous farmers produced cotton, tea, coffee, sisal, maize and groundnuts. These commodities found their way onto the market through both African and Asian merchants who supplied the expatriate export firms. The colonial authority restricted African agriculture to designated reserves and secured access to commercial farming land to European farmers and expatriate merchant companies. Marris and Somerset (1971: 6) described the colonial economy in Kenya as ‘a deliberately segregated European commercial agriculture, with its own mills, dairies, bakeries, food-processing factories and its own urban centres’. Asian traders were restricted to designated trading areas, as mandated by colonial policy. An extensive network of European and British private companies operated in East Africa, including Kenya. Around 15 foreign-based companies dominated business in Kenya before 1945. Agricultural estates and primary processing firms,

of which the BEAC was formed in 1906, produced the major commercial crops, such as tea, tobacco, sisal, coffee, wattle bark and meat processing. The BEAC was engaged in the export operations of locally produced primary production, while African producers supplied those companies, at prices determined by the companies or the colonial state. Four firms operated in the trading sector of exporting commodities and shipping, and three engaged in manufacturing of soda extraction, power generation and cement processing (Swainson 1980: 64).

African entrepreneurs were not involved in any of these sectors, except perhaps as employees of the expatriate firms. Small African enterprises operate general shops, butcheries and tearooms around the crowded rural markets in temporary structures (Kennedy 1988). The development of indigenous business in Kenya followed a similar course as in West Africa and the southern African colonies. Small African traders linked producers to Asian merchants and expatriate export firms (Hopkins 1987). By the 1920s the number of such small African trading firms had escalated to a level where the colonial state introduced compulsory licensing and many rules of operation. These rules included minimum levels of borrowing, limited litigation to secure the payment of debt, the sale of crops and so forth. These directives limited the access to credit and therefore also the growth potential of indigenous African firms.

By the 1940s the British perspective on the future of its colonial empire followed the international tendency towards decolonisation. Much closer attention was then paid to encourage and support African businesses. The British Colonial Development Corporation (CDC), established in 1948, introduced programmes to support African enterprises. A strong surge in new African trading enterprises after the war resulted in intense competition amongst petty traders from the African and the South Asian business communities. The Asian merchants from Gujarat had long ago established control over wholesaling and were therefore in a powerful position in the East African economies. African traders were caught between their productive enterprises and markets by the Asian hold on the wholesale trade. African businessmen then insisted on state action to force Asian traders out of the wholesale trading market. Asian merchants were often larger, better-capitalised enterprises. From the 1950s on, the Industrial Development Corporation of Kenya set in motion credit and skill support to assist the establishment of African entrepreneurs in small manufacturing enterprises. Before independence in 1963, not much success was achieved (Marris and Somerset 1971: 10–11). The adverse competitive relations between the African and Asian traders did not improve, despite the latter subsequently supporting the African nationalist decolonisation movements. The matter of citizenship of the South Asians in East Africa remained a bone of contention long after the independence of countries in the region (Oonk 2015: 73–74; Swainson 1980: 174–180).

An interesting dimension to the development of African business in East Africa was the support expatriate firms themselves offered to African businesses. Swainson argues that these initiatives were more instrumental in supporting African enterprises that the measures introduced by the colonial state. Companies extended wholesale facilities to African traders operating in the reserves towards the distribution of their products. European companies outsourced the distribution of their

manufactured goods to African enterprises—the BEAC, Boustead & Clarke, the Bata Shoe Company, Kettles-Roy and Tyson and the British American Tobacco Company (BAT) all followed the same strategy. This strategy was not all philanthropic. The BAT held a monopoly in Kenya on the manufacturing of tobacco and cigarettes, but by 1967 more than 60% of the wholesalers of its products were Africans. Several expatriate firms such as the East African Breweries, the EA Tobacco Company and the Ungo Flour Company introduced credit schemes to guarantee money in the bank for an enterprise operating on narrow cash-flow margins (Swainson 1980: 180–182). In the post-independence era, the newly independent Kenyan state distinguished itself from most other newly independent African states by introducing policies to develop a capitalist African economy through state-led promotion of African entrepreneurship.

4.3 African Entrepreneurs in South Africa: Exceptionalism and Similarity

The African societies in southern African societies also shared a communal tradition. Communal land ownership excluded individual ownership of the proceeds of any cultivation (Guy 1982; Bundy 1979; Beinart 1979; Bonner 1978). Following the Mfecane, large numbers of displaced Africans settled in areas outside the authority of traditional chiefs and, as a new independent peasantry, produced food for own consumption. African peasants responded favourably to the market opportunities to sell surplus production. Barter between African people and European settlers supplemented trade (Bundy 1979) in a similar way as in other parts of Africa after the end of slave trade (Austin 1988: 92, 102). European trading or merchant companies dominated business in the Eastern Cape towns such as Graaff-Reinet, Grahamstown or Port Elizabeth (Webb 1992) during the nineteenth century. By the late nineteenth century, the deterioration of the paper currency in the Boer Republics also led to barter in kind (Solomon 1982: 133–134). With the mineral discoveries (diamonds and gold) towards the end of the nineteenth century, Africans entered urban areas as wage labourers, earning monetary income.

The monetisation of exchange in the African communities paved the way for African businesses entering the market economy. While in parts of Africa the monetisation of exchange sometimes preceded colonisation (Austin 1988: 134), in South Africa the growth of markets coincided with the mineral discoveries and introduced proto-industrialisation. Before the mineral discoveries, Africans traded voluntarily, but colonial taxation, the first of which was introduced in the Cape Colony in 1894 (the so-called Glen Grey Act), taxed freehold land ownership. Subsequent taxation during the 1890s was interpreted as a means to extract wage labour (Shillington 1982, 104–109; Beinart 1982: 42–69), or simply as a mechanism of market control (Austin 1988: 136–142). This period in the history of South Africa ushered in 'Smithian growth', defined by Austin and Sughiara

(2013) as the growth of the market, accompanied by proto-industrialisation and commercialisation of agriculture (Austin and Sughiara 2013: 6). The growth of markets opened opportunities for 'creative' and 'adaptive' responses by entrepreneurs to engage with such markets (Wadhwani and Jones 2014: 192). Colonial governments controlled the context within which African entrepreneurs entered the new market economies—control over market access and distribution channels, prices and commodities, transactions in export goods and internal markets. This was the experience in West and East Africa and manifested in a similar way in southern Africa. Peasant producers supplied growing urban markets and colonial export requirements. In the southern African colonies, trade in agricultural commodities occurred in the internal market, as well as some exports to Britain (Greyling and Verhoef 2015). The exchange in cultivated crop surpluses constituted the 'business' of trade between African communities and the settler communities during the nineteenth century (De Kock 1924: 134; Houghton 1978: 2–3; Feinstein 2005: 18–20).

African urbanisation gained momentum as wage labourers, women and nonwage labourers converged in designated urban locations. Urban African communities evolved in a new landscape of informal settlements on the fringes of towns and mining developments. Survival strategies soon included the formation of small businesses, such as trading in basic consumer goods, food, beer brewing, transport by horse-drawn carts, domestic services, sewing and elementary blacksmith work as well as the selling of handcrafts, such as bead work, baskets or woodwork (Verhoef 2001: 92–93; Coplan 1982: 359–3363; Mayer 1961). This development in trade and business in the capitalist market economy was similar to the markets of West and East Africa (Austin 2013: 206–213; Cooper 2002: 118–124; Iliffe 1983). Urbanisation intensified during the 1920s and 1930s, when droughts and the adverse effects of the Depression on primary product prices pushed many Africans off the land into urban centres where they had to develop alternative means of subsistence by earning a 'cash' income to supplement rural subsistence. The urban African informal businesses often developed into general trading store and more formal enterprises, for which licences were required. The 'entrepreneur' took care of his/her own enterprise, sources supplies from wholesalers and distributed amongst the urban dwellers in the settlement. These settlements were often 'slum' areas, which enhanced the demand for fresh food, milk or meat. The opportunity of urbanisation was that a market opened up amongst people of similar traditional backgrounds and customs. African people were best suited to deliver on those demands. They also often supplied basic necessities on 'credit', which means that the relative poverty of the newly urbanised people made them dependent on trust (Kuper 1965: 27–32; Sansom 1974: 163–165; Mayer 1961: 234; Bozzoli and Nkostoe 1991: 4, 129). It was in these townships that African entrepreneurs took advantage of opportunities to establish their enterprises.

One aspect of the 'opportunity' was the divorce of African women from the customary control by the husband and the family of the husband, which liberated them in the urban environment (Verhoef 2002: 92). African women engaged in independent businesses (see Hellman 1948; Kuper and Kaplan 1944; Hellman

1950; Kuper 1965). In urban areas African people who had acquired a western education from missionaries had taken favourably to a western lifestyle and accepted the Christian faith (referred to as kholwa). The new African ‘elite’ could read, write, count and communicate in the language of the authorities and were therefore more eligible for employment. This elite engaged in trade and commerce which made them a stable and self-perpetuating core of African people in the urban areas (Bartlett 1972; Cobley 1990: 61, 225–228; Trapido 1980: 259). African community leaders such as Mweli Skota, John X. Mdhluli and D Dhlomo called for the ‘Radical Uplift’, referring to the American Garveyist empowerment ideal (Cobley 1990: 151).

These new horizons of the urban Africa soon met with statutory segregation, which limited their market access. The Native Land and Trust Act, No 27 of 1913 restricted land ownership of Africans to the reserves, which constituted broadly the original traditional land (Giliomee 2005: 309–312; Feinstein 2005: 43). Africans could not own land in so-called ‘white’ urban areas. White municipal authorities established residential locations for Africans in terms of the Natives (Urban Areas) Act, No 21 of 1920 and issued trade licences valid only for trading in designated African townships. After the Second World War, in 1945, the Natives (Urban Areas) Consolidation Act of 1945 confined African trade to separate trading areas (Cobley, 143; Report on Native Traders, 1939). Licences were issued for specific business activities—such as trade in fresh produce, but not fresh meat, which forced inhabitants of the township to purchase meat from white-owned businesses in the white urban areas (UG22/1932: Economic Commission, 1930–1932: A80: 17). African entrepreneurs voiced their frustration at the restrictions on trading activities with the Location Advisory Board (LABC-SAIRR B4/2: Urban Affairs) and called for open trading rights. The state argued that ‘trading of Natives in locations is one of the most important steps of economic development which goes hand in hand with the government scheme of Native development…’ (SAIRR B4/2: LABC Memorandum 1930). African entrepreneurs were therefore encouraged to engage in business, but not permitted to choose the markets in which to sell their good. The situation in South Africa did not differ from the experience in other British colonies in Africa.

African entrepreneurs were not deterred—by 1936/1937 the LABC recorded 761 African-owned retail businesses and 1 wholesaler (SAIRR B4/2: Urban Affairs; Kuper 1965: 38–45). The ‘opportunity’ of inequality was that African businesses were ‘protected’ from competition from other ethnic groups, such as Indian traders. They developed their own trading enterprises in the confined African market. African traders consistently opposed the institutional restrictions through trade associations. In 1927 Mweli Skota formed the African and Indian Trading Association Ltd. (SAIRR B4/2 Skota papers; Cobley 1990: 154). The mission educated Africans in the locations called for economic self-help as of superior significance to political power. Similar trade associations were established. In 1932 the Bantu Business League was formed in Natal, with Reverend John Dube as President and N Luthuli as Secretary. In 1938 Selope Thema established the African Business League (ABL) as a wholesale co-operative. The ABL encouraged

Africans '...to develop trades and industries in their own reserves, locations and townships...', and it openly criticised the long delays in granting licences to African traders as 'grossly unfair and contrary to the declared Native policy of the Union' (The Forum, 24/5/41). As South Africa benefitted from war demand for industrial goods during the Second World War, general employment levels and African wages rose consistently. Market expansion reflected in the rapid increase in the number of African businesses—in Johannesburg alone the number of African businesses rose from 192 in 1938 to 820 by the mid-1950s—an average growth of 19% per annum (Cobley 1990: 169). More trade associations were formed, of which the Orlando Traders' Association (OTA), established in 1945, was the largest and most active. The OTA leaders were Jeremiah Mofokeng (President), S J J Lesolang (Chairman) and J Mophiring (Secretary-General). The OTA made repeated representations to the local authorities to improve the trading conditions in the township, such as more and larger trading facilities and the issuing of trading licences (Keeble 1981: 8; Huss 1977: 375; Walshe 1971: 145–147; Phillips 1938: 296–300).

The first experience of Africans in the market economy displayed their entrepreneurial capacity. Their enterprises were small, engaged in 'petty trade' in basic consumer goods and services to address daily needs of the people in the townships. The difference between these enterprises and those in other African countries was the protection they enjoyed through segregation from competition in their township markets by other ethnic groups. These market restrictions 'nurtured' early African entrepreneurs, but also introduced a ceiling on growth. These township enterprises could not compete in an open market. In each location and township, there was a general dealer selling basic groceries and food, taxi services, shoe repairs/cobblers, dry cleaners and bicycle repairs. Each location also had several undertakers, since burials were of exceptional traditional significance in African culture (Verhoef 2002: 96–97). The businesses were small, cash based, funded by accumulated savings of the entrepreneur and initially without access to bank accounts (Interview Z Kunene, 27/8/2014). As wages rose during the war years and employment levels rose, turnover rose rapidly in the proliferating small enterprises. Since the market of African enterprises remained restricted to Africans in the locations and townships, entrepreneurial risk was limited to stocks being either depleted or perished. The traders were at the end of the distribution channel, dependent on wholesalers (usually European wholesalers) to supply stock, which could be late, damaged/perished and of suboptimal quality. In this respect, the African traders differed from the Indian traders (in South Africa and other parts of Africa) in not sourcing supplies through import networks from outside the continent. The taxi, bicycle and undertaker enterprises could suffer from mechanical failure, time delays or personal incapacity, which were non-market-related risks. The early African businesses were small and owner-managed and community based. By the end of the Second World War, the structure of African business in South Africa resembled small African-owned businesses in emerging urban locations in the colonies on the continent.

Since the post-war period of economic expansion, statutory racial segregation was enforced more systematically than before under the policies of separate

development. South Africa sustained strong economic growth until the early 1960s, which resulted in a sixfold rise in industrial output between 1930 and 1961. African workers were subjected to further restrictions: certain employment categories were reserved for people with technical apprenticeship qualifications (which many Africans did not have or could not acquire), African trade unions were forbidden, freedom of movement to urban areas was restricted by influx control, and residence was confined to locations. African entrepreneurs required permission from the Minister of Native Affairs to conduct business outside the reserves or urban locations and townships. The African enterprise was restricted to the statutorily defined market of African consumers in urban townships, locations and reserves. Small enterprises also emerged in the traditional reserves, as Hart observed, displaying the response to market opportunities outside the urban areas. African entrepreneurs set up general trading businesses to bring western consumer goods to those living in the remote traditional areas. Basic supplies such as sugar, tea, medicines, tobacco or cloth were acquired in the small towns and then resold in the remote areas. The concept of 'profit' was not well understood, since a very limited monetisation of exchange prevailed. The African trader was more concerned about helping out than making profit (Hart 1972). Unfortunately, these small trading enterprises very seldom developed beyond the lifetime of the entrepreneur. There was no tradition of family business in the traditional African areas that could compare to the family businesses of the Indian traders in East Africa or even in the South African urban areas. Only towards the end of the 1970s were restrictions on the establishment of African trade unions lifted, Africans granted the 'right of 99 year leasehold' to own land in urban African townships in 1978 (African Business, April 1979: 11–13), job reservations scrapped altogether by 1982 and influx control abolished in 1986. In 1988 all the regulations requiring annual licences, prohibition of land acquisition and operating a second business within a certain radius of his spouse's business, were repealed. Although these regulations restricted access to the market, indirectly they protected African businesses from competition by white and Indian enterprise in designated areas reserved for African business (African Business, December/January 1988/1989: 23).

The exact situation pertained to Indian business activities as they extended their businesses from the Natal Colony into the interior of the Boer Republics. This expansion was described above (Hiralal 2000; Vahed 1999, 2005; Padaychee and Morrell 1991; Ngwenya 2011). African and Indian business in South Africa displayed the following characteristics: they were small owner-managed, geographically confined to statutory prescribed locations, undiversified, generally limited to food distribution and the services sector (limited manufacturing), weak in capital base—operating on a cash basis; have limited access to banking services, especially credit; and have little attention to succession planning. These entrepreneurs were middlemen and arbitrageurs who operated in limited markets with limited risks arising from price determination and supply. To sustain their livelihood, these entrepreneurs followed a dual strategy. First, they extended the network of trading associations for mutual support to the African business fraternity. Second, they worked within the structural limitations of racial segregation, albeit consistently

opposing the system and calling for the lifting of segregation. S J J Lesolang, a leading African businessman in Johannesburg, acknowledged that the decentralisation policy of the government was met with opposition, but had '... created employment facilities for thousands of our people...' (African Trader, January/March 1967). At a time when colonies in West and East Africa were decolonised, trade associations spread in South Africa. In April 1964 The National African Chamber of Commerce (NAFCOC) was formed to co-ordinate the activities of its member associations in promoting African business development. The first President was Richard Maponya, a prominent businessman from Soweto. As the African buying power strengthened from R487m in 1969 to R7.5 billion by the end of the twentieth century (Motsuenyane 2011: 55–58; NAFCOC Milestones, 1994: 2), the organisation emerged as a champion of African opposition to racial segregation (African Business, August 1980: 31–33; Mathebe 1994: 45–46). NAFCOC campaigned to speed up the 'radical upliftment' of Africans through the 'buy-at-home' campaign. This campaign encouraged African consumers not to take trains and other transport to buy from white-owned businesses in urban business districts, but to buy from their local enterprises (NAFCOC Milestones, 1994: 4; African Trader, April/June 1967: 2, 16; African Business, March 1980: 13–19). The campaign used the policies of racial segregation to foster African business.

The contradiction of the distorted market was that, as the number of African enterprises in Johannesburg alone rose from 1137 in 1959 to 11,460 in 1969 (Mogotsi 1977: 10), NAFCOC also opposed free access by white and Indian traders to African townships. It was argued that, the smaller and less experienced African traders with limited capital, could not compete on an equal basis with European or Indian businesses (African Business, December 1979: 5). On the other hand, the Department of Bantu Administration (DBA) supported NAFCOC, since the 'closing' of the market-granted opportunities to African traders to grow and develop themselves in ethnically separated areas (Bantu Education Journal, September 1959: 384). From radically different ideological positions, the African business community and the government pragmatically agreed to limit free trade. This 'protection' was only partially afforded by African traders competing with Indian traders in other parts of the continent by restricting Indian traders to designated areas in East African colonies.

Successful African entrepreneurs emerged and black business enterprise matured from small beginnings to medium sized and big business. A few examples illustrate the entrepreneurial orientation of some African businessmen in South Africa. The multimillionaire Richard Maponya was qualified as a teacher in the late 1950s, but at the age of 22 took up employment as a stock taker at a clothing manufacturer. His good work brought him and his white manager, Mr. Bolton, promotion. To thank Maponya for his dedicated work, Bolton sold him soiled clothes and fabric offcuts, which Maponya then resold in the township. Maponya developed the clothing business to the point where he established a clothing shop with a tailor. He sold clothing on credit, but because he did not have a licence to sell clothing in the township, his enterprise was forced to close. Maponya used his savings to start a milk distribution enterprise in Soweto. He and

his wife's Marina's milk distribution enterprise Dube Hygienic Dairy distributed on a daily basis using 100 bicycle delivery boys. He soon opened a general dealer shop, but had difficulties obtaining a licence to sell soap on a Sunday. Municipal regulations impacted adversely on trading conditions. On Sundays inhabitants were not working and could do shopping, especially for detergents they used to do washing when at home. These irrational regulations required entrepreneurial wisdom to work around them and secure business. The accumulated savings from the milk trade enabled the expansion into the usual township enterprises: general dealership, butchery, fuel filling station and soon an automobile dealership. By the 1970s he had established a 'personal conglomerate' by adding more businesses such as a bottle store, a 'Native eating housekeeper' (a restaurant) and a bus transport service.

Ephraim Tshabalala started in business in the township also as a general dealer. He diversified his operations by opening up a dry cleaner, a butchery and an 'eating house'. In 1956 he opened a fuel station, which by December 1977 was the top fuel seller in South Africa (African Business, December 1979: 6; Cowel 1983). By 1970 he had established himself as a property owner in South Africa as well as in Swaziland. 'I wanted to show that in South Africa, we are not slaves', he said. 'When you are hard at work, you can make millions. The sky is the limit if you work' (New York Times, 3/12/83). The common thread in the success stories of African entrepreneurs is ambition, small beginnings and gradual growth. All the nominees for the NAFCOC Businessman of the Year in 1979 were engaged in similar business venture—Mr. Motsepe owned a beer hall, general dealer, liquor store and manufactured bricks and farmed with cattle. Mr. Leeuw owned a general dealer, a green grocer, a household hardware store and clothing stores. Mr. Vokwana ran a large supermarket, restaurant and service station in Gugulethu in Cape Town. Mr. Gumede owned a bottle store and he is the general dealer in Empangeni, Zululand, and Mr. Ramushu owned an appliance business and he dealt with gas and electrical appliances and supplied liquid gas and acetylene for welding. Mr. Mduli owned a general dealer, a butchery and a restaurant, while Mr. Molosioa was the owner of a cash-and-carry enterprise. Two nominees were hotel owners—Mr. Baduza and Mr. Mohala (African Business, January 1979: 7–9). These entrepreneurs expanded operations by opening up enterprises aligned to the ones they had success with, usually in close proximity of the original location, in order to exercise control.

The scope of enterprises expanded as the entrepreneur expanded geographically. Mr. S J J Lesolang was a teacher (1928 to 1945), but in 1945 he used his savings of £200 to register a coal distribution company in Soweto. The next year Lesolang opened a grocery store and started a transport enterprise. In 1955 the Orlando township had a housing crisis, which put pressure on the Johannesburg City Council to build many new houses. Lesolang expanded his fleet to 11 trucks to transport the building materials, but in 1961 his licence was withdrawn. Then he opened a service station selling fuel and later also automobiles. His most impressive initiative was the establishment of Blackchain, a supermarket wholesaler in Soweto in 1980. This mega store (2000 square metres) was revolutionising retailing in African townships, because it was the first wholesale store selling everything from

groceries, to stationary, beauty products to hardware goods, clothing and footwear. It comprised an entire shopping centre, the largest developed and controlled by Africans in South Africa at the time. The shopping centre housed the Blackchain supermarket, a cash-and-carry wholesale business, 17 speciality stores, 6 medical suites and offices, plus parking for 420 vehicles (African Business, March 1980: 5–6; April 1980: 6–7; July 1980: 34). Lesolang's business operations were later extended to one of the black homelands, Bophuthatswana, and in 1980 he was the winner of the NAFCOC Black Businessman of the Year award in the category of R500 000.00 turnover or more (African Business, March 1980: 4).

African entrepreneurs were not confined to the urban areas. The first NAFCOC Businessman of the year in 1973 Agrippa Mayaba was the owner of Mount Frere bakery in the Transkei (a region on the south-eastern coast of the country), a business he acquired after securing a loan from the Transkei Development Corporation (TDC). Mayaba was employed by the TDC, where he acquired experience and training in management and accounting. In 1971 he obtained a loan for R23 000.00 from the TDC, bought a bakery and subsequently expanded his business empire to three hotels, a garage and the bakery—furnishing him with annual turnover in excess of R20m by the mid-1980s (African Business, April 1983: 5–6). Mr. Habakuk Shikwane established himself as a manufacturer of cane furniture in his backyard in Dube, Soweto in 1959, after which he secured a loan from the Bantu Investment Corporation to move to more suitable premises in Hammanskraal, in the Bophuthatswana homeland. In 1977 he moved his manufacturing plant to Lebowakgomo, a homeland in the northern Transvaal. In 1981 Shikwane won the NAFCOC Businessman of the Year award in the category 'best manufacturer', being the largest cane furniture manufacturer in the southern hemisphere, employing more than 750 people (African Business, April 1981: 17). Matome Maponya started as a conductor to an African-owned bus company, but after performing various clerical jobs, he opened a butchery in Lenyenye township in the Lebowa homeland. He was awarded several contracts to supply meat to the schools and hospitals under homeland government control, and by the mid-1980s, he diversified his meat business into farming with cash crops and poultry. His entire business developed and expanded in the homeland areas (African Business, November 1985: 3–4). During the late 1980s, the King Korn Food Corporation, established in the 1920s, to produce sorghum-based foods in the African reserves and later homelands, had become a multimillion Rand food manufacturing enterprise and distribution network in all the homelands (African Business, April 1986: 28–31).

4.4 Concluding Overview: The Role of Credit and Banking

African business in South Africa remained vibrant despite market restrictions resulting from the political policies of racial segregation. The enterprise development displayed entrepreneurial innovation and active agency in assessing the entrepreneurial opportunity within the constraints of the market. It is on this level of identifying and utilising the entrepreneurial opportunity that African business

established itself in the new capitalist market. Shane and Eckhardt argued that the development of new means-end relationships that have the potential of changing the terms of economic exchange is the actual 'opportunities' successful entrepreneurs grasp and allow them to succeed (Shane and Ekhardt 2003: 165). The restricted opportunities in African townships and homeland areas in South Africa offered opportunities to establish business activities for a market the African entrepreneurs understood much better than European traders. The Indian traders throughout Africa offered competition the African businessmen found difficult to match or beat. In South Africa the opportunity of segregation 'protection' contributed to the development of a foundation for growth in anticipation of future political changes. The trade associations, in the case of South Africa, NAFCOC, were instrumental in challenging the political structure while supporting the development of new African enterprises.

The dominant position of European firms in the mineral resources industry and in South Africa, in the emerging industrial sector by the 1950s and in the context of market distortion through state policies left African business by the mid-twentieth century on the lower end of the market. The African entrepreneur generally relied on his own savings to fund and expand his business. Across the continent during the colonial period, African entrepreneurs were predominantly in petty trade. As mentioned, a few individual businessmen succeeded in building extended merchant interests and diversified into downstream or upstream business activities. The transition into mining, manufacturing and finance implied a direct integration into the capitalist market economy, which remained under the control of expatriate European-owned enterprises. The development of banking in the colonies illustrates the complexities of integrating the emerging African entrepreneur into the capitalist business environment operating as an extension of the European economy.

Western banking and finance was alien and inaccessible to the people of Africa before the late nineteenth century. Modern European banks followed the mining companies, the plantation owners and the commercial traders into the interior. In England the state only authorised non-chartered joint stock banks in 1826 (Kindleberger 1993). Small local banks served the needs of local agricultural communities in the Cape Colony. Only in 1837 did the British colonial government grant permission for the establishment of the privately owned Cape of Good Hope Bank (Arndt 1928; Solomon 1982; Houghton 1978). Uche (2000) alleges that only in Nigeria did an indigenous banking system (i.e. banks established by indigenous Africans) emerge alongside the British sanctioned imperial banks, but the banks of the British colonies of the Cape and Natal were also settler owned and not supported by the colonial state (Solomon 1982; Jones 1996). The majority of the local banks established and owned by indigenous Africans in West Africa only entered the banking arena after the onset of British colonial administration (Uche 2000). Local banks in British West Africa (Nigeria after independence in 1960) and the Gold Coast (later Ghana after independence in 1957) started operations much later than the local Cape Colony and Natal Colony banks of the 1850s and 1860s.

Local banks in the Cape Colony and Natal Colony were established in the wake of the introduction of wool-producing sheep to the Eastern Cape in the 1830s. These were the Eastern Province Bank in Port Elizabeth in 1838 (Webb 1992; Arndt 1928) and 27 other unit banks in the Eastern and Western Cape—with paid-up capital of £924,021 (Arndt 1928). Established merchant firms engaged in their own 'private banking', by issuing their own banknotes, e.g. the Barry and Nephews merchants of the Overberg area or the Mosenthal Brothers of Graaff-Reinet (Solomon 1982). What is important is the emergence of formal and informal networks of financial intermediation after the demise of government-controlled banking in the Cape. Extensive networks of savings and credit to support flourishing business developed. The early banks were not all well managed and generally weakly capitalised. When the cyclical downturn hit the wool market in the 1860s, all but one of the local banks, the Stellenbosch District Bank, collapsed. This opened the market for the entrance in 1860 of the first much better-capitalised imperial banks. The first was the London and South African Bank (LSAB) followed by the Standard Bank of South Africa (SB) in 1861 (Arndt 1928; Jones 1996). This means that huge external financiers entered the southern African market. The strategy to manage the LSAB from London failed, and in 1877 the remaining LSAB operations were merged with that of the SB. These were similar to the vulnerability of the early indigenous banks in Nigeria and Ghana (Uche 2000). As more banks entered the industry after the mineral discoveries of the later nineteenth century, consolidation was bound to occur.

Several indigenous banks were established in British colonies. In Nigeria alone around 27 indigenous banks were established between 1929 and 1960; and they all failed by the early 1960s (Uche 2000). By 1926 the banking arena in South Africa, and the entire southern Africa, was dominated by the SB and BB. In 1926 Barclays Bank (BB) acquired *De Nationale Bank* in the Transvaal, thereby realising its ambition of becoming a bank of 'the empire', and it was subsequently known as Barclays Bank (Dominion, Colonial and Overseas—DC&O) (Sienkiewicz and Frank 2014). The imperial banks dominated the banking market by the turn of the century, because of the superior managerial and organisational capabilities and capital endowment. These banks ensured functional stability between the 1850s (Verhoef 2013; Jones 2009). The foundations for the sophisticated financial services industry in Africa were laid in this period. The African money lenders or other traditional financiers were marginal to these developments.

The expectation of sustained economic growth and the limited liability form of corporate organisation encouraged imperial banks to venture into British colonies, especially Australia and southern Africa during the last half of the nineteenth century. The joint stock limited liability banks were better equipped to withstand the fluctuations in the volatile emerging resource markets in the colonies and therefore at an advantage over the local banks. The imperial banks relied on path dependence of prudent British banking practice, sufficient capital and well-trained staff operating under a code of professional conduct. These traits were lacking in indigenous banks (Uche 2000). The imperial banks were not 'development' banks, a phenomenon of the mid-twentieth century financial system. During the late

nineteenth century and early twentieth century, the imperial banks, or banks incorporated in London, performed the classic bank functions. These were the classic functions as they evolved during the seventeenth century—the London goldsmith bankers developed the modern banknote and added the issuing of banknotes to their primary function of taking deposits and making short-term loans available by discounting bills of exchange. These banking activities developed in urban centres, heavily inclined towards overseas trade and expanded into the growing British global markets following the impact of industrialisation and industrial exports. Control was firmly in the hands of the London directors of the SB as well as BB (DC&O). Staff from Britain played a leading role in the management and oversight of all the operations in Africa BB (DC&O). By 1926 BB (DC&O) had 363 branches across the British Empire, of which only 6 were in the UK. The rudimentary classic banking functions and prudent centralised control secured the longevity of those banks when local banks in Australia and South Africa (Cape Colony) went under during the last half of the nineteenth century.

The imperial banks' engagement in extensive branch networks underlined the necessity of oversight and central managerial control from London. Meticulous attention to detail of financial statements, profit and costs across the extended geographical areas of operation fostered collusive behaviour. Since 1892 SB extended its branch network outside the borders of the British colonies in what would after 1910 be known as 'South Africa'. During the next decade, SB opened 18 branches in East Africa (Henry 1963). Cartel-like agreements were entered into between the imperial banks operating across Africa (Austin and Uche 2007). The General Managers of the SB, ABC and the NBvZA in South Africa met on 4 September 1912 and agreed to devise a strategy to curb excessive competition. An agreement was signed in September 1913 to curb all forms of 'touting' and set minimum interest rates on deposits and advances, ledger fees and banking hours (SBA, Minutes of proceedings, 10/12/12; 14/3/13; 16 + 17/6/13). During the First World War, the SB entered into agency agreements with other banks in South Africa whereby the SB offered service to banks without branches in certain locations. These agreements strengthened the SBs penetration (SBA, Memorandum of Agreement, 16/04/1887). The SB also entered into agreements with banks not to open new branches and with the National Bank on credits to certain clients and fees charged (BGA 80/5544, Form of Understanding, 20/110/26). In West Africa BB (DC&O) and the BBWA entered into an agreement on competition in Gambia and other regions in West Africa (BGA 80/5544, Heads of Agreement 26/10/26; BGA 80/3556, Agreement with BBWA, 18/01/27; Austin and Uche 2007). Soon after the BB formation of the DC&O, it joined the existing agreement between the local banks ultimately formalised in the London Agreement of 1934 (BGA 11/129, Summary of Agreement between South African Banks 14/7/27; SBA, London Agreement, 31 December 1934). The agreement was an extensive agreement of minimum interest rates on deposits, fees (letters of credit, ledger fees, rebate on overseas bills, safe custody), exchange transactions and sundry arrangements such as bank hours, charge of similar fees for stationery to clients, supplying SARB bank notes, exchange information on bad clients, etc. In South Africa the Register of

Co-operation Between the Commercial Banks (ROCO) was in force with the full knowledge of the SARB (BGA 80/5544, Letter SARB—ROCO, 18/6/27) and remained in force until the mid-1980s (Verhoef 2016). Similar collusive agreements were prevalent in East Africa (BGA 80/3556, Letter Morgan Bull—R B Edwards, 30/4/26; BGA 80/35558, Agreement on East African Currency Board, 30/6/31; BGA 11/175, East African Agreement, 20/6/29; BGA 11/233, East African Agreement 2/1/35).

Emerging small African entrepreneurs hardly ever qualified for the expensive services of the imperial banks, nor did they have the expertise to set up and manage their own banks. Informal credit networks existed to supply credit and were highly efficient, despite being 'informal' in the western banking paradigm. Since the early trading networks of the eighth century, credit was extended within trading networks by indigenous lenders. This credit could be in kind, in monetary means or in the form of assets, such as slaves or labour. The Muslim traders in sub-Saharan Africa, both in East Africa (the Indians trading families) and the Muslim traders of West Africa, extended credit regionally across social or political frontiers. European settlers established financial institutions such as western-style banks in the colonies, thereby introducing banks to Africa, as discussed above. Austin and Sughiara dispute the claim that African was credit poor, since extensive use of different forms of credit in Africa between the seventeenth and eighteenth centuries borrowing and lending in monetary means, kind or time was widespread and for different purposes. Credit was extended to reconcile the timing of revenue needs, to provide for tax payments, to hedge liquidity constraints or to facilitate the productive use of resources. The smooth operation of credit flows and repayments occurred in the context of indigenous culture and institutions, which was different from the European legal and administrative systems. The indigenous credit systems functioned on cultural institutions of mutual trust and communication, while the European banking systems were embedded in a western commercial legal system, completely unfamiliar to Africa prior to colonial control. The indigenous systems of credit extension and payment adapted to changing needs of trade and exchange. European banking systems entered to serve a different kind of business activity, depending on large capital resources and credit. Since colonial penetration when African business engaged with European business, two fundamentally different systems met. The entrance into western-style credit and financial organisation left many African entrepreneurs marginalised. As explained above, the development of indigenous banking struggled to establish itself firmly in the wake of better-organised, better-capitalised, and better-managed British banks (Austin 1993). The latter did not enter Africa to finance small trading operations, but big business in the mining, commercial and industrial sector. Up to decolonisation only a small number of African businessmen had sufficient standing and creditworthiness to be clients of the British banks. In South Africa the successes of many African enterprises simply mandated the use of bank accounts for security considerations. The preference for cash in transactions resulted in lots of cash outside the banking system, especially amongst the urbanised Africans, but the businessmen soon

needed a place to deposit their wealth. People like Maponya, Lesolang, Tshabalala, and the Kunenes were respected clients of the banks in South Africa.

4.5 Conclusion

The colonial period delivered both continuity and discontinuity: small indigenous enterprises often stood up to the challenge of regulatory marginalisation by relying on existing networks, or by adapting to modernisation, such as the introduction of the railways and taxes. The discontinuity manifested in the disruption of business through colonial regulation, restructuring of agricultural production and competition with capital-rich concentrated metropolitan business. This chapter illustrates the persistent entrepreneurial activity by colonial subjects in seeking avenues to sustain their enterprises—either in trade, as middlemen, or in agriculture.

By the end of the colonial era, the newly independent African nations were confronted by the decision on the future direction, both politically and economically. The departing colonial powers attempted to leave behind a legacy of constitutional democracy, while the post-war global Cold War aligned many African nations to communist Soviet authoritarian socialism. The political choice had direct implications for the economic model. A liberal market economy could only flourish under democratic political freedom, while socialist state policies aligned states to a central role for the state in the economy. The choice of the political and economic model determined the future of business development in Africa. Many opportunities opened up for African business in the post-decolonisation era, but the context also confronted them with exceptional complexities.

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Chapter 5
Business in Independent Africa

Abstract Entrepreneurial resilience in spite of the state. Verhoef outlines business activity during the post-independence period in Africa as having to negotiate new market distortion in the form of authoritarian regimes, where political favouritism and different forms of discrimination characterised newly independent states. Formerly, unknown cases of business resilience under conditions of socialist macro-economic policies and a dominant position for state-owned enterprises in the leading economic sectors of the new states are discussed, whereby the state-business relationship since the 1960s emerges. Verhoef describes the Botswana exception as a case of business-state inclusivity, as opposed to statutory ethnic marginalisation and nationalisation that destroyed opportunity and undermined growth in independent states. Verhoef illustrates the inhibiting impact of state power on the development of small entrepreneurs and managerial capabilities in the private sector, as SOE management failed the states.

Independence in Africa promised a better life for all Africans. In January and February 1960, the British Prime Minister, Harold Macmillan, visited African countries; visibly impressed by 'African nationalism', he said in an address before the South African Parliament that 'the winds of change had swept over Africa' and that those winds were irresistible. The new African leadership entered a political order in which they owed no limiting responsibility to the former colonial powers. They also inherited an economic landscape resembling the colonial order of business and enterprise. Political independence brought independent political decision-making, but economic and ownership relations were more complex to change. The post-independence economies displayed continuities with the colonial period. The new political leaders faced the choice between stability and delivering on decolonisation promises of a better life after independence. The colonial economies were characterised by a dominant role performed by the colonial state, a weak role performed by local or indigenous entrepreneurs and local organised labour and a persistent dependence on foreign markets and capital resources (Austen 1987: 224). The development of African business networks and independent entrepreneurial initiatives done by Africa's decolonisation does not yet represent significant African control over business and the economy. The transition to a 'modern Africa' only

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entered the colonial powers' imagination in the post-war era, when 'modern' phenomena, such as the urban centre, the workplace and the office of government as distinct from the land and village, entered the realm of ordinary inhabitants of the colonies. The vision of independence included the modern state, the modern society with the modern quality of life (Cooper 2002: 82–85). How the newly independent nations were to interpret the hopes of their people would be decided by political rhetoric and economic reality. When the decolonisation process commenced towards the late 1950s, only seven African states (Egypt 1922; Libya 1951; Tunisia 1956; Morocco 1956; Sudan 1956; Gold Coast 1957; Guinea 1958) were independent. In the next 5 years, all the French colonies were liberated, and Britain, hoping to secure the transition to responsible new leaders capable of ruling a modern state, granted independence in a protracted fashion, to its colonies, until 1976. Portuguese colonies became independent after the 1974 coup d'état in Portugal and Zimbabwe in 1980 after negotiations for the transfer of power to a black majority government.

The uppermost importance of political independence for Africans was epitomised by Kwame Nkrumah, who propagated 'first the political kingdom and all things will be added unto you' (Tignor 2006: 173). Economic development could only be achieved through dedicated planning and a mobilisation of all resources and economic policies reverted to what Austen called 'neo-mercantilism' (Austen 1987: 214), since no change occurred in the relationship between the state and the private sector after decolonisation. Industrial development was a priority, and yet the necessary structural change did not occur. By the mid-1960s, agriculture contributed 41% to Africa's GDP (excluding South Africa), and more than 80% of the working population worked in agriculture (World Bank 1991: 209). Manufacturing as a proportion of Africa's GNP in 1960 never exceeded 15% (Ajayi and Crowder 1985: Map 71). Manufacturing or industrial development, except in South Africa, was limited, and subsequently the contribution of manufacturing contracted to 0.6% by 1973 (Van Walraven 1999: 35–39). African economies remained dependent on international price movements through the marketing of crops on world markets.

The new elite and the rulers of independent Africa believed that control over governance structures and resource allocation had to be in the hands of the indigenous elites. They as the new rulers were the custodians of the new economic prosperity, which they were to construct from the centre of power to eliminate poverty and deprivation. Two broad models of economic development were applied in the post-independence era: state capitalism or state socialism. State capitalism entailed a central role for the free market mechanism, an expansion of export production to finance importation of capital goods and the pursuit of policies aimed at catching up with other capitalist countries primarily though industrialisation. Most independent African states went the state capitalism route, since almost all the newly independent states suffered from a lack of national savings to fund the transition of development. Capital had to be imported and the state was the agent of the market economy. The *statism* model was central to independent Africa. The state engaged in central planning, managing public enterprises and devising policies of transferring ownership of assets to indigenous Africans. This state had a chequered reputation of being unhelpful, inefficient or, at worst, predatory in its relationships with local and foreign business (Austin 2016).

State socialism was the explicit policy of choice of only a few independent states; the most well known is Guinea and Tanzania. Some other independent African states referred to themselves as 'people's republics', such as Guinea, Benin and Congo-Brazzaville. The state in this context was strongly centralised, but the operations were not always worthwhile. In some cases the risks of vulnerability of overdependence outweighed the benefits of participation in the central state (Azarya and Chazan 1987). To President Nyerere, the leader of the Tanganyika African National Union (TANU), the development based on 'money' failed, and therefore Africans had to build a solidarity and co-operation based on 'fundamental African values and community solidarity'. In the 'Arusha Declaration' of 1967, the fundamental principle of 'socialism and self-reliance' constituted the essence of *ujamaa*, that is, African socialism. The forceful implementation of *ujamaa* in Tanzania did not bolster mass support or success. In 1990 Nyerere announced the termination both of the one party state he enforced and *ujamaa*. The new market-oriented policy had to reverse the economic decline since 1967. This coincided with the rest of Africa's grappling with endemic debt and structural adjustment. Entrepreneurs and the private business sector had to operate in the context of the interventionist-dominant state as the only context of business development and entrepreneurial opportunity after independence.

The state as active participant in economic reconstruction was not novel to Africa. The colonies experienced the interventionist colonial state since the late nineteenth century as colonial authorities sought to direct economic activities to generate revenue to pay for the colonial administration. After the Second World War, the British and French states engaged as developmental states in Africa planning and overseeing the implementation of infrastructure projects. The rising new educated leadership in the colonies witnessed the power of the state. In post-war Europe and the United Kingdom public enterprises operated across the entire economy. The state operated actively in various sectors of the economy—in the petroleum sector, in railways, in other utilities and in the armaments industry. The worldwide Depression of the 1930s gave further impetus to state intervention, and after the Beveridge Report of 1942 in Britain and Jean Monnet's *Plan de Modernisation* in France, governments in Europe were economically active seeking to remove sectoral imbalances, thereby aiming at sustaining development and secure full employment (Amatori 2015). Different motives existed for the nationalisation of private enterprises and the conversion into public ownership and control, but in post-independence Africa, the new leadership considered state intervention the only strategy to secure modernisation and a better life as promised to the voters.

5.1 Ideology, Policy and Business

The colonial powers did not develop local entrepreneurship or any form of independent indigenous business class. African merchants and entrepreneurs experienced colonial policy as biased towards the European businesses and metropolitan

trading networks. In colonies with a substantial settler population, such as Kenya and Southern Rhodesia, economic policies rendered support to the European enterprises and plantation agriculture. The focus on the European commercial and agricultural sectors effectively marginalised indigenous entrepreneurs. Post-independence policies were expected to promote indigenous entrepreneurs, but the state apparatus was often used to benefit those in power through state-owned enterprises. The post-independence institutional arrangements failed to constrain the state, but rather aided the ruling elites with opportunities to abuse power, engage in corrupt self-enrichment and direct state-owned enterprises at their own personal benefit instead of developing an industrial base. Mbaku declares, 'State intervention in the African economies encouraged corruption and rent-seeking...' (Mbaku 2002: 225). An asymmetry developed between state and local entrepreneurs as institutional instability perpetuated uncertainty, a condition disincentivising business. The debate in the 1970s was dominated by the political economy of the dependency theorists Walter Rodney (1972), Evelyn Rich and Immanuel Wallerstein (1972) and Samir Amin (1978). The dependency literature impacted extensively on the interpretation of African economic history (Fahnbulleh 2006; Tignor 2006). The focus was not on the unimpressive performance of newly independent African states, but argued the case for structural 'underdevelopment'. The literature did not address the agency problem in Africa—neither the agency of the rulers nor that of individuals. Amartya Sen argued in his book *Development as Freedom* (1999) that the agency of the individual to act freely is the cornerstone of development. The only test for development is whether the integrative processes to enhance people's substantive freedoms improved their lives (Sen 1999: 8). As the state was the vehicle to protect the public interest, individuals or ordinary citizens were overlooked and subjected to the state. Redistribution of wealth was the dominant slogan of post-independence Africa and not the creation of wealth. Security of property rights, individual freedoms, freedom of access to foreign exchange and markets and the freedom to decide what to produce were subject to state planning. Stable macro-economic conditions did not exist, high inflation undermined business confidence, and finally Africa turned to the international community for debt relief by the late 1980s.

In the post-independence era, expatriate European firms dominated the economies in which they operated. Hopkins (1976a, b) and Tignor (2006) surveyed the literature on foreign firms operating in Africa, noting that those enterprises dominated commerce and mining. Independent African entrepreneurs were predominantly engaged in trading and not manufacturing or mining. The roots of entrepreneurial activity in the indigenous African societies and the Indian communities ran deep, but few had sufficient capital or managerial capabilities to challenge the hegemony of the big expatriate firms. Few African merchants developed their enterprises beyond a 'middleman' role of purchasing raw materials/cash crops and selling to industrial concerns. Indigenous African entrepreneurs did not venture into industrial development before the end of colonial control. At the end of the colonial era, Nigeria had the largest industrial sector in tropical Africa, based on total industrial production. That was ascribed to the large Nigerian population that

offered the market for such goods, but the industrial sectors as a proportion of GDP was higher in the Belgian Congo, Senegal, Kenya and Southern Rhodesia—primarily as a result of the large European settler communities with their savings, skills, entrepreneurship and ability to secure colonial government protection. Indigenous private enterprise did not enter the industrial sector. Sometimes ethnic minorities, such as the Syrians or Lebanese families who had arrived in the region by the 1920s, established themselves through hard work and dedication in industrial production, transport and the motor industry (Kennedy 1988: 32–33; Wickins 1980: 221–222). In the post-independence rhetoric, the state targeted industrial development aiming to build economies able to compete internationally and bring about improved standards of living. The first strategy to secure African ownership and control of business was nationalisation of assets. The next step was Africanisation or indigenisation programmes. Both strategies involved an authoritarian state, or the state as primary vehicle for social transformation, integration and consolidation (Azarya and Chazan 1987: 106).

Not all private enterprises were expropriated or nationalised, but the small-scale and limited capital of the local private sector and the predominantly non-African nature of that sector were put forward by the new independent states as justification for adopting a socialist policy framework. Expropriation occurred in the key sectors of the economies in the most socialist committed states—Zambia, Ethiopia, Sudan and Tanzania. By the 1970s public enterprises or state-owned enterprises (SOE) accounted for over 17% of African economies' GDP, compared to an international average of 10% and 5% in OECD countries. African SOEs accounted for 25% of total formal sector employment and more than 18% of all non-agricultural employment; SOEs accounted for more than 20% of gross domestic investment, compared to 4% in OECD countries, 15% in Asia and 5.5% in Latin America, and 34% of domestic credit. In 15 out of 22 Francophone African countries, SOEs ranked first in sales.

The problem was that SOEs failed to meet the expectations of their creators and their funders. This was not universally the case, but the failures outnumbered the success stories by far. Moderately successful SOEs include Ethiopian Airlines, the Kenya Tea Development Authority and Sierra Leone's Guma Valley Water Company. To illustrate the dismal performance of some SOEs, consider the case of Kenya. In 1982 the Kenyan Government estimated that the annual average rate of return on the US$1.4 billion invested in SOEs since independence in 1963 is 0.2%. Most of the crop marketing boards in the Kenyan agricultural sector (on which the bulk of the population was dependent for their livelihood) persistently ran large losses and delivered limited social benefits, such as employment, improved income distribution, contributions to regional equality, technological transfer or management training. In West African countries, 62% of surveyed SOEs posted net losses, and 36% were in a state of negative worth (Bovet 1985). African SOEs suffered from the following shortcomings: poor investment decisions, inadequate capitalisation, below cost pricing, collection deficiencies, poor reporting systems, and deficient Boards of Directors.

5.2 Power, Business and the People: Ghana

The new political elite did not consider indigenous African entrepreneurs the solution to economic empowerment. In Ghana, the first West African British colony to become independent in 1957, the political economy of Nkrumah ruled out the development of African entrepreneurs. When the later Nobel laureate Sir Arthur Lewis advised Nkrumah on development strategies for Ghana, his advice was met with a political response, that ' . . .I have told you on many occasions, that I cannot always follow this advice as I am a politician and must gamble on the future' (Tignor 2006: 173). Lewis advised Nkrumah to promote agricultural productivity as a source of surplus production to fund industrial development, not by means of state subsidies but by the release of surplus labour from agriculture to the industrial sector. Such policies Lewis proposed should have been the responsibility of the Department of Agriculture, but Nkrumah wanted the marketing boards to control surplus allocation, since it offered rewards downstream to political loyalists. Lewis' advice on market-driven industrial production was brushed aside as Nkrumah distrusted foreign investors and doubted the ability of the Ghanaian entrepreneurial class to achieve industrial development in Ghana (Dawson 1991: 174). Lewis ultimately left Ghana disillusioned that the new political leadership in West Africa was not going to stimulate economic development through market incentives, but engendering development through the state. In his *Politics in West Africa* (1965), Lewis expressed grave disillusionment with the 'power hungry demagogues' (Lewis 1965: 35) who systematically crushed opposition portrayed as 'weakening the efficiency of the state' and who perceived an elite political party 'the supreme instrument of society' (Tignor 2006: 172). Between 1962 and 1966, Nkrumah systematically increased the role of the state in industrial production. The state established vast state rubber, cotton and sugar plantations and poultry farms. Twenty-two import substitution industries were established across cities and towns—all part of a major 10-year development plan (Ball 1997; Anin 2003: 20; Woode 2012: 13–14; Austin 2016: 14–17). State-owned enterprise production rose by 70% making up around 33% of total manufacturing production. The state invested in high-capital-intensive industries, which were often new industries not relating to Ghana's own resource endowments. A quarter of that production was a net foreign exchange loss (Steel 1972). Nkrumah expelled large numbers of foreigners from the country and reserved small-scale enterprises such as trading, bakeries and printing for indigenous Ghanaians. Industrial output soon shrank in both the large-scale state sector and small-scale industries (Killick 1978; Ball 1997). Ghana subsequently suffered perpetual political instability (several military coups and government changes) and total economic collapse. Ghana had to register for the World Bank's Economic Recovery Programme in 1983. Independent Ghana did not foster private entrepreneurial development. Nkrumah aligned Ghana with non-aligned countries, especially China, and invited their capital, skills and technology to Ghana. He also established strong ties with Japan. The open door to foreigners, especially with technical skills, brought many Lebanese immigrants to

Ghana. These Lebanese ultimately became Ghanaian citizens and established themselves in key industries, albeit in small-scale enterprises. It was only under General Busia in 1972 that specified employment opportunities were reserved for indigenous Ghanaians (Adom and Zogbator 2016: 349–351).

The entrepreneurs who survived the state were building on the earlier legacy of merchants/traders of the precolonial and colonial period. These entrepreneurs had the competitive advantage of entrepreneurial capabilities developed through the trading companies; they understood the local market, culture and tradition (Sutton 2012: 11–12; Garlick 1971). As the demise of the state industrial sector towards the 1970s, informal small-scale enterprises emerged, especially, as noted by Dawson, in the metalworking and light engineering sectors—these include vehicle repairs and manufacturing of small agricultural tools by blacksmiths or manufacturers of charcoal stoves (Dawson 1991: 178–181). The failure of Nkrumah to develop Ghanaian industrial sector led to the successor military regime's introduction of free industrial zones, where foreign and local entrepreneurs were incentivised to establish industries. Some new industries entered the zones, but business operations remained small. Entrepreneurs failed to compete with the state industrial sector. A number of businessmen did establish themselves in the Nkrumah era and developed managerial capacity, but remained small businessmen. The management in state-owned enterprises was dismal.

The bulk of private business of Ghanaians was petty trading of agricultural crops and crafts. Industrial production was small and by the twenty-first century comprised only 16.8% of Ghanaian exports originated from industrial production (Sutton and Kpentey 2012). In agriculture the cocoa processing industry is the biggest, but was controlled by foreign capital at independence. The West African Mills Company was established in 1947 by Gill and Dufus, but was nationalised by the state and run by the Ghana Cocoa Board after 1960. Cadbury operated in Ghana since 1908, but was registered as Cadbury Ghana in 1968, allowing for incorporation in Ghana. The Ghanaian peasant cocoa producers were well organised, but did not control processing or export trade. The private salt production company Panbros Salt Industries Ltd. was established by two Greek brothers, Panagiotopolous, in the early 1950s but acquired by the Ghanaian entrepreneur Christian Appenteng. Foreign firms controlled the processing of palm oil, but in 1975 the Ghanaian Government established the Ghanaian Oil Palm Development Corporation (GOPDC) and in 1977 Twifo Oil Palm Plantation (TOPP). The state-controlled oil processing through GOPDC and TOPP. In 1967 two Lebanese brothers, Anthony and Edmund Irani, established the first wheat flour mill for the bread industry in Ghana, and the family firm was sustained since 1970. The first fish processing plant was established in 1972 by Ghanaian Robert Ocran, as Mankoadze Fisheries in a free zone. The company was later renamed as Pioneer Foods Cannery and in 1994 acquired by a German concern. In the beer and beverage industry, a number of Ghanaian concerns entered on a commercial scale in the 1950s, but they were all absorbed by the state and later by large international companies. In the wood and wood product industry, a Ghanaian of Lebanese origin, John Rashid Bitar, formed a logging and sawmill in 1961, in 1968 acquired the milling plant of R

T Briscoe and sustained a family business to the present day. Other Lebanese families also established enterprises in the metals and engineering industry. In 1965 Elias Azar established the Wire Weaving Industries and in 1968 the Azar Chemical Industries, which manufactures a variety of paints. The company distributes its paint locally and exports into West Africa. The company is currently under third-generation management. A second company was established by a Ghanaian of Lebanese origin, Boutros BouChedid, in 1964. The company, BBC Industrial Company, also operates in the paint industry. In 1970 a Lebanese national, Saied Fakhry, who was a general trader in Ghana, set up Interplast Limited. Interplast manufactures plastic pipe systems and fittings and distributes across West Africa. In 1973 Robert Hitti established a small plastic company, Greenplastica Limited, to manufacture packaging and household plastics. These operations expanded into the production of between 6540 and 7800 metric tonnes of plastic products per annum. In the building construction industry, Italian and Dutch families established enterprises in Ghana. The Dutch Schoekbeton HBG company was a shipbuilding concern that in 1956 began the manufacturing of precast concrete. It was acquired by Ghanaian nationals under indigenisation and is still engaged in the construction industry as African Concrete Products Ltd. The Italian entrepreneur Giovanni De Simone established De Simone Ltd., a building and civil engineering company, which is currently under third-generation De Simone management. In civil engineering Micheletti and Company is the leading Ghanaian company. E. Micheletti immigrated to Ghana in 1955 and identified the market opportunity to deliver quality and timeously on civil engineering contracts. The Ghanaian state-controlled cement production since the first plant was established in 1967, which meant that private enterprise could not operate in the market until the late 1990s (Sutton and Kpentey 2012).

The Darko Farms and Company Limited was established in 1967 by Kwabena Darko, an indigenous Ghanaian, who as a young child assisted his stepfather on a poultry farm. Kwabena Darko pursued studies in poultry science in Israel during the last half of the 1950s. He worked for the Ghana State Farms Corporation after returning to Ghana, but after 6 months joined his stepfather's poultry farm. He expanded operations and registered Darko Farms and Company Ltd. in 1967. He is the chief executive officer since 1969. The company maintained limited operations during the Nkrumah era and the subsequent economic collapse up to the late 1970s. The expansion occurred after the 1990s when the state privatised many state-owned enterprises; Darko expanded operations based on acquired business capabilities, market knowledge and economies of scale, but this occurred only after the 1990s.

5.3 Power, Business and the People: Nigeria

Nigeria became independent in October 1960, with agricultural production of cocoa, groundnuts and cotton constituting the bulk of its exports. The President Nnamdi Azikiwe and the Prime Minster Sir Tafawa Balewa were less radical

political leaders than Nkrumah. Nigeria's ethnic and religious diversity and federal political structure was responsible for a very long period of political instability. Balewa was the most powerful politician, representing the most populous northern state, seat of the Hausa and Fulani peoples, who were predominantly Muslim. The better educated people were in the Igbo of the Eastern State and the Yoruba of the Western State. There was a constant fear by the northern peoples that the state would be captured by the better-educated eastern and western states, especially since the centre of economic power swung to those states as oil was discovered in the south of the country at Oloibiri in the Niger Delta (eastern state) in 1956. In 1958 Nigeria started producing oil. Onshore and offshore oil exploration was opened to foreign companies after 1960. In January 1966 General Ironsi toppled Balewa in a military coup. Ironsi was an Igbo, vowing to restore competence and regularity to government. Ironsi was deposed and assassinated in July 1966, General Gowon succeeded him, but the anti-Igbo eastern state declared itself independent in 1967. The devastating Biafra civil lasted until 1971. Gowon restructured Nigeria into 12 states to break the colonial ethnic legacy. Oil revenues paid for the remapping of Nigeria, the 12 new governments, 12 new capitals, 12 new universities, etc. The construction industry boomed, absorbing labour resources, to the detriment of the cocoa industry. The state nationalised the entire oil and gas industry in May 1970—the industry contributed 20% to GDP and 95% of foreign exchange revenue (Ake 1985). Nigeria experienced numerous military coups and in 1993 attempted a return to civilian rule by democratic elections, but General Sani Abacha captured power again in 1993. During the rollercoaster ride between military leaders and attempted democracy, Nigeria became notorious for its corrupt political environment. The excesses of oil revenue financed state expenditure. The state did not seek to diversify the economy, but to extract from oil. The oil crises of the early 1970s gave greater urgency to structural diversification and subsequently to privatisation.

After independence the debate about outright nationalisation of businesses or indigenisation met with stiff government opposition to blank nationalisation. In the Second National Development Plan of 1972, the National Enterprises Promotion Decree (NEPD/72) was decreed. A systematic policy of indigenisation or 'Nigerianisation' in the NEPD categorised Nigerian businesses into two categories (schedule 1 and schedule 2). Businesses under schedule 1 were reserved for exclusive Nigerian ownership, and schedule 2 excluded foreign shareholding under certain conditions, such as the size of the operation and the level of indigenous share participation. Nigerians had to have at least 40% equity participation in schedule 2 enterprises. Schedule 1 contained 22 enterprises reserved for ownership exclusively for Nigerian citizens or associations. In schedule 2 a further 33 businesses were reserved for Nigerian control, although exemption was granted to large import substitution enterprises. It was anticipated that it would bring Nigerian shareholding to a minimum of 40% and increase employment of Nigerians in general staff categories as well as management. The categorising of enterprises in schedule 2 was based on the lack of indigenous expertise. By the deadline of 30 June 1975, only 75% of enterprises in schedule 1 had complied with the

NEPD (Asobie 1988; Nafziger 1977: 123–124, 234–238; Nnoli 1982; Ogbuagu 1982; Sanda 1982; Biersteker 1987: 52–96). Compliance was problematic, because Nigerian entrepreneurs did not have sufficient capital, managerial or technical skills, or experience to take control. The state provided capital through the banks, but successful management was needed to run the enterprises profitably in order to service loans. In 1975 General Gowon acquired power though another military coup and declared the NEPD a failure. The new NEPD of 1977 comprised of three categories of enterprises. All category 1 and 2 enterprise had to be in Nigerian control, but in category 3 foreigners could own up to 40% of Nigerian equity. This category included 39 enterprise categories, which included a broad range of manufacturing industries specifically designated as requiring joint indigenous and foreign participation and ownership. Amongst these were engineering industries, manufacturing of basic industrial chemicals and major export industries (Biersteker 1987: 159–198). The implications of these changes were that the very large capital-intensive industries were placed under schedule 3 which allowed 60% foreign shareholding, but required 40% Nigerian participation. The scarcity of techno-managerial capabilities and skills required for initiating, implementing and managing industrial projects could not be sourced in Nigeria. By amending the NEPD, the state responded to the realities of human capital shortages by inviting foreign capital back (Chete et al. 2013). All commercial ventures, except single non-renewable projects, were fully indigenised. The state acquired a 40% stake in all banks and commanded the acquisition of 14 foreign-owned insurance companies by state governments. As Nigeria suffered from political instability and the global economic recession, OPEC gave permission to Nigeria to lower its oil price below the OPEC price level to sustain oil revenues. Nigeria also exported natural gas in liquid form, which aided the recovery of the Nigerian economy. No private entrepreneurs operated in the oil sector—it was all state controlled.

In the 1980 the government published *Nigerian Industrial Policy and Strategy: Guidelines to Investors*; the emphasis shifted from the transfer of control to Nigerians to an overall 'nurturing (of) the private sector of the economy'. The Federal Government declared: 'the watch-word in national industrial planning and strategy is the full recognition of private enterprise and initiative as the full responsibility of the state...' while privatisation was thus promoted government invited and encouraged private companies into sectors of the economy previously reserved for the state, inter alia into the airline industry (Federal Government of Nigeria 1980). In 1981 the Nigerian Enterprises Promotion Order was issued to allow for the transfer of businesses from category 1 to 2 and from 2 to 3. This was to bring foreign investment back, which indeed occurred. Nigerian indigenisation measures succeeded in transferring more ownership and control of enterprises to indigenous Nigerians, but, as Forrest observed, the advancement of Nigerian enterprises depended on the nature of the Nigerian political economy (Forrest 1994). Business advancement and success depended on good relations with the state, with people in power and with the bureaucracy. Entrepreneurs able to negotiate that state-business nexus displayed entrepreneurial insight and the ability to identify opportunity. It was only after the implementation of the SAP (structural

adjustment programme) in 1986 that market liberalisation occurred and state-owned enterprises gradually privatised. Only since the 1990s did private enterprise really get the opportunity to compete and enhance operational efficiency—capacity permitting.

When Nigeria became independent in 1960, local entrepreneurs operated in the petty trade, in small-scale services and manufacturing (brick making, vehicle servicing, tyre re-treading, bread baking, clothing manufacturing and so forth), and import substitution manufacturing (soaps, metal containers, cosmetics, cement, paints, furniture, etc.). This was similar to other African countries. In Nigeria the undemocratic nature of successive governments since 1966 established a state-business nexus which distorted the market and led to compromised ethical business relationships. The most prominent example in Nigeria is the growth of the business empire of Aliko Dangote. He was born in a tradition-rich Hausa merchant family. He studied in Egypt after completing basic education in private schools in Nigeria. He returned to his uncle's trading business, but soon rented the first one and later more tankers to start a transport enterprise. In 1977 at the age of 23 he borrowed US $3000 from his uncle to set up his own enterprise and soon thereafter established an import business. He traded in agricultural commodities, such as sugar, rice, salt, pasta, cotton, vegetable oil, cocoa and textiles. He imported rice from Thailand and sugar from Brazil. He established contacts with international suppliers early on and distributed imported goods to his village. This business was by no means innovatively entrepreneurial, because that was the general business of the Hausa for centuries and the trade of his family for generations. The business strategy that ultimately made Dangote the wealthiest black man in the world was his position close the government and politicians. His rice and sugar import business, for which he received the import licence from the government, afforded him significant price mark-up opportunities. He could net a daily profit of US$10,000 regularly (Cassell 2015). With recurring high profit levels, he repaid the loan from his uncle and sustained his privileged position through securing the exclusive import rights in sugar, rice and later cement. The Dangote enterprise imported large volumes of these foodstuffs, resulting in price undercutting of competitors. By the first decade in the twenty-first century, the Nigerian Government introduced import tariffs or outright bans on imports of certain commodities which directly favoured the Dangote business—including the importation of wheat flour, cement textiles, sugar and pasta (https://wikileaks.org/plusd/cables/05LAGOS362_a.html). Despite Aliko's claim in an interview that the key to building a successful enterprise is to sell quality at affordable prices, because that builds customer loyalty, his business acted to the contrary. He also claimed that an entrepreneur should not 'kill the competition… competition is healthy for business. It keeps you, the entrepreneur on your toes' (http://www.mytopbusinessideas.com/success-secrets-aliko-dangote/). By flooding a market or by holding exclusive import licences in fact kills competition. Dangote happily obliged when asked in 1996 by President Abacha to 'flood the nation's markets with rice'. Dangote imported large volumes of rice, flooded the market, pushed the price down around 80% and killed all other competition (http://newsrescue.com/the-truth-behind-dangotes-wealth-the-cabal-tokunbo-ban-and-

impoverishing-nigerians;html). Since the rebuilding of Nigeria after the civil war, the demand for cement outstripped supply. Dangote used his import licence to build a business conglomerate, of which cement bagging and distribution became the core. This was a schedule 2 enterprise reserved by the second NEPD for Nigerian nationals. He controlled 46% of the cement distribution business in Nigeria by 1990. After sponsoring General Obasanjo to power in 1996 (Iliffe 2011: 168), Dangote decided to enter cement production in Nigeria, opportunistically utilising the risk averse international cement producers' reluctance to enter the politically unstable Nigeria. Dangote's rise to the position of the wealthiest black man in Africa resulted from his entrepreneurial insight into the context of business in Nigeria as well as hard work to realise his ambitions as businessman.

An illustration of the legacy of trading families in the history of entrepreneurs in Africa is also found in the Ibru Organisation. The founder of the Ibru Organisation in Nigeria is Michael Ibru. He was born in 1930, completed school in 1951 at the famous Igbobi College, Lagos. He entered employment with the UAC—but only for a short period. Michael acquired valuable managerial training at UAC. He belonged to the Urhobo tribe in Igboland, where his mother was a long-distance trader herself, being the last child of Chief Osadjere of Olomu, an influential trader of the Urhobo region. Michael Ibru left the UAC, established a general trading company, Laibru, in 1957 at the age of 24. He soon identified a unique market opportunity in frozen fish. The entrepreneurial opportunity lay in supplying frozen fish to remote areas of the country. Ibru therefore erected cold storage facilities in different regions of Nigeria. He partnered with a Taiwanese company, Osadjere Fishing Company, to access trawlers and other cold storage equipment to expand operations across Nigeria and later to other West African countries. By the late 1960s, he diversified his enterprise to take advantage of the indigenisation incentives for Nigerian business. The core export of frozen fish and sea foods expanded to a point where the Ibru Organisation (Michael and his brothers who had subsequently joined the business) controlled 60% of the frozen fish market from Nigeria. From a one-man enterprise, the business employed more than 9000 people in the 1990s and had a US$375m turnover. The Ibru Organisation branched out into several other sectors of the Nigerian economy: the tourism industry, beer brewing, transport and motoring, finance and insurance, poultry farming and timber trade. The organisation of the company was owner managed, but soon included family members, without relinquishing family control. As the business expanded, multiple divisions were organised to deal with subfields of operation. Central control was never relinquished. The multidivisional corporate organisation resembled the western multidivisional corporates, but family control was not relinquished. In Africa personal control and ownership remain common with business owners (Wariboko 2002: 257–259; www.thisdaylive.com/index.php/2016/09/07/michael-ibrubusiness-colossus-takes final-bow).

The Ibru case represents a prototype of African business development after independence. From a well-educated background, an individual identifies a market opportunity, usually through general trading, which has a strong footprint throughout Africa. From general trading more specialised commercial activities develop

(such as with the trading of frozen fish). The domestic indigenisation policies opened opportunities for diversification. Ultimately, a family conglomerate takes shape across the entire economic spectrum. This enhances family business penetration, managed directly by family or kin. These business conglomerates fail to develop focus, specialisation or professional management distributed over a multidivisional organisation. Such diversified conglomerates display an acquisition ambition and an adversity to relinquish power, which is the reason why few similar conglomerates list on local bourses. The family acquires status in society and becomes a benevolent socially responsible citizen and national idol. The founding entrepreneur benefits from a legacy of family trade or commercial activity, but outperforms all earlier family business achievements through the scale and scope of business operations. Contextual factors facilitate the rise to business prominence—state policies of market manipulation, indigenisation and an alignment to power, vested in the state and political agents.

5.4 Power and Business: French West Africa

Entrepreneurs in French-speaking colonies of West and Central Africa operated primarily on the small-scale end of the market as petty traders and farmers. After independence in 1962, the state assumed a central role. This tendency was influenced by the socialist tradition of the French colonial state. Post-independence former French colonies' states opted for different ideological positions on economic policy and the role of the state. In Senegal the local business class was not well developed, because of France's policy of indirect rule, thereby managing her colonies as an integral part of the mother country, as an extension of the French market. As in Algeria, French entrepreneurs entered the market for locally sources raw materials and exported agricultural commodities to the metropolitan market. In Senegal peasant farmers produced export crops, such as groundnuts, while merchants made profits from intermediation between peasant producers and the metropolitan markets. The merchants constituted the economic base for the emerging ruling elite after decolonisation. Boone explained the failure of the post-independence Senegalese state to develop a capitalist system or to sustain the existing capitalist sector of the Senegalese economy, specifically the textile industry, as the ruling elite's preoccupation with power. After independence the state centralised control of all agricultural production under the *Office de la Commercialization Agricole (OCA)* (Boone 1994: 172). The consolidation of power and the promotion of economic growth, Boone argued, 'proved to be contradictory imperatives' (Boone 1992: 4). The textile industry was central to the Senegalese economy. As the ruling elite sought to entrench power, it consolidated power to govern. Thus protection was afforded to local textile mills, eventually forcing foreign textile mills to close their business. When local droughts contracted local production expansion, foreign exporters supplied the local market with staple textile goods and the state failed to prevent such actions, since members of the political elite

participated in the 'parallel market development'. The system of protective measures and quotas that had protected the domestic textile industry broke down. The cumulative effect by the early 1980s was the collapse of the Dakar textile industry as well as associated light industries which suffered fatally. Boone argues that the failure to develop local entrepreneurship, or local capitalists, came down to the state being an archetypical counterfactual. The state deliberately promoted power and privilege, clientelism and 'divisible gains' rather than economic growth, as argued by Bates (1981). Whereas Southeast Asian states acted as entrepreneurial states, states in sub-Saharan Africa lacked the autonomy, institutional coherence and capacity to promote sustained capitalist development (Boone 1992: 252). As in other African states, the state's use of licencing developed into a mechanism of rentierism, corruption and a parallel trading system also in the groundnut industry, resulting in the weakening of the domestic farmers (Boone 1994: 176–181). The relationship between the state and business in Senegal therefore inhibited the development of a strong entrepreneurial class.

This was the exact opposite strategy of the Ivory Coast under President Houphouet Boigny. In the Ivory Coast, a local peasant class developed during colonial times—wealthy peasants producing cocoa and coffee. The indigenous Ivoirians had established themselves as farmers, later plantation owners and subsequently as urban business owners. During the development of the plantation economy under colonial rule, people from the Ivory Coast as well as migrants from the north of the colony joined as plantation workers. Migrants settled in the Ivory Coast, and by the time the local population opposed French colonial rule, people from different ethnic origins joined forces. A class of wealthy indigenous plantation owners and later urban businessmen succeeded in taking control of the newly independent Ivory Coast in 1962. After independence Houphouet Boigny encouraged French and other foreign investments in the Ivory Coast, realising the contribution foreign capital can make to the development of the new state. The new state kept the expertise of expatriate managers and technicians in the parastatal companies. The state economic policy was export oriented, no intent on developing an industrial economy but directing all resources towards optimal economic growth. A substantial independent local business entity gradually acquired control of plantations, small and larger businesses, and by the early 1980s, two-thirds of new large firms in the Ivory Coast were established by local capital and majority owned by Ivoirians (Rapley 1994: 45). A close network of wealthy families in agriculture and business were also aligned to the new political elite. Houphouet Boigny was a member of the *Syndicat Agricole Africain* (SAA) as well as a member of the French National Assembly. He succeeded in abolishing forced labour in the colony, an achievement that rallied the entire population of the Ivory Coast behind him. The national unity in the Ivory Coast leading up to and after independence secured the new rulers' broad support on economic policy. A strong entrepreneurial class thus developed seamlessly from agriculture to small enterprises to big business, without alienating policies driving foreign investment out. Foreign capital, technology and management experience were used to build the economy of the Ivory Coast, resulting in a 'record of sustained economic growth [is] second to none

in Black Sub-Saharan Africa' (Kennedy 1988: 67). By the late 1980s, a list of 51 indigenous families were active across all sectors of the economy and forged family networks of professional and kinship linkages. These capitalists showed little regard to ethnicity (in the Ivory Coast there are around 60 ethnic groups). These families were involved in agribusiness, retail and wholesale trade, shipping, banking, manufacturing, transport, heavy vehicle manufacturing, real estate, clothing manufacturing, packaging, plantations, import and export trade and engineering works. State policy was indeed import substitution industrialisation, and two agencies were established in the early 1960s to assist the development of local enterprises. A strong entrepreneurial inclination directed the conduct of business in the Ivory Coast. Business interests were organised in the Chamber of Commerce and Chamber of Industry, while smaller organisation was formed to promote the interests of small and medium local business. A network of industry-specific organisations negotiate between industry, business and government. These organised business interests maintained international and continent-wide business contacts whereby the Ivorian business community fostered business interests with and in the country (Rapley 1994: 52–57).

5.5 Statism and Business: East Africa

In East Africa the post-independence period witnessed the introduction of African socialism as well as state capitalism. In Kenya the state emerged as a powerful player in a capitalist economy, while encouraging private enterprise. As in West Africa, the new political elite considered the state an indispensable player in the modernisation of the Kenyan economy. Kenya became independent in 1963 and immediately proceeded with a policy of *Kenyanisation* and modernisation (industrialisation) within a capitalist framework. African smallholders replaced white settlers on the White Highlands, and in administration, business and education, Africans replaced non-Kenyans. Despite the fact that the Kenyan Government described its political and economic strategy at independence as 'African socialism', it was actually a capitalist strategy. The key characteristics of the post-independence economy were strong visible state intervention in a 'managed capitalist' system, a growing public sector as well as private ownership as preferable mode of production—in agriculture, in commerce, in services and in manufacturing. Redistribution of wealth was to be achieved through growth and not dispossession or nationalisation, but indigenisation policies effectively coerced business transfers. The state controlled the 'commanding heights' of the Kenyan economy—the power industry, the Kenya Commercial Bank, the Industrial Development Bank, the East African Oil Refinery and the East African Portland Cement Company. By means of the ICDC and the Treasury directly, the Kenyan state secured participation in all major industries in the country (Berman and Leys 1994).

The President of independent Kenya encouraged the integration of the Kenyan economy into the world capitalist system. The state encouraged foreign investment,

resulting in foreign control of Kenyan industrial sector. Foreign investors were allowed to transfer dividends and profits out of the country. By the early 1970s, this policy had generated sufficient confidence in the Kenyan market that new capital inflow exceeded dividend outflow (Stewart 1981: 77). As mentioned in the previous chapter, the British colonial administration in East Africa did not prohibit African entrepreneurship, but restricted the issue of licences to African businesses as a means of protecting settler commerce (Swainson 1980: 176–177). After independence the Kenyan Government encouraged African entrepreneurship. The colonial Industrial Development Corporation of East Africa became the Industrial and Commerce Development Corporation (ICDC) in Kenya in 1964. The ICDC granted credit guarantees and loans to small Kenyan entrepreneurs. The upper limit of loans during the colonial period was increased from £200 to £500 after 1964, and by 1966 the corporation had issues on loans to a total value of £90,000 and credit guarantees of £10,000 (Marris and Somerset 1971: 10). A policy of import substitution encouraged local production, but Kenyans did not have the technology, capital or experience to deliver on that industrial front. The state promoted technology import by foreign firms, which allowed them to dominate industry until local capacity could catch up. Kenyan industrialists gradually accumulated capital, technological capacity and managerial capabilities to acquire control of local industries (Swainson 1980). The Kenyan state did not nationalise assets, but invested in education and skill development to help Africans moving into positions of ownership and management.

The primary sources of capital accumulation after independence were real estate, farming, transport and commerce. Kikuyu peasants were capitalists, interested in freehold, producing surpluses for the market, but were undercut during colonial times by the British Government's land consolidation and agricultural improvement programmes. After independence Kikuyu peasants advanced into further land consolidation, and between 1973 and 1977, Africans had acquired 57% of Kenya's foreign-owned coffee plantations (Swainson 1980: 186; Illiffe 1983: 39–43; Killick 1981). As Kenyan citizens set up their own businesses at a rapid rate after independence, a highly competitive trading market developed. The Kikuyu used their political power to legislate Kenyanisation in business, whereby at first the wholesale distribution business was reserved for 'indigenous' Kenyans. The Licences Act of 1967 excluded non-citizens from trading in rural and non-central urban areas. The act also specified goods reserved to citizens for trading. The Kenya National Trading Corporation (KNTC) managed the list of reservations, and by the mid-1970s, only citizen wholesalers were allowed to trade sugar, rice, maize, salt, soap, shampoo, sweets, matches, insecticides, hardware, wire and tools (Swainson 1980: 187). The KNTC developed into the vehicle to enforce Africanisation of the economy. The first was wholesale distribution, of which the distribution of cement was by 1974 limited to 'citizens'. The small traders used the Chamber of Commerce to express their demands for protection and exclusivity. The small traders wanted to participate in the distribution of foreign firms' goods, such as the distribution of British American Tobacco (BAT), Cadbury, Schweppes and Bata, but some Kenyan businessmen were already

the sole agents for those products. It finally came down to the personal intervention of President Kenyatta. The Trade Licences Act was amended to mandate the distribution of foreign firms' goods in Kenya by KNTC appointed agents—a decision that ensured the reservation of those rights for African Kenyans. The next step was to force non-citizens out of the market. This strategy was specifically targeting Asian businesses, although many Asian were Kenyan citizens. In 1975 the Ministry of Commerce and Industry notified 463 non-citizen enterprises in Nairobi to close their businesses. These targeted enterprises included large supermarket chains involved in food importation and distribution. The dilemma to the Kenyan Government was that Asian citizens of Kenya owned 69 of those enterprises. Negotiations followed by means whereof existing Kenyan business interests secured control over the designated enterprise through a consortium of the KNTC, ICDC Investment Company and the Kenyan Wine Agencies, managed by the Italian Standa Group. The Kenyanisation Bureau enforced a policy of employment contracts in salaried positions and management since 1870. This forced some European and Asian inhabitants to take up Kenyan citizenship, or depart. The Chandaria businessmen were British citizens and remained so, but the P K Jani was a Kenyan citizen. In the early 1970s, Jack Block, a British citizen and inhabitant with his family in Kenya since 1918, changed citizenship to Kenyan (Swainson 1980: 202).

The strong entrepreneurial tendencies amongst Kenyans, especially the Kikuyu people, are shown by the participation in the formation of joint-stock companies. By 1946 Africans established 24 joint-stock companies. These included the Ukamba Fuel and Charcoal Supply Company, the African Growers and Production Company, the Luo Thrift and Trading Company and the Kenya Fuel and Bark Company. The small traders, farmers and teachers established these companies. The latter two companies were formed by the Luo and people of Western and Central Kenya, led by the nationalist politician Oginga Odinga and Johnstone Muigai, respectively. The proliferation of businesses after independence is reflected in the growth of the number of private companies registered in Kenya between 1946 and 1973. Companies owned by Europeans made up 15% of the total number of registered companies in 1973 (compared to 445 in 1946), the share of Asian companies was 24% in 1973 (from 40% in 1946), and African companies comprised 46% of registered companies (compared to15% in 1946). Companies owned by members of mixed racial origin made up 15% of the registered concerns in 1973 compared to 1% in 1946. The Kenyanisation programme succeeded in transferring business ownership to a growing number of Kenyans, both African and Asian. By 1973 Africans owned 24% of registered companies in Kenya, Asians 40%, Europeans 20% and owners of mixed racial origins, 13% (Himbara 1994: 79–80; Swainson 1980: 194–195).

The development of independent African business was slow despite the initiative of the British colonial authorities' support mechanisms. The colonial Ministry of Commerce and Industry assisted African Kenyans in establishing chambers of commerce, especially since the Ministry had experienced serious reservations about the running of African businesses. In a report in 1950, the Registrar of Companies in colonial Kenya stated that he could 'honestly not describe any as

satisfactory' (quoted in Himbara 1994: 80). One such a chamber was the Kiambu African Chamber of Commerce, established by D W Waruhiu and James Njenga Karume (Wesangula and Some 2014). After independence the Kenyanisation-Africanisation programmes failed to deliver on the expectations. This was acknowledged in an official report in the early 1990s (Himbara 1994: 82). The personal relationship between President Kenyatta and prominent Kikuyu dignitaries and ministers (Duncan Ndegwa [Governor of the Central Bank of Kenya], Matau Wamae [Executive Director of ICDC], Mwai Kibaki [Minister of Finance], Juluis Kiano [Minister of Commerce and Industry], John Muchuki [Executive Chairman of Kenya Commercial Bank], Margaret Kenyatta [Mayor of Nairobi] and Njenge Karume [a nominated member of parliament]) kept an influential business organisation Gikuyu, Embu, and Meru Association (GEMA) afloat. After Kenyatta's death GEMA collapsed and several businessmen, including Karume, led a campaign to change the Kenyan Constitution. The campaign sought to prevent a non-Kikuyu person from becoming the President of Kenya. Daniel Arap Moi was the Vice-President of Kenya, poised to succeed Kenyatta (www.standardmedia.co.ke/article/2000105827/the-empire-that-took-l=james-njenga=karume-a-lifetime-to-build). The bid failed and Karume kept a low political profile until after Kenyatta's death. The special relationship with the post-independence state was primarily the reason for the success of many a Kenyan businessman after 1963. James Njenga Karume was perhaps the best known. Karume built up a multibillion shilling business empire in Kenya—commencing with small trading operations in charcoal, stationary and timber and a wholesale enterprise under colonial administration in Nairobi. His great break in business came when he benefitted from the Kenyan state's Kenyanisation policies diverting distribution business to indigenous Kenyans. Karume established the Nararashi Distributors, handling the distribution of Kenya Breweries and late Castle Breweries, Kenya. This business laid the foundation for the development of a diversified conglomerate of companies under the management of three holding companies engaged in the hospitality industry, real estate and agriculture. Karume played politics: in 1991 he moved to remove Article 2A from the Constitution which enabled multiparty politics in Kenya again; he was a member of KANU up to 1991, and he organised a new political party, the Democratic Party, and in 2002 returned to KANU. Karume epitomised the rise of big African businessmen in the post-independence statist era, heavily dependent on the state-capitalist elite nexus (See Kennedy 1988: 73–79; Wesangula and Some 2014).

The European businesses in Kenya after independence were primarily engaged in investment and finance, engineering and import and export trade. Asian firms remained the dominant actors in retail and wholesale sectors, while African firms, with the support of the state, operated in the commercial sector and only to a limited degree in manufacturing. The Kenyan Government never expelled Asians from the country, but though statutory means 'forced' them to relinquish certain business interests and grow not by new company formation, but by acquisitions and concentration. Ultimately, the widely acknowledged animosity towards Asian businesses was fuelled by their success, access to independent capital resources and tendency to social exclusivity (Marris and Somerset 1971: 94–96, 252; Himbara

1994; King 1996: 5, 201–202). As pointed out by Swainson, the African business elite was actually a small portion of the Kenyan society and strengthened their position through interlinked directorships and ownership of big business, linked to state agencies. Serious ethical concerns arose as politicians, civil servants and teachers engaged in 'straddling'. This was the practice of holding public office while also engaging in private business activities (Cowen and Kinyanjui 1977).

The largest portion of Kenyans in business was those in the informal sector (House 1981). The informal sector expanded since the early 1950s. Under colonial rule a fund was established to assist African shopkeepers in developing their enterprises and the IDC assisted in funding and advice. More funding was raised from the USAID, and after independence the ICDC became involved in planning programmes to assist the micro- and small African informal enterprises. Large numbers of small entrepreneurs worked independently as tailors; shoemakers and repairers; furniture makers; metalworkers making household implements, stoves and miscellaneous hardware instruments; vehicle repairers; barbers; restaurant owners; butcheries; retailers; charcoal distributors; or other services. The businessmen from Mahinga, studied by Marris and Somerset (1971), also engaged in building contracting and transport services. These small businessmen struggled to obtain premises; find and keep skilled workers; establish markets; obtain licences; access technical knowledge; find tools, funding, raw materials and access to electricity; and experienced harassment from 'Askaris'. The most important observation of research into the informal sector in Nairobi was the long-term involvement of such entrepreneurs with their enterprises—40% of the interviewees were in their businesses for longer than 5 years and 20% for longer than 10 years (House 1984: 360). This sector of business activity mushroomed after independence when access to the market opened up for Africans, but remained small and marginalised.

Corporate capitalism involved those near the seat of political power. Kenyan state-owned enterprises controlled utilities, but also industrial manufacturing. The Tiger Shoe Company was initially set up by private Kenyan businessmen, but it soon asked for state assistance and finally collapsed and was taken over by the ICDC, thus becoming a state-owned shoe manufacturer. East African Fine Spinners, Uplands Bacon Factory and Kenya Taitex Mills were amongst the companies owned by the state, served by Kenyan businessmen as directors. The Kenyan state remained a principal player through the following state-owned institutions: the ICDC, the Industrial Development Corporation, the Industrial Development Bank, the National Cereals and Produce Board, the Agricultural Finance Corporation, the Coffee Board of Kenya and the Kenya Tea Development Agency (Himbara 1994: 76–79).

In 1972 the International Labour Organisation employment mission conducted an extensive survey of the informal sector in Kenya. Earlier research conducted in the late 1960s by Marris and Somerset (1971) showed the entrepreneurial ingenuity of these small and micro-entrepreneurs, but they lacked infrastructure, credit and technical support. The ILO mission's report brought the Kenyan Government to implement policies and programmes to assist the small businessmen, craftsmen and proto-engineers to develop their enterprises. Since employment creation by the

modern economic sector in Kenya failed to create sufficient jobs, the empowerment of the informal sector was the logical strategy to alleviate unemployment and foster self-reliance through business (House 1981; Stewart 1981: 92; King 1996; Killick 1981). In 1986 the Kenyan Government published the policy document 'Economic Management for Renewed Growth' (1986). This was the beginning of a systematic state initiative for the facilitation of micro- and small businesses from the informal sector—the so-called *Jua Kali* programme. *Jua Kali* literally means 'hot sun', pointing to the operations of these micro- and small businessmen in the open hot sun, without sheds, infrastructure, amenities, insufficient credit, access to technological support and training of workers to assist in growing the enterprises (King 1996; Himbara 1994: 83–84). The phenomenon of entrepreneurship in the informal sector is an African-wide phenomenon. In Kenya the government eventually addressed the matter systematically—albeit only in the late 1980s.

The Kenyan decision to follow the capitalist economic strategy was indeed still through substantial state intervention. By the late 1970s, Kenya had accumulated massive debt—through inefficient state-owned enterprises, public utilities, non-payment of government loans and a near total collapse of capacity in the civil service. Kenya withdrew in 1977 from the East African supranational state agencies and common market. The Ministry of Finance and Economic Development was at a point of 'near breakdown of its capacity to collect duty, sales and income tax' (Himbara 1994: 73). Kenya requested World Bank and IMF assistance early in the 1990s. Business development in East Africa followed a similar pattern, except for Tanzania.

In Uganda the newly independent state also introduced development plans and indigenisation policies. Asians set up small enterprises, similar to those in Kenya, but in 1971 were expelled from the country by the President Idi Amin, after taking power in a military coup in 1971. In Uganda the Madhvani family, led by two brothers Vithaldas and Haridas Madhvani, settled from India at the trading town Iganga in eastern Uganda in the 1980s. In 1919 Muljibhai Madhvani commenced coffee production on a small plot of land acquired from the British colonial authority. As the international coffee price plummeted after the First World War, the family company ventured into sugar on land at Kakira. From primary production the group diversified into industrial manufacturing (matches, glass works) and later services. The state policies effectively prevented the development of any local business enterprises after independence as the private interests of the elite in power captured control of the business sector. Under President Obote the state promised assistance to African traders. The state offered loan facilities. The National Trading Corporation and the state marketing boards issued licences to local entrepreneurs to ensure that the import-export trade and domestic retail and wholesale trade remain in the hands of indigenous Ugandans. In reality officials of the state in the ruling party and state departments were the beneficiaries of licences. As in Kenya, those near the political fire benefitted from the licencing schemes, thereby marginalising the indigenous entrepreneur. The Trade Licence Act of 1969 limited licences to non-citizens' business with 'valid permits'. Those were available to Asians, who were not regarded as citizens, only if their business turnover exceeded a very large amount. That in reality excluded all the small family-based Asian businesses, but

Obote planned to grant some 30,000 Asian Ugandan citizenship. That never happened as he was deposed in the coup (Mamdani 1976).

The 1971 expulsion caused a massive disruption in commercial activities. The Madhvani Group's assets were confiscated, but returned after Amin was deposed in 1979. The Madhvani family returned to the country and commenced a slow reconstruction process. The Madhvani family diversified the primary production of sugar, coffee and tea into agro-processing of sugar and coffee and the manufacturing of sweets and confectionary, paint, packaging and steel rolling. The group also commenced with floriculture of roses for the export market. From primary production the group expanded operations into the services sector in Uganda, such as insurance, hotels and tourism, information technology, media and communication and the distribution of industrial and consumer goods (www.madhvani.org).

The resilience of the Madhvani Group is an example of entrepreneurial survival, which manifested in a number of African economies after Africa turned to a more democratic political order and the opportunities of the market towards the end of the twentieth century. Many trading companies, established before or during the colonial period, survived the post-independence era. They often proceeded to commence manufacturing of the goods they imported. Sutton and his collaborators reported on such companies in the compilation of enterprise maps of African countries. These family trading enterprises operated across Africa. In Tanzania small family enterprises owned by Asians sustained their operations on a small scale throughout the socialist era and finally emerged to take advantage of market opportunities towards the end of the century. The Sumaria Group was established by K P Shah in Kenya in the 1940s and later expanded and diversified operations into Tanzania. The Mac Group started as a trading company in the 1880s when Kanji Jeraj Manek immigrated from Gujarat in India. The trading business developed into a diversity of manufacturing enterprises in the twenty-first century. Subrash M Patel was born in Logoba, on the Tanzanian coast. He started trading vehicle spares in the 1960s, but branched out into steel and engineering enterprises (Sutton and Olomi 2012). These enterprises could not develop into larger specialised operations under a cloud of nationalisation, but sustained capital accumulation and education of the siblings positioned them to take advantage of privatisation and expansion opportunities.

Ethiopia was an agricultural economy, where large landowners controlled the vast majority of land, until the revolution of 1974, when peasants secured state support for land redistribution. Just south of Tanzania, the Ethiopian state also resorted to socialist economic policies, which resulted in nationalisation of enterprises. Early trading entrepreneurs sustained operations until the political and economic climate permitted private enterprise. The Mohan Group was established as a trading company in the early 1900s by the Kothari family, but has developed into a diversified engineering group. The Mohan family sustained limited trading operations throughout the socialist era, but could take advantage of privatisation to acquire former state-owned operations in the engineering industry. The development of a capitalist business sector only came into its own towards the late twentieth century.

5.6 The State, Power and Business: Central Africa

In the only former Belgian colony after independence, Zaire, the development of indigenous business experienced a similar development path as in the former British or French colonies. Before independence the presence of nonindigenous Zairians, namely, people of Greek and Asian origin, dominated business. After independence the political elite took advantage of the Zairianisation programmes to secure the enterprises of former expatriates, but to disastrous consequences. The state took over the big agro-industries, commercial agricultural enterprises, around 2000 small- and medium-sized wholesale and retail businesses, small factories, plantations and farms belonging to foreigners. These were handed to Zairians, and the 'consequences for the economy were disastrous: few of the new owners had serious business intentions, aptitude, managerial skills or experience' (MacGaffey 1987: 46). The beneficiaries of Zairianisation entered retail enterprises, wholesale trading, light manufacturing and plantation agriculture. A frequent combination was trading and transport, but reliance on family labour was not as prevalent as in, for example, Nigeria. The new businessmen encountered similar difficulties as elsewhere in Africa—access to loan capital, skills, insufficient infrastructure and foreign competition—but also massive corruption ('the second economy', smuggling) (MacGaffey 1987: 91–142; MacGaffey 1994). The sheer extent of bureaucratic and political corruption ('parasites' as MacGaffey termed the phenomenon) undermined business development.

In the case of post-independence Zambia, the United National Independence Part (UNIP) of President Kenneth Kaunda ended the multiparty constitution of the Republic of Zambia in 1973, ending not even a decade of democracy in Zambia. After independence in 1964, UNIP moved systematically to revoke property rights of many of the most successful businessmen in Zambia. State capture led to state monopoly control over the entire mining industry and related limited industrial interests. Disruptive riots in the Copperbelt in 1965/1966 caused by disparity between wages of Zambians and non-Zambians in the mining industry gave UNIP the reason to push hard on Zambianisation policies. A systematic process of dismissing non-Zambians commenced: first senior European civil servants were dismissed and replaced by 'patriotic political assistants'. UNIP failed to Zambianise, but actually 'UNIPanised' by appointing party loyalists to control workers, resulting in sustained workers unrest and an inclination by the state to clamp down on all opposition (Tordoff 1980: 42–45). In the Mulungushi Declaration of April 1968, UNIP announced that the state will acquire majority shareholding in certain industries. The Industrial Development Corporation (INDECO) was established to manage the takeover, and in 1970 the mining interests of Anglo-American Corporation and the Rhodesian Selection Trust were under state control. Despite public assurances, as well as in the Mulungushi Declaration that the state would not nationalise business, the state walked away from the agreements on management and non-nationalisation of the minority shareholding in the mines. The state nationalised all the mines using the Mining Development Corporation

(MINDECO), established the Finance Development Corporation (FINDECO) to nationalise building societies and insurance companies and finally in 1971 consolidated all the state-owned enterprises under the management of ZIMCO—the Zambian Industrial and Mining Corporation. Since Mulungushi private business was subjected to nationalisation (Williams 1973). Non-Zambian-owned businesses were subjected to various restrictions: not allowed to borrow more than the value of their capital invested in Zambia, non-Zambian enterprises excluded from urban areas, non-citizens not eligible for licences—all similar to the clamp down on Indian entrepreneurs in East Africa. What followed was a total collapse of the Zambian economy, accelerated by the collapse of international resource prices for Zambia; the copper price decline meant a systematic implosion of revenue. More than 6000 Indian people, most small businessmen and their families, left Zambia on one-way tickets since 1969. In 1982 Zambia applied for World Bank and IMF balance of payments support (Barton 2016: 59–127). Private business enterprise came to a halt while the state mismanaged nationalised assets.

In Zimbabwe or Southern Rhodesia until the Unilateral Declaration of Independence (UDI) in 1965 and thereafter Rhodesia until independence in 1980, African entrepreneurs could conduct business when in possession of a licence—similar to other African countries and South Africa; policies to support and encourage indigenous African business after independence in 1980 did not succeed in achieving that aim. Both Nicholas (1994) and Ostergaard (1994) cite a lack of state commitment in enforcing measures to limit imports or non-Zimbabwean ownership of textile industries and other manufacturing enterprises. The African business sector in Zimbabwe by the 1970s was small petty traders, peasants, carpenters, builders, millers or brick makers—a total of 17 046 were licenced to engage in such businesses. After independence a lack of capital remained a barrier to entry, and 'for its part the Zimbabwean Government failed to see the importance of nurturing a strong political relationship with the indigenous capitalist classes' (Nicholas 1994: 110).

The Botswana state responded along similar policy lines as the Ivory Coast after independence. As a stable state since independence (The Khama Accession, April 2008: 21), Botswana's main asset was its ethnic diversity. With 31 tribes of the Batswana, the new nation indeed operated as a nation since independence. A major unifying force was the Khama king, who by 1966 at independence acknowledged the transition of political power from the British to Seretse Khama, the son of the chief of the Bangwato tribe, the most influential tribe amongst the Botswana, who was democratically elected the president of the new independent state. Seretse Khama was a Christian, following his father's conversion to Christianity. Broad national coherence was served by the poverty of the country in 1966, since the development plan introduced by the British colonial administration in 1963 targeted long-term outcomes by 1969, and the new independent state's elite realised the importance of adhering to long-term development goals. At independence Botswana was poor. In 1967 diamonds were discovered, and in a 50/50 partnership with De Beers Consolidated Mines, the Government of Botswana commenced the mining of diamonds (Interview Moleele, 27/2/2017: Magang 2008: 437–438).

Diamond exports earned Botswana foreign exchange revenue, which enabled the state to embark on basic economic activities, services and infrastructure development, which were going to be a long-term enterprise, since in 1966 Botswana had about 6 km tarred roads. The marriage of Seretse Khama in 1949 with Ruth Williams, a British lady, caused only a short stir, but in the long run contributed to a moderate and accommodating policy towards foreigners in Botswana. Foreign investors were invited, not expelled, as the De Beers Corporation became a business partner to the Botswana Government of long standing, as opposed to the nationalisation of AAC's mines in Zambia. The state formulated the National Development Plan and used state-owned enterprises to manage public utilities, infrastructure development, the meat industry (the Botswana Meat Commission—BMC) and other industrial enterprises, such as hides' tanneries. Private enterprise was allowed to compete with state-owned enterprises, and this sometimes caused tension amongst politicians and businessmen (see Magang 2008: 321–322; 348–348). The state monopolies in the beef industry via BMC and the textile industry via textile mills indeed marginalised private entrepreneurial initiatives, but in petty trade, peasant agricultural production and small enterprises the state allowed open access (Interview Mmusi, 27/2/2017). A potentially explosive relationship between the state, business (employers) and labour was managed through a forum of collaboration. The Botswana Employers Federation, the private sector counterpart of trade unions, the state and trade unions conferred regularly on matters affecting business. These stakeholders dealt with compromising matters, such as legislation and regulations adversely affecting small enterprises. Towards the late 1980s, the state business relationship in Botswana developed into the engine of growth for the country (Interview, Moleele, 27/2/2017).

Non-racialism is important in the strategy to build the economy of Botswana. The sustained contribution to local business by Botswana citizens irrespective of race characterises the business environment. An example of how the Botswana Government utilised all human capital to build the economy is the Haskins & Sons. This company was started in 1897 when James Haskins migrated from Bristol in England to the Bechuanaland Protectorate. The family naturalised to Botswana and the fourth-generation Haskins currently manages the business. Haskins started off as a general dealer in clothing and blankets, but the competitiveness of that market mandated a strategic diversion. The independent state's drive to build infrastructure and deliver basic services and housing opened up the building supplies and hardware sector. Business diversion paid off. Haskins' business became retailing steel, hardware, tools, machinery and building material supplies to Botswana (Interview Haskins, 8/2/2017; www.haskins.co.bw/). One of the leading construction companies in Botswana is Wharic Construction. The founders are white Botswana citizen engineers, who established the company in 1980 to take advantage of the rapid development of Botswana. A white Zimbabwean, Angus Boxshall-Smith, joined the company as building specialist. Boxshall-Smith's father, a Zimbabwean citizen in building construction, was expelled from Zimbabwe, but set up a vegetable farm in Botswana. His son, Angus, studied building science in South Africa and returned to Botswana (where the family had acquired Botswana citizenship). Wharic, the

all-white Botswana construction company, expanded in Botswana as the government engaged in massive infrastructure development (Interview, 14/2/2017). The inclusive national policy of Botswana forged an environment conducive to entrepreneurial activity. The use of all human capital to foster business in Botswana during the early independence period contributed to indigenous entrepreneurial development later. The role of the state in Botswana stood in stark contrast to the post-independence states in Zambia, Tanzania and Zaire, but aligned more to the Kenyan and Ivory Coast models.

5.7 Outlier South Africa

While South Africa was still under minority rule until 1994, entrepreneurs from all ethnic and race groups engaged in business activities. In the mainstream economy business operations in mining, industry, trade and finance were generally in the hands of Europeans. That did not imply that African, coloured and Indian entrepreneurs were excluded from the market, but they operated in segregated locations and therefore on the fringes of the market. Between 1945 and the 1980s, African, coloured and Indian entrepreneurs established strong and thriving businesses that competed in the open market as soon as the rigidities of racial segregation were relaxed since the mid-1970s. State incentives for enterprise development in designated Africa, coloured and Indian locations succeeded in fostering the business sector. While independent African states implemented policies of indigenisation, the South African state sought to develop entrepreneurial activity in racially separated locations. By the mid-1950s, 2.7% of retail businesses were African-owned, one-man enterprises and unregistered (UG 61/1955). The organisation of African businessmen in Johannesburg in 1927 in the African and Indian Trading Association Ltd., in 1938 the African Business League (ABL), the Orlando Traders' Association (OTA) established in 1945 and the National African Chamber of Commerce (NAFCOC) in 1966 co-ordinated activities of its member associations and promoted African and Indian business development. As in the Ivory Coast, the business association also emerged as the vanguard of African opposition to state policies of racial segregation. NAFCOC operated just short of a political party.

The enterprising character of African business was displayed when, in December 1958, the *Ikageng Finance Corporation Ltd.* was established with a capital of £100,000. This was an African business initiative to provide loans, guarantees, trained personnel, business advice, support to new enterprises and general assistance in the economic development and well-being of the African community. A number of other self-styled credit mechanisms were formed. On the Witwatersrand the *Bantoe Winkeliers se Helpmekaar Vereniging* (Bantu shopkeepers' mutual assistance association) had a membership of 2000. They used the cession of life insurance policies to banks as security for overdrafts to its members. While operating primarily on a cash basis, the African entrepreneurs controlled sophisticated financial instruments to leverage bank credit. The Johannesburg and

District Traders' Association, established in 1959, performed similar credit operation by advancing cash loans to traders. The organisation also represented their members in deliberations with the authorities (Kuper 1965: 266). As a growing number of Africans qualified as lawyers and members of the Bar, the growing business community reverted to them for representation in disputes with the municipal authorities and the Department of Bantu Affairs (WHP, A1618: Mweli Skota). The state actively encouraged the development of African entrepreneurship through the Bantu Investment Corporation (BIC). The BIC operated within the confines of the state policy of racial segregation and had an all-white Board of Directors. The BIC was not planning to support the development of African-owned large industrial enterprises, but smaller venture that '. . .could easily be managed and controlled by the Bantu' (African Trader 1959: 18). The policy of promoting African businesses, in the designated reserves or urban townships, afforded opportunities sometimes well utilised. Mr. Habakuk Shikwane established himself as a manufacturer of cane furniture in his backyard in Dube, Soweto, in 1959. In 1944 he came from Sekhukhuneland in the Limpopo province to Johannesburg, where he started working in a cane factory, owned by a Jewish businessman, Mr. Shule. He was 17 years old and only had completed school. Shikwane was a responsible worker and was promoted to factory foreman between 1948 and 1949. He learnt all the aspects of cane furniture manufacturing, and in 1958, he decided to start his own factory, Habakuk Cane Furniture, in his backyard in Orlando, Soweto. He purchased his own truck with cash and soon supplied furniture stores across the Witwatersrand. He was the first African 'industrialist'. To expand his operations, he secured a loan from the BIC to move to more suitable premises in Hammanskraal, in the Bophuthatswana homeland. In 1977 he moved his manufacturing plant to Lebowakgomo, a homeland in the northern Transvaal. In 1981 Shikwane won the NAFCOC Businessman of the Year award in the category 'best manufacturer', being the largest cane furniture manufacturer in the southern hemisphere, employing more than 750 people (African Business, April 1981: 17). Shikwane diversified into related enterprises. He established a construction company, Kabong Construction (Pty) Ltd., in 1986 to build premises, factories and shops in his homeland. His enterprise Habakuk Cane (Pty) Ltd. is still a going concern (African News, 18/7/2013). Shikwane was an outspoken critic of the South African Government, a member of the banned ANC, and outspoken in his support for sanctions against South Africa. The state did not wish to support the development of a rival industrial sector, but Shikwane's business ingenuity earned him state funding. The segregation policies thus had unforeseen consequences. The state wished to encourage separate African business development in segregated geographical areas. Towards the mid-1980s, segregation disintegrated. Strong African entrepreneurs populated the South African business landscape.

An example of the pre-1990 combination of community networks, specialist community knowledge and the protection that segregation afforded African enterprise is the growth and diversification of the small African trading business of the Kunene Brothers. The Kunene enterprise is a family business. The eldest son of a family of five brothers was qualified as a lawyer and assisted a widow in the

township Vosloorus to sublet her trading licence for selling milk and fruit juice. Once the legal formalities were completed, the widow sublet to Fortune Kunene, the father of the Kunene family. After retirement from teaching, Fortune, already in his 70s, opened a butchery, sold vegetables, rented out motor vehicles and even assisted in the promotion of African music. Fortune Kunene then acquired the milk distribution licence from the widow. He built a lucrative enterprise in Vosloorus. In 1981 as African business operations were gradually deregulated, Kunene acquired the wholesale licence for the distribution of Coca Cola as 'soft drinks' under his milk and fruit juice licence. He passed away in 1981, but his three youngest sons stepped into the business (the eldest two sons were professionals—a lawyer and a medical doctor). In 1983 Africans were granted permission to engage in the liquor trade in the townships, and the Kunenes secured the tender to sell liquor in Vosloorus. To secure the tender an amount of R300,000.00 was payable—an amount the Kunene Brothers did not have nor could secure at a financial institution. A friend of the Kunenes, Mr. Tex Seftsa, secured a bond on is private house, and the Kunene Brothers did the same on their Vosloorus house—a bond they secured on the strengths of the professional standing of the Kunene Brothers (Keith, the lawyer, and Dudu, the medical doctor). Zanosi Kunene was employed with IBM. By the mid-1980s, the Kunene Brothers purchased a hotel in the white town of Springs, from where they ran a liquor wholesale business. The deteriorating security conditions by the late 1980s made their business the target of criminal activities. The brothers decided to shift the focus of their business out of liquor into the distribution of Coca Cola. By 1994 prior to the return of the Coca Cola company of the USA to South Africa, the Kunene Brothers had become the holders of the official bottling licence of the company on the East Rand, namely, Nigel Bottling Industries (Interview Dr. Dudu Kunene, 24/2/2004; http://www.kunene.co.za: Interview Keith Kunene, 27/08/2014). The Kunene Brothers registered various companies for their business initiatives, and by the early 1990s the Kunene Brothers were well positioned for expansion of their business interests.

At a time when the business in many parts of Africa was between socialism and state-managed 'capitalism', African business in South Africa responded positively to market opportunities, diversified and expanded. Africans fully endorsed the opportunities to venture into formerly unchartered business territories. The first registered African-owned estate agents in South Africa entered the housing market (African Business, September 1984: 9). African medical practitioners and businessmen joined forces with a multiracial group of professionals to establish the first private clinic in Soweto—the Lesedi Clinic in Diepkloof (African Business, March 1985: 23). Stanley Nkosi opened the first black music recording business, Soul Brothers Records (African Business, December 1985: 9–200), and Cynthia Ramagaga opened the first nursery in Soweto in June 1988 (African Business, June 1988: 8). The Kunene Brothers secured the Coca Cola bottling licence which made them the largest bottler and distributor of Coca Cola soft drinks in South Africa. Herman Mashaba ventured into the manufacturing of cosmetic

products specifically for the black market (City Press, 16/06/2013, 3/11/2013; The Star, 15/05/2012). African architects, such as Mpho Moikamgo, were in demand to design houses, cinemas, shopping malls and business centres (African Business, March 1988: 13), and the first interior decorating centre opened in Soweto. The Mafube Paint and Interior Decorating Centre opened in White City, in Soweto in January 1989. This enterprise was the initiative of a consortium of African homebuilders (Vukomo, DTZ Construction and Pamodzi Construction) which brought a wide range of paints, carpets, tiles, curtain fabrics and wood finishing to the inhabitants of the township, as well as training to apply the materials to new buildings (African Business, January 1989: 27).

The Indian business community in natal expanded a diversity of enterprises since the 1940s, which positioned many enterprises for expansion as soon as markets opened up with the demise of segregation. The small shopkeepers, primarily in general foods and houseware, both in rural and urban areas, struggled to meet the open competition when geographical restrictions to the movement and business operations of people were removed during the late 1970s. The big Indian businesses, usually family owned and managed, had sufficient capital capabilities and expertise to consolidate market control. The Moolla family first conducted a shipping enterprise, but changed to cinemas and alter clothing. By 1980 the A M Moolla Group (AMMG) was the largest privately owned clothing company in South Africa. Rajen Pillay established the Coastal Group, the largest fashion fabric manufacturer in the country. The clothing shop of Mohamed Lockhat in Durban started as a clothing wholesaler, but systematic expansion saw it emerge as the largest local clothing manufacturer, with factories across the country. The Coastal Group expanded into Botswana to benefit from the preferential treatment Botswana enjoyed under the Lomé Convention, with the European Union—a privilege from which South Africa was excluded. Numerous Indian entrepreneurs in natal ventured into real estate, transport and haulage firms as well as finance. Mr. J N Reddy established the New Republic Bank in 1970 while being engaged in extensive insurance brokering as well. In the Transvaal Sayed H Mia also built a financial service enterprise, which he used to establish the SHM Group of Companies. The SHM Group is an investment group, involved in property development and is known for social responsibility operations amongst underprivileged persons (www.impumelelo.net/company/s-h-m-investment-holdings-cc; Hart and Padayachee 2000). Indian-owned businesses developed a prominent presence across the country. The geographical restrictions imposed by the official policy of racial segregation did not contain Indian-owned enterprises. Entrepreneurs were able to build strong and diversified businesses, displaying an ability to adapt to market constraints. Ultimately there was no difference between entrepreneurs of the African, Indian or European business world in South Africa—or in other African countries. The opportunities of the market were either more or less constrained, thereby posing different barriers to entry.

5.8 Conclusion: African Business at the End of the 1980s

The history of enterprise development in Africa since the Second World War is the history of state formation and power. Entrepreneurs operated in the political economy of decolonisation and in South Africa and Zimbabwe, under governments able to sustain minority control. By 1990 majority rule had spread to the entire continent, save for those countries where authoritarian military dictatorships failed democracy. The adverse economic conditions following the late 1970s oil crises contracted markets even further. In this *statism* of the African political economy, entrepreneurs from all ethnicities, races, languages and religions in Africa established and sustained business. Business organisation and the nature of managerial capabilities remained basic and elementary, except for the large enterprises in southern Africa. Enterprise development under decolonisation occurred in a state of market distortion caused directly by the emerging statehood in Africa. Depending on the choice of macro-economic model, newly independent states interfered in the market from full nationalisation and socialism to adherence to the capitalist market qualified by nationalist policies of indigenisation. In all states, state-owned enterprises performed the public responsibilities of the state, such as the provision of utilities, funding industrial development or delivering infrastructure. SOEs have also crowded out private enterprise in the name of empowering the people of the newly independent state and, in that case, restrained industry development rather than promoting it. Insufficient state support for the development of small entrepreneurs, their businesses and the infrastructure to sustain their difficult development path characterised state policies (Nafziger 1977; Bouri et al. 2010).

On the fringes of the dominant state, private enterprise persisted, but except in South Africa, the size and capacity of business remained constrained. The overwhelming majority of enterprises were small, often operating on the market as petty traders, and general in focus. Specialised, advanced industrial or mining production was too costly to perform and private enterprise too small to compete with either the state or international competitors. African businesses developed within those constraints since decolonisation. By the last decade of the twentieth century when macro-economic structural adjustment was proposed as the long-term solution to the economic recovery of the continent, the role of the entrepreneur, private business and the market entered the debate on Africa's future.

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Chapter 6
Enter the Market: African Entrepreneurial Rebirth After 1980

Abstract Verhoef describes Africa's turn to the market since the debt-ridden stasis of the 1980, as the dawn of democracy, political accountability and private enterprise. The causal relationship between market, responsible leadership, governance and entrepreneurial achievement is highlighted in the first exposition of entrepreneurial freedom and success in Africa since independence. Verhoef integrates biographies of business birth, growth and consolidation across Sub-Saharan Africa and the Maghreb and connects experiences with privatisation to the rise of large diversified conglomerates in Africa. Innovation and leadership are core to successful business development, and Verhoef connects these characteristics to the enduring family networks of early African business development when identifying leading businesses contributing to development in different sectors of African economies. The organisational form and management structures, except in South Africa, remain either relatively flat or owner-centralised.

6.1 Contextual Overhaul

Africa incrementally arrived at democratically elected governments under African majorities since the early 1950s. In 1994 a black majority elected a new government in South Africa, replacing the last white minority government in Africa. Despite political independence, Africa suffered weak economic growth, stagnating development and persistent poverty. This context needed a fundamental overhaul into a sustainable growth trajectory.

By the 1990s, the world development specialists sought reasons for theo-sustained low growth despite economic reforms. These reasons proved to be poor governance, weak public institutions, incompetency and corruption and a lack of predictability of government policy and transparency in operations. The development policy shifted to poverty reduction as a goal of aid and to wider global issues such as environmental matters (global warming) and social justice (gender equality) (Lancaster 1999). These perspectives soon echoed in the revised direction African leaders mapped out at the beginning of the new century. At an extraordinary meeting of the OAU summit in Sirte, Libya, in September 1999, the leadership

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mandated the genesis of the Millennium Partnership for the African Recovery Programme (MAP). Africa's leaders then also sent the President of Nigeria, General Obasanjo, and the South African President, Thabo Mbeki, to negotiate with Africa's creditors to cancel all debts. Economic development and debt were inextricably linked. For the first time since decolonisation did the leadership assume responsibility for both. Mbeki, Obasanjo and President Bouteflika from Algeria were mandated at a subsequent meeting in Togo in 2000 to negotiate with the developed nations on the formation of a constructive partnership for the regeneration of Africa. Three development plans are eventually under consideration: the MAP; the OMEGA plan, developed by the French-speaking countries under President Wade from Senegal; and yet another developed by the Economic Commission for Africa (ECA) known as the Compact for Africa's Renewal. Negotiations finally brought a consensus document to the table in October 2001. At the inaugural assembly of the African Union in Durban in December 2001, the New Partnership for Africa's Development (NEPAD) was adopted.

The significant innovation of the NEPAD was that Africa's leaders accepted their 'duty' to 'eradicate poverty and to place our countries, individually and collectively, on a path of sustainable growth and development and . . . to participate actively in the world economy and body politics on equal footing. We reaffirm this pledge as our most pressing duty (NEPAD, AHG/235 (XXXVlll): sec 2). The twin objectives of NEPAD were to eradicate poverty and foster socio-economic development, in particular through democracy and good governance (NEPAD, AHG/235: Sec 5). NEPAD wanted to achieve economic reconstruction (Sec 11), of which the critical aspect in reducing poverty was 'to encourage private financial inflows' (Sec 18) through adherence to a variety of codes of good practice in monetary and financial management, fiscal management, public debt management, corporate governance, international accounting and auditing standards and the principles of effective banking supervision (Sec18). The statement confirmed that poverty could only be eradicated effectively, inter alia, through 'openness to international trade and investment' (Sec 20), but that 'globalisation and liberalisation does not mean that there should be no role for government in socio-economic development. It only means a different type of government', where government undertook to foster 'new partnerships between government and the private sector; a new division of labour in which the private sector will be the veritable engine of economic growth, while the governments will concentrate on the development of infrastructure and the creation of a macro-economic environment' (Sec 23). It was in this context that partnerships between government and the private sector emerged as a key focus of the economic reconstruction strategy (NEPAD/AHG/235: Sec 23; Ojieda 2005; NEPAD 2015).

For the development of private enterprise in Africa, the NEPAD charter was the first official commitment to a collective duty towards the eradication of poverty by assigning to the private sector the role as 'veritable engine of economic growth'. The fundamental strategic shift was that African statesmen collectively welcomed the 'strong international interest and support for NEPAD' and anticipated the implementation of economic development through 'partnerships', 'with our development partners and the wider international community' (Sec 25). As African

countries embarked on the 'African Renaissance' to 'restore Africa to a place of dignity' (Sec 26) and privatisation became a regular feature of commercial reform, there was a renewed global investment interest in Africa. Growth prospects of African economies improved substantially—but only towards the last half of the first decade of 2000. At the beginning of the century, the international perceptions of Africa were bleak. By 2000 the average income per capita was lower than at the end of 1960. Africa's place in the global economy was eroded by a declining share in traditional primary resource exports, by limited diversification into new business, capital flight and a loss of skills. Reforms did not deliver the outcomes to eradicate prolonged periods of falling income, or the adverse effects of weakened institutions and inadequate infrastructure. The perception that it was very costly to do business in Africa still lingered in the minds of investors (World Bank 2000).

The Economist called Africa 'the hopeless continent' in 2001. Economic growth was elusive, polities were either military regimes or autocratic personal autocracies, and societies were unstable and insecure. The agency of the African state in the lack of economic growth on the continent after independence is firmly acknowledged. Killick claims: '... the evidence runs against those who see a hostile world economic environment as the main reason for SSA's comparatively poor post-independence development record ... there is general agreement that in a large proportion of SSA countries post-independence policies (often building on colonial practices) gradually created distortions and inefficiencies on such a scale as to contribute in a major way to the continent's unhappy development record' (Killick 1992: 21). Bates also stated that '... the agricultural policies of African governments violated the interests of most farmers' (Bates 1991: 117). Widespread 'patrimonialism', where the ruler and the government established and maintained a patron-client relationship, based on ethnic or family loyalties (Killick 1992: 35), undermined governance. Governments conforming to such polices were unlikely to secure a satisfactory record of economic development. Foreign investment flows dwindled and the continent was the recipient of aid and debt relief. Two fifths of African nations were at war, AIDS had lowered life expectancy to as young as 40 years old, investment was almost impossible due to lack of collateral and foreign aid has had very little effect on the poor. In 2004 Robert Guest explored the dark continent in his *The Shackled Continent*, '... with intrepid adventures, carrying not the Bible but *The Economist* to assure the benighted tribesmen that they can be saved by putting their faith in free-market global capitalism, which will rid them of their local superstitions and bring them a new era of prosperity'. Global market liberalisation and the democratisation of governments following the demise of the USSR brought about a fundamental change in Africa (Babarinde 2009). In March 2013, *The Economist* had to admit to the fundamental change in Africa. *TIME* magazine, in response to *The Economist's* turnabout, vividly described the global celebration of the rising prospects in Africa. At the end of 2011, *The Economist* caused quite a stir when it was claimed on its front page: 'Africa Rising' with a boy flying a rainbow-coloured kite in the shape of the African continent.

Times were changing. In November 2012, *TIME* was referred to Africa as the 'world's next economic powerhouse'. The numbers of African economic recovery echoed a positive outlook on African economic, political and social progress and

sustained development. The International Monetary Fund and the World Bank research confirmed the trend since the mid-2000s. In 2008 a report by the World Bank announced that four out of the top ten reforming nations were in Africa—Egypt, Botswana, Burkina Faso and Senegal. Overall African countries reduced the time to start new businesses, reformed labour and tax policies and streamlined registration processes for property. By 2007 UNCTAD noted that the return on FDI in Africa was the highest in the world. African bourses increased in number (from 5 in at the beginning of the 1990s to 19 by 2012) and rivalry, since African companies listed on stock exchanges across frontiers. Overall deregulation of financial services and improved factor mobility enhanced business prospects for new African enterprises. Many African states made the shift to privatisation/PPP. Public-Private Partnerships—PPP, when it was PP in infrastructure, offered private investors' return on investment, while the state retained a stake, such as a share in the company, or retention of assets. One example of such a PPI was the 1990 transaction in Guinea between the state and a private firm. The World Bank assisted the Guinean government with the selection of a private enterprise to maintain existing urban water facilities and bill and collect payments from customers. The private firm secured a management contract, combined with performance incentives, while the state retained the assets, leased on a long-term basis to the private firm, as well as responsibility to formulate policies and tariffs. Negotiations between the state and the private firm dealt with the raising of tariffs and collections (Nellis and Kikeri 1989; Nellis 2005). This PPI was an important paradigm shift for African states. It evolved into the model for business collaboration in Africa, especially in the field of infrastructure development. As governments took responsibility for improved governance and human capital development (education, social welfare, gender equality), the international donor community focussed support to those areas of empowerment, rather than aid to failing states. In 2010 Mayaki, the CEO of NEPAD, reiterated that Africa was moving from aid dependency to development effectiveness, based on home-grown policies and an outlook of 'beyond aid'. The bedrock of that paradigm shift was good governance (Mayaki 2010). An integrated development plan to give effect to Millennium Development Goals (MDG) achieved through collective action of Africa thus mandated enhanced collaboration, which had to materialise through regional co-operation. An important aspect of the revised growth strategy was strengthened regional collaboration as the foundation for the implementation of NEPAD (Osabuohien 2007; NEPAD 2001).

6.2 Privatisation: Enters African Entrepreneurs

As African economies faced serious fiscal constraints and engaged in restructuring, they had to consider the privatisation of public enterprises. African governments were reluctant to dispose of state-owned enterprises. For a prolonged period after independence, central control over the 'commanding heights' of the newly

independent economies was a source of cementing political control. As democratisation moved more strongly to the centre stage of African politics towards the end of the twentieth century, some government were cautious of not playing into the hands of political opposition when privatising state-owned enterprises. Few African governments had a sound understanding of what privatisation meant and how it could benefit their entire society and economy. Different privatisation strategies existed, but governments hardly understood the mechanisms and implications of each. By the late 1990s (around 1995/1996), the privatisation momentum started. By 1996 around 2700 transactions to a value of US$2.9 billion were concluded. The general method of privatisation was by means of competitive tenders, liquidations or sale of assets, whereas capitalisation or voucher-based sales would have secured more broad-based benefits. Generally, the public communication was that privatisation aimed at empowering or benefiting the broad population. Governments sometimes retained shares in privatised entities, but the general trend was total exit from SOEs. Between 1990 and 1995, a third of SOEs in Africa was privatised, but since the majority were small- or medium-sized enterprises, the fiscal impact was still moderate. Only the cases of the Cote d'Ivoire and Guinea were national utilities included in SOEs to be privatised. In most cases, national utilities were explicitly excluded from the privatisation programmes (White and Bhatia 1998: 3–25).

Privatisation was the transfer of operational control from the state to the private sector. It was possible for the private sector to gain operational control through management contracts, concessions or leases, generally secured through majority shareholding. Divestiture occurred when the state transferred title in or sold some or all assets or shares in an enterprise, regardless of any transfer of operational control. The stated aims of privatisation differed from country to country. In Zambia, privatisation was self-standing and had its own set of objectives. The only common denominator amongst the objective was to reduce fiscal deficit, but then many states, such as Benin, Cote d'Ivoire, Kenya, Tanzania, Cameroon, Ghana and Nigeria, also quoted the desire to develop the private sector, to broaden ownership of the economy and improve economic efficiency as major motivations for privatisation. Across a wide range of commercial and industrial sectors, privatisation and divestiture allowed private entrepreneurs to enter the market. Privatisation commenced towards the late 1980s—Ghana and Nigeria in 1987, Benin in 1989, Kenya in 1992 and Zambia in 1994. White and Bhatia (1998) doubted the actual stated aim of broadening ownership when, e.g. in Kenya, the majority of public enterprises were sold to shareholders holding pre-emptive rights. Generally, SOEs were sold to the highest bidder, not to the broadest stakeholder base. These developments signified the pressure from structural adjustment towards privatisation, rather than a belief in the superiority of the market. These privatisation transactions White and Bhatia call are 'non-competitive' privatisation (p. 26). The intervention of the successive development plans (Lagos, MAP, Omega and the ECA plans), integrated into the AU Constitutive Act and NEPAD Charter in 2001 more than a decade later, can be considered the turn towards the market.

Privatisation allowed private entrepreneurs into the mainstream of African economies, but only those who had access to adequate capital or finance. The most successful African entrepreneurs of the twenty-first century are not those who benefitted from access to formerly state-owned enterprises, but those who displayed the entrepreneurial orientation, successfully assessed the entrepreneurial opportunity and mobilised the resources to enter the market. Where privatisation occurred, irrespective of the motivations of the governments involved, entrepreneurs were waiting in the wings. Entrepreneurs either stepped in to take over SOEs or to rescue them (Nellis 1985), or they just took advantage of the emerging liberal market environment.

The most realistic opportunity to African traders after independence was in small-scale 'retail' or petty trading in urban areas, where locally produced consumables, food, clothing and basic necessities could be sold. Informal economic activity manifested in different forms since the colonial period, but escalated as state powers, both colonial and independent, attempting to regulate the activities of these small 'entrepreneurs'. In the post-structural adjustment landscape of Africa, women emerged from limited visibility to active economic agents, or visible entrepreneurs. Women were active nationalists opposing colonial rule and after independence negotiated their way to economic independence through taking up their 'free agency rights' (Sen 1999). In the emerging open markets towards the late twentieth century, African women positioned themselves in a powerful position in urban markets, often within the informal markets (Falola and Fwatshak 2011; Kinyanjui 2014).

Entrepreneurial opportunities to local entrepreneurs were constrained. As noted by Casson (1982) and Eckhardt and Shane (2003), entrepreneurial opportunities involve a context offering conducive conditions for successful future operations. Opportunities are as important as understanding individual and firm-level cognition and behaviour. But as Schumpeter (1947) in his emphasis on innovative entrepreneurship emphasised, entrepreneurship also involves constructive change, which involves the redirection and restructuring in the make-up and operation of markets—'Entrepreneurship changes social and economic situations for good' (Schumpeter 1947: 150). Context, time and change are embedded constructs of entrepreneurship. These constructs were compromised in the colonial economies in favour of non-African entrepreneurs. Political change was the prerequisite.

Very limited research is available on business development in Africa since macro-economic restructuring. A number of surveys have observed the development of small- and medium-sized enterprises, but the overall majority of African business is small and engaged in the informal sector (Marsden 1990; Kiggundu 2002). The modern African business sector has moved in between the informal sector and large foreign-owned or the state-owned enterprises. In Kenya, 51% of enterprises surveyed by Marsden in 1990 employed between one and nine employees (Marsden 1990: 6). A 2005 study showed that the majority of African businesses were small, since only 2% employed more than 10 persons. Amongst these small and microenterprises, many were unregistered and operated in the informal sector, including the services sector (such as hairdressing, commercial

transportation, auto repairs, etc.). The informal sector contributed an estimated 20–40% to African GDP (McDade and Spring 2005). Registered micro- to small-scale enterprises in the formal sector operated in more formal municipal markets and were taxed. Many African women operate in this market segment by selling almost anything in urban markets—from water to curtain fabric to manufactured footwear—or they were owners of private clinics, hotels, supermarkets and tourism operations. The most impressive observation was the steady growth in medium-scale businesses. The so-called missing middle, which seemed to be obscured during the early 1990s, emerged as a substantial business sector in the new African economy (King 1996; Kinyanjui 2014). In Botswana, Cote d'Ivoire, Ghana, Kenya, Malawi and Tanzania, large numbers of formally registered middle-sized privately owned enterprises were active participants in their economies. As an example, in Tanzania more than 5000 formally registered road transport companies were identified, and in Ghana more than 2000 businesses applied for business loans from financial institution, with the average investment project funded at US$1.5 million (Marsden 1990). The vibrancy of the emerging new African enterprises, especially since the post-SAP era, soon re-established commercial networks. In 1998, West African entrepreneurs established the West African Enterprise Network (WAEN), followed by similar networks in East Africa and southern Africa (EAEN and SAEN). A study of network members revealed that 95% of the sample group was owners of their enterprises, 85% acquired their businesses themselves, 72% owned a single enterprise, but 28% were multiple business owners (McDade and Spring 2005).

An important characteristic of entrepreneurs of the era of the emerging liberal market is family connections. Entrepreneurs enjoy a high social standing, are often, but not exclusively, middle-aged married men with families and are well educated. As gender discrimination against women was addressed in the new millennium, women emerged as a growing proportion of successful entrepreneurs in different sectors of the market. Family-based enterprises remained a strong feature of successful enterprises, with an autonomous patriarch providing leadership and experience. Since in the precolonial period, family enterprises have been an important source of stability and sustainability in business. As observed in previous chapters, not all family-based businesses progressed through successive generations. In this chapter, examples of third-generation family enterprises will be discussed, but also the emergence of new family businesses. Neither the colonial state nor the independent African state actively promoted local entrepreneurship, but family businesses or family entrepreneurial legacies constitute the sustainability of local entrepreneurship in the new market era. Business families such as the Dantata, Ibru, Bakhresa, Mia or Dockrat families are cases in point. In the post-reconstruction period, the persistence of family enterprises shows the key role of family ties in the sustainability of African enterprise, rather than the culture of the market, society or the state.

New entrepreneurs have responded positively to the opportunities of the market. In many cases civil servants spotted entrepreneurial opportunities in other sectors, such as agriculture. Indigenisation and empowerment policies often opened

business opportunities that gave birth to new entrepreneurs. State divestiture in Malawi, for example, gave W M Juma the opportunity to supplement his wholesale sugar trading business with poultry and pig farming on estates sold by the state because of unprofitability (Marsden 1990: 32–33; 36–37). To explore the 'explosion' of entrepreneurial activity since the market opened up, it is useful to point to the traits that enabled the emergence of this entrepreneurial resource. The case studied points to traits such as personal initiative, a sense of innovation, entrepreneurial orientation, commitment and hard work in their business, motivated by personal achievement and self-expression and personal autonomy. They diversify into areas that make sense to their existing enterprise or expertise and where they have a comparative advantage. There is a weariness of government intervention and bureaucratic control, but state support is highly appreciated. Not all new entrepreneurs were successful, but those who succeeded displayed these traits. Furthermore, extensive research has underlined the distinguishing factor of ethnicity and/or race in business success. This is true for ethnic minority Chinese (Reddings 1991), East Indians (Godsell 1991; Van den Bersselaar 2005), Levantines or overseas Lebanese (Kallon 1990) and South and East Asian groups (Japanese, South Koreans, Chinese) in the USA and Europe, while African blacks generally underperformed in those markets (Kiggundu 2002). Especially European and Indian entrepreneurs were successful in Kenya, Tanzania, Zambia and Zimbabwe (Ramchandran and Shah 1999).

6.3 New Generation Entrepreneurial Innovation

African entrepreneurs of the post-Lagos Plan era cannot be traced through systematic and comprehensive data, because that does not exist. Scattered information reveals the crucial role of entrepreneurs embracing the opportunities to do independent business enthusiastically. As a more enabling environment started to emerge, entrepreneurs exploited those opportunities in innovative ways. In Kenya the office registering limited liability companies received between 880 and 1695 applications during the 1980s. Far fewer foreign companies were registered—between 10 and 58 annually. Between 4088 and 5240 new business names were registered annually in that decade. The number of business organisations (Chambers of Commerce) increased rapidly (Marsden 1990: 6–7). Entrepreneurs operated in the micro end of the market, but also matured into medium-sized businesses. Marsden conducted case study interviews with 36 entrepreneurs in Malawi, Ghana, Kenya, Botswana, Cote d'Ivoire and Tanzania. The case studies are significant. It shows how people migrated from employed occupations into the risk environment of business. Many entrepreneurial initiatives started in agriculture or natural resources, which is where traditional African societies secured their livelihood. That is where they had superior knowledge and experience, which was subsequently applied to the challenges of the market. As large industry was almost fully captured by SOEs, some entrepreneurs sought opportunities in small-scale

manufacturing. The growth of large industrial enterprise remained delayed until privatisation occurred, and that also occurred slowly. It is remarkable though how ordinary people identified opportunities to sustain a livelihood for themselves and grow dreams, ambition and opportunity.

In 1978 a trained nurse, Irene Dufu, used her gratuity paid to her when she resigned from the military, to purchase a wooden boat. As a trained nurse, she worked in a military hospital, but after assisting fishermen in accessing funds to buy their own vessel, she reached back to her ancestral roots of fishing communities. She decided to venture into the fishing industry herself. Underperforming state-owned fishing enterprises gave her the opportunity to purchase a second-hand tuna vessel. She sent a repaired 80 ton tuna trawler to sea. She registered her fishing enterprise as Cactus Enterprise Ltd. Her enterprise expanded to employ local fishermen. Cactus Enterprise exports tuna to the USA. The foreign exchange earnings are kept in her own foreign exchange account after foreign exchange liberalisation in 1989. This growing enterprise succeeded because the entrepreneur knew the market into which she ventured, she had access to own savings to start up the business and further expansion depends on the accumulation of cash to maintain, service and modernise equipment. The timing of this venture was fortunate, since it benefitted from structural adjustment in Ghana since 1985 (Marsden 1990: 23–225; Fick 2002: 36; https://openknowledge.worldbank.org/bitstream/handle/10986/5974/9780195208689_ch04.pdf?sequence=7).

Agriculture and fishing were important sources of entrepreneurial advancement. Evidence of this is found in several cases of new agribusinesses. In Cote d'Ivoire, Alexis Detoh Kouassi, a trained engineer, exchanged a career as manager of a French textile group in Cote d'Ivoire, to acquire a substantial shareholding in a Belgian-owned banana and pineapple flower estate, Blondey. With foreign and local partners, the company developed extensive pineapple exports, also in collaboration with a French export marketing firm, Pomona. Pomona also bought equity in Blondey, and since then a lucrative pineapple export enterprise developed in Cote d'Ivoire. So did Saliou N'Dione establish Pechazur S A, a shellfish export company in Cote d'Ivoire in the late 1980s. He worked for a French fish processing company, but once his own company was registered, he sourced fish from local specialist fishermen and exported through a wholesale company in France (Marsden 1990: 37–40). Both these entrepreneurs created employment and earned foreign exchange, but experienced restrictions imposed by state regulation of licencing. The rubber resources of Cote d'Ivoire also presented opportunities to enterprising individuals. Fulgence Koffi had the opportunity to study rubber technology in Paris. With specialised knowledge of the product, Koffi entered employment of a French company Pakidie, as plantation assistant. By 1974, he had risen to the position of Director General of the Pakidie Plantation as well as the company's rubber product factory at Macaci. When the French family who owned the enterprises decides to withdraw from the plantation and manufacturing operations of their business and concentrates only on distribution, Koffi raised the capital to buy both businesses. Koffi worked closely with Michelin, his principal client, and Pirelli, the Italian tyre manufacturer (Marsden 1990: 56–580. Changing demand

in the domestic and global markets put pressure on Macadi's sales, but Koffi sought foreign equity partners to inject capital into the operations, showing entrepreneurial dynamism and adaptive capabilities that came to characterise emerging African business.

In Malawi, Mwaly Omaji Bapu came from a family engaged in the tobacco industry—his father was a trader and his brother cultivated large tobacco farm near Nemwera, north of Blantyre. Bapu was of mixed African/Asian descent. He left secondary school at the age of 18 and joined his brother on the tobacco farm. His brother died unexpectedly and Bapu was left to manage the farm in the wake of adverse weather conditions. He was forced to close the farm but he did not enter employment with another employer. As a self-employed tobacco grader in Blantyre, he relied on his acquired knowledge of the industry and his skills in grading tobacco leaves. During the boon in international tobacco prices of the early 1960s, Bapu saved sufficiently to enable him to qualify for a loan from the Farmers Loan and Subsidy Board and reopen his farm in 1965. He registered his own company W O Bapu (Pty) Ltd and employed his expertise, thrift and hard work to build a diversified enterprise. Inherent organisational capabilities and dedicated hard work built his confidence in business. He diversified his enterprise into real estate, construction and trading operations. He benefitted from the government policies of supporting agricultural development in Malawi, as well as the impact of sanctions against Rhodesia after the UDI in 1965. These developments gave Bapu the chance to participate in tobacco auctions in large centres in Malawi, from where he entered the export market. He had no difficulty in raising finance in Malawi to finance his export operations. By the 1990s, he was able to expand production after acquiring the Chirambe estate. He diversified into coffee cultivation, ultimately exporting to Germany. Further diversification into other cash crops made him an agricultural entrepreneur, who appointed skilled and professional managers to manage his diversified enterprise. His entrepreneurship did not only emerge after macro-economic restructuring in Africa, but well before that date. He was not dependent on state favouritism to set up his enterprise, but as a member of the Chamber of Commerce expressed dissatisfaction about excessive state regulation through agricultural regulatory bodies. Bapu was an entrepreneur who commenced his business initiative shortly after Malawian independence and expanded and diversified from a single crop to various crops and various agricultural estates. Despite his lack of post-schooling education, he used the business networks, foreign connections and professionally trained managerial staff to promote and sustain his enterprise (Marsden 1990: 25–27).

Entrepreneurs in East Africa made good use of the export potential presented by agricultural production and the proximity to markets—to the Middle East, to South Asia and to Europe. Hasit 'Tiku' Shah was born in Kenya as the son of a Gujarat Indian immigrant to Kenya during the last decade of the nineteenth century. The father was a general import trader, which is what many Indian businessmen did across East Africa. In 1972, the father joined forces with a group of African farmers in Kenya to export agricultural produce to Europe. With three workers the trade expertise of the Gujarat trader was linked to the farmers' knowledge of agriculture

to export French beans, aubergines, pineapples and passion fruit to Europe. By 1990 the business had a turnover of US$3.5 million. As the tea and coffee boom ended abruptly in the early 1970s, Kenyan farmers needed to explore alternative production strategies. Hasit Shah first had no intention to enter into his father's business. As a brilliant mathematics student, he completed a master's degree at the University of Southern California, but failed to secure suitable employment in the computer field. He returned to Kenya in 1987 and took up the task of designing new packaging lines and plan and implement a new marketing strategy for the company, Sunripe Ltd. By 2008 Sunripe Ltd comprised of a group of companies specialising in the different phases of the supply chain of production, washing and cleaning of produce, packaging and logistics to secure freight to markets. The company has 2200 employees, plus more than 4000 smallholders contracted to the supply chain of Sunripe. In the emerging open market of the late 1990s, 'Tiku' Shah relied on specialist funding assistance to facilitate access to advanced technology from France. Sunripe entered into an agreement with the horticultural product specialists in France, Lacour, to install custom-made pre-packaging technology. The application of leading international technology was instrumental in catapulting Sunripe's exports into 25 countries by 2009. Successful entrepreneurial succession between generations, professional management and cutting-edge technology contributed to the growth of Sunripe Ltd. from a non-market-friendly business climate of the 1970s to a leading player in the Kenyan horticultural industry.

The opportunity in horticulture in Kenya drew many entrepreneurs to the industry. Peter Kirago was qualified at the Institute of Bankers in London and employed with Grindlays Bank in Kenya, then the Kenya Commercial Bank and in 1981 the Nationwide Finance Corporation. His father was a farmer. By 1985 Kirago decided to venture into the agribusiness by purchasing a farm producing horticultural products (French beans) and milk. After purchasing more land, he ventured into flower cultivation and secured an export contract for four million stems of statice flowers. The entire farmland under Kirago's management was cultivated either for the export market (beans and flowers) or domestic milk supply. The well-educated banker thus left the secure fixed employment environment to enter the risks of agricultural production—and with specialised farming and financial assistance, he is an example of the move to private enterprise in Africa. The Kenyan state established the Horticultural Crops Development Authority, but bureaucratic intervention did not advance the industry. It was the competitive market forces that made small producers take to new technology, since access to markets depended on the supply of good quality produce and timeous delivery (www.sunripe.co.ke; Watkins and Ehst 2008; Marsden 1990: 29–30; 34–35).

In Botswana enterprise growth was from modest beginnings, since the country was poor at independence. Many entrepreneurs ventured into private business without fear of nationalisation, since Sir Seretse Khama embraced western capitalism. By the time that many African states grappled with serious macro-economic constraints of debt, business in Botswana benefitted from proactive organised business. The Botswana state implemented the same measures as in Kenya, established a National Development Bank in 1964 and established the Botswana Development Corporation

(BDC) and a Financial Assistance Policy (FAP) in 1982. These institutions had to promote economic development and diversification, but not much diversification occurred by the end of the millennium. Around 563,000 SMMEs were recorded in Botswana by 1999, of which between 80 and 85% failed within 5 years of establishment. The SMMEs contributed approximately 45% of GDP (Magang 2015a: 164–171; 296–299; Magang 2015b: 387, 512). Private enterprise was allowed to prosper, but the 'resource curse' of diamond wealth coupled with indigenisation policies hampered structural change. Organised private business under a new name (Botswana Employers Forum) changed its name to the Botswana Confederation of Commerce, Industry and Manpower (BOCCIM) in 1991 (Interview Mmusi 27/2/2017). The private sector used this forum to lobby government on pro-free market reforms. New enterprises, for example, had to advertise in the Government Gazette its intent to commence business, but measures of that nature placed impediments on private enterprise. A critical mass of small businesses is developed, enabling BOCCIM to act as a counter to labour unions. BOCCIM set out to develop critical mass in domestic commerce, especially the retail industry.

The domination of SMMEs is borne out by some cases in the development of this critical mass. A qualified lawyer, Julia Helfer, was a partner in a Gaborone law firm, but realised the demand for hair care products specifically for African persons. She opened a hair salon, distributed Revlon's hair care products, but then joined forces with an American manufacturer, Johnsons, to manufacture African-specific products in Gaborone. Her new company, Yarley Cosmetique, benefitted from the FCA incentives and distributes the product into neighbouring countries. Norah Mmonkudu Glickman is a Botswana citizen, who found employment in South Africa as a knitting machine operator in a clothing factory. She worked for 4 years and then decided to replicate the same business for her own account in Botswana. In 1973 she used her own savings, funding from the NDB, and rented a factory on an industrial site in Gaborone for her enterprise Mopipi (Pty) Ltd. Mopipi manufactures knitwear, dresses and school uniforms. State protectionist policies secured Mopipi in the domestic market, but also undermined the development of competitive efficiencies that could enable expansion outside Botswana. A similar experience of Dorothy Jones, who established her clothing enterprise, Designer Stitches, shows the width of entrepreneurial initiative in Botswana. Designer Stitches is located in Lobatse, the third largest city in Botswana. The company manufactures t-shirts, aerobic exercise clothing and swimwear. An FAP facility supplemented by commercial bank loans got the enterprise off its feet. She concluded a supply contract with a leading South African supermarket chain, for which Designer Stitches manufactures on demand. Patrick Moyo and Barnabas Batsalelwang established Gaborone Printing Works in 1978. Moyo's father was a farmer and he qualified as a teacher, but after some years employed in a company performing office furniture repairs, he noted the high demand for printing. With loans from the FDA, he and Barnabas set up a small printing company. Advanced technology printing machines from Germany and Japan constituted the equipment which enabled them to grow their business. Gaborone Printing Works benefitted from government work, but new entrants into the lucrative industry increased;

competition mandated efficiency improvement. Higher economies of scale in large South African printing operations enabled the latter to secure large contracts in Botswana. An inclination for opportunity assisted Moatshe Dintwe in expanding his metal furniture manufacturing business Mosupatsala Engineering Ltd into a leading player in the industry in Botswana. The open market policy of the Botswana government enabled competitors into the market, but Dintwe modernised production capacity and acquired advanced technology through an international joint venture agreement. Dintwe used BDC, NDB and Swedish funding to acquire access to new technology. In 1983 Dintwe went on a sponsored study tour to Sweden, where the efficiency of manufacturing impressed him. He entered into a joint venture agreement with Finnveden that acquired 20% of Mosupatsela Engineering and Swedfund a further 30%. With this capital injection, extensive technological innovation was introduced and allowed the company to take a leading position in the manufacturing of kitchen units and office furniture in Botswana (Marsden 1990: 43–45; 49–52; 58–61).

An important aspect of the Botswana business context is non-racialism. A family business under fifth-generation management, Haskins, is perhaps the signature Botswana enterprise. J Haskins and Sons was founded by James Haskins, an Englishman, born in Bristol, who immigrated to Botswana in 1897. He opened a general trading enterprise, selling blankets and general household goods, but by the early 1960s, it was apparent that the general trading market had become too congested. To sustain the family enterprise, the next-generation Haskins decided to switch to hardware and building materials. James Haskins did not like hardware, but diversification and innovation would secure the business. As the post-independence state had to build many new roads, schools, public facilities, etc., the change in business focus was testimony of entrepreneurial insight and adaptive capabilities. The survival of the company into a fifth generation in the wake of Chinese and South African competition can be ascribed to the quality of its operations. The enterprise traded in high-quality hardware, tool machines and equipment and delivers after sale service, while a network of nine branches in Botswana is managed by well-trained local people. The management remains in the hands of Victor Haskins, but professional managerial staff, for example, a Sri Lankan director who is an expert in the trade, is part of the management team (www.haskins.co.bw; interview Victor Haskins 27/2/2017). Similar family enterprises under successive family control, especially families of Asian descent, but long-standing citizens of the African countries in which they operate, have evolved from general trading to specialised related operations when state policies opened markets. Successful SMMEs flourished in Botswana, but did not develop competitive advantages beyond the domestic Botswana market.

The SMME sector in Botswana stagnated in the small market where licences for bars, filling stations, bakeries, etc. were reserved for Botswana citizens. By 1994 BOCCIM called for free market compliant trade. BOCCIM wanted a new culture in business, open competition and foreign investment, which was premised on a commitment to the liberal market. BOCCIM engaged the state through biannual 'Francistown Conferences' where business and the government discussed

economic and business policies. At one of these Francistown Conferences, BOCCIM convinced the government to terminate the FDA and accept privatisation and the establishment of Citizens Empowerment Development Agency (CEDA), to provide funding under much streamlined conditions to promote business and not stifle it, as had so often occurred under FDA bureaucracy (Interview Mmusi 27/2/2017; Magang 2015a: 226–22). This high-powered government—business consultative forum—gradually renegotiated a new business culture (funding policies, tax rates, training opportunities and access to business in Botswana) for Botswana (Interview Moleele 27/2/2017). The more open market was responsible for the entry of foreigners to the Botswana market, but still subject to employment requirement giving preference to local citizens—an extended indigenisation policy. In 1986, the Chopdat family opened Wayside Supermarket in Lobatse, controlled by Farouk Ismael's Ismael Group of companies. In 1992 auditors were sent to rescue the enterprise. Ramchandran Ottapathu was the auditor tasked by an Indian audit firm, with the restructuring operations. Ottapathu was an Indian from the south of India, the village of Trichur and one of the four siblings. He studied at the University of Calcutta and found role models in a few billionaire businessmen in India. He came to Botswana in 1992 with $12 in his pocket, but had a professional qualification that gave him the edge. Ramchandran Ottapathu joined the Chopdat enterprise, but after acquisition of some Spar, Friendly Grover and OK shops, the decision was taken in 1999 to establish the Choppies brand as an independent brand in Botswana and subsequently expand into neighbouring countries. Ottapathu followed the same supermarket concept as Shoprite by organising stores in a consumer-friendly manner, supplying food and basic consumer goods to a specific market segment. In 2003, a Choppies Superstore opened in Gaborone, and from that footprint emerged as the market leader in Botswana. Choppies competes with Shoprite and Pick n Pay in Botswana (Das Nair and Chisoro 2016: 3–4), but uses branded convenience to firm the brand identity and grow consumer loyalty (Choppies Annual Report 2015; E&Y, Africa Attractiveness Report 2016: 24; Interview R Ottapathu 26/02/2017; Das Nair and Chisoro 2016: 4). The competition between the different food retailers in Africa benefits from the growing sophistication of consumer demand and the underdeveloped nature of the formal retail market in Africa. Only two countries in Africa have 50% formal retail penetration—South Africa and Botswana. This is the entrepreneurial opportunity open for the taking. Strategic positioning with respect to certain market segments is the key to the sustained operational expansion of these enterprises. As the new CEO of the Ismael group of companies, Ottapathu restructured operations, the composition and quality of stock and the physical outlay of the supermarkets and changed the name to Choppies Enterprises. He became a Botswana citizen. Specific attention was afforded to improved corporate governance, managerial control and a much improved work ethic amongst employees. The expansion of the Choppies group into eight African countries shows management's strategic vision and sound assessment of consumer demand in the various markets. Choppies stores are differentiated in size, range of products and target market. In 1993 he embarked on an expansion drive. He opened Choppies supermarkets in other Botswana towns,

in Mozambique, and from 2008 also in South Africa, primarily by acquiring shops from the existing Spar supermarket network. Choppies expanded rapidly and opened a wholesale distribution centre in Rustenburg, South Africa, in 2013. On 26 January 2012, Choppies was listed on the Botswana Stock Exchange, making the company one of the largest companies in terms of market capitalisation in the non-banking sector in Botswana (Choppies Annual Report 2012, 2013). The group of companies under the Choppies Enterprises control included supply, distribution, finance, real estate, investment companies, tourism and warehousing service concerns totalling 75 companies. Choppies had expanded its Botswana signature operations into seven neighbouring countries by 2013 (Das Nair and Chisoro 2016: 4). The Choppies supermarkets resembled state-of-the art store outlay, product composition and quality, which made it the first Botswana home-grown enterprise with economies of scale able to expand outside the domestic market.

The development of business in Botswana can be considered typical of business development in an independent African country. State intervention determined the scope of business (Magang 2015b: 11–12). If a broadly market-friendly macroeconomic policy framework was adopted, entrepreneurs ventured where opportunities presented. The success depended on access to capital, labour, knowledge and markets. The state intervened in those markets by setting up state financial institutions and development agencies, which seldom performed their functional efficiently. These state-owned institutions distorted the market because of a lack of capacity, nepotism, ill-conceived development priorities and distorted exchange control. While African governments progressed gradually towards economic restructuring, democracy, civil rights and freedoms, the business environment followed suit. As described above, entrepreneurial initiatives were generally of limited scale. Family businesses, Asian entrepreneurial capabilities and formerly employed professionals or civil servants ventured into business from a path-dependent perspective. The growth of those enterprises was modest and primarily restricted to their home markets. Only a few exceptions emerged, such as Choppies, that have expanded operations outside Botswana.

6.4 Transforming Humble Trading into a Corporate Empire

In the era after structural adjustment, private enterprise took off in Ghana as government policy suddenly turned pro-business. In 1986 the President Rawlings announced a new era of government-private sector relations when he claimed that '. . .we are dependent on the private sector to play a dynamic role in the resuscitation of our industries' (quoted in Ball 1997: 201). The international organisations' involvement in Ghana established a turnabout in the environment for business. A National Board for Small-Scale Industries (NBSSI) was formed in 1985 and by 1994 had become the state instrument for the dissemination of support for small-

scale industries and other business developments. NBSSI organised an Entrepreneurship Development Programme (EDP) and Business Advisory Centres (BACs), which mirrored the Botswana developments of the early 1990s. Extended government business support, training and development programmes sprang up across Ghana, supplemented by universities' business programmes (Ball 1997: 201–212). Privatisation only got under way during the mid-1990s and in 2004 state-owned telecom companies were sold. The businesses that emerged in the post-structural adjustment era were either new start-ups or began as general trading companies subsequently diverting into other opportunities in the market. Despite a growing interest of foreign business in the Ghanaian market, local African entrepreneurs emerged to play a significant role in the growth of business.

In the cocoa processing sector, Patricia Poku-Diaby was involved in her family-owned trading and transport company. She established Plot Enterprise Ghana Ltd in 2009. The Plot Enterprise Group was established in Cote d'Ivoire to engage in commodities trading (cotton and cocoa), registered with the Dubai Metal and Commodities Centre and later in 2009 with the formation of plot Enterprise Ghana, also on the Cocoa Merchants' Association of America. Poku-Diaby used state-of-the-art German technology in its cocoa processing plant in Takoradi in the western region of Ghana. With professional management overseeing operations, financial control, quality and the physical plant, the company is an important local enterprise in Ghana's agro-industry (Sutton and Kapenty 2012; Boakye 2015). Patricia Poku-Diaby is one of the female entrepreneurs in Africa who has taken on the world of big business. Her business journey emerged from her experience in the family-owned trading enterprise and the growing gender empowerment agenda commencing with the Economic Commission for Africa's Decade of Women in 1980 and the NEPAD commitment to gender equality. In the capital intensive palm oil processing industry, privatised SOEs went into foreign control.

Dayou Purswani lived most of his life in Ghana, but is an Indian businessman, who distributed biscuits of UK manufacturers in Ghana. In 1993 he established his own enterprise, Parlays Ghana Ltd. The entrepreneurial direction was to enter manufacturing himself. He visited biscuit manufacturers in India to explore the technology, management and capital requirements of such an enterprise. After securing funding in Ghana, he set up a modern manufacturing plant and in 1995 registered the company officially in Ghana. Parlays Ghana Ltd manufactures 12 different types of biscuits and bakes bread for local distribution. Purswani is the managing director of Parlays, but professional managers are operating in the different departments of the enterprise (Sutton and Kapenty 2012). Purswani spotted an opportunity in the Ghanaian market and benefitted from his distribution experience to establish his own new biscuit brand name. As the market liberalised and competition hooted up, the Lebanese-Ghanaian family-owned Millet Textiles (established in the 1950s) changed their production and business strategy, but still struggled to survive in the face of new entrants. Finally, a new business focus, namely, non-alcoholic drinks (fruit juices, milk) under the name Aquafresh, was registered in 1994. These entrepreneurs displayed adaptive survival strategies, which kept them in business in Ghana. In the same industry, the bottling company

of Pepsi-Cola, which had been nationalised, was privatised in 1998. The business was acquired by a group of Ghanaian businessmen, who used the platform in a similar way as the Kunene Brothers in South Africa, to enter the bottling business in Ghana. In the wood and wooden products and building industry sector, nonindigenous Ghanaians such as Lebanese (John Bitar & Company) and Italians (De Simone Ltd and Micheletti and Co Ltd) survived nationalisation and expanded operations after the 1990s, but an African Ghanaian, Kwabena Adjare Danquah, entered the industry in 1984. Danquah was the son of a petty trader, a retail business owner. He finished school and started working for his father, but in 1981 borrowed US$5000 from his father to start his own enterprise selling steel filing cabinets. In 1981 he entered employment with Ghana Aluminium Products as a salesman and stockist. Ghana Aluminium is the largest manufacturer of roofing materials in Ghana. Danquah had the desire to venture on his own to manufacture roofing materials, and in 1984 he went to the UK to seek the capital equipment to manufacture his own materials. He finally found a South African engineer to manufacture high-technology machinery, which enabled him to commence with operations in 1984. His company Metalex operates under his management as CEO and his son, Yaw, as general manager (www.africanpro.co.za; Sutton and Kapenty 2012). As the roofing business expanded, Danquah also included clay and plastic roofing materials to his product range. Metalex bought steel from the South Africa's steel giant, Macsteel, since 1987. When Macsteel sought a Ghanaian partner to distribute their product in Ghana, they found a trustworthy partner in Kwabena Danquah. Danquah visited South Africa to investigate the nature of the South African operations, was impressed with the quality of the enterprise and entered into a 50/50 partnership with Macsteel Ghana. Danquah has subsequently invested in real estate in South Africa, but the bedrock of his business remains Metalex in Accra, Ghana (Rottak 2013; Boakye 2015; www.africanpro.co.za).

In the pharmaceutical business, local Ghanaian, Dr Michael Agyekum Addo, established Kama Health Services in 1983 as a chain of pharmacies. The business developed manufacturing capabilities able to supply locally manufactured drugs to the local and international market. By 2012 the company manufactured more than 42 different substances and distributes drugs for eight international drug companies in Ghana. The significance of the development of the drug manufacturing group in Ghana is that it is a line of business not frequently established in Africa. In the chemical industry, Azar Chemical Industries Ltd, established in 1968 by Lebanese entrepreneur in Ghana, expanded business operation of the family business into the manufacturing of paints. The initial Azar family business started under another name, City Paints, in 1968, but various restructurings led to the organisation of extended paint interests under the Azar Chemical Group. By 2012 the third-generation Azar children are managing the group (Sutton and Kapenty 2012; http://omgvoice.com/news/20-richest-ghanaians). Entrepreneurial engagement across a wide range of industrial production shows the entrepreneurial capacity in the country. From petty trading, entrepreneurial capacity successfully entered different sectors of manufacturing, despite industrial production only contributing around 34% of Ghana's GDP by 2015 and the service sector more than 50%.

In Zambia more than 90 SOEs were systematically privatise since 1996. The mining industry, especially copper mining, is the dominant contributor to GDP and dominates exports. The general phenomenon of general trading companies finally emerging as industrial champions in many African countries is equally true in Zambia. The mining and agribusiness developed strongly, but the performance in the construction and wholesale and retail sectors is indicative of the gradual transition to an open market economy. Privatisation led to the emergence of a number highly diversified conglomerates in the industrial sector as investors with sufficient funding acquired businesses in different sectors of the economy. The Trade Kings Ltd was established in 1995 by the Zambian Indian businessman, Mohamed Iqbal Patel, and close members of his family. The Trade Kings manufacture detergents, soaps, confectionery, soya food and a wide range of consumer products. The company also owns a steel mill. The company Agro-Fuel Investments Ltd was privatised in 1996 and acquired by Amanita Zambia. This developed into a diversified transport and engineering business. New opportunities opened up in floriculture, but were acquired by foreign entrepreneurs. Zambeef products Plc started as a partnership between a Zambian accountant, Carl Irwin, and an Irish meat processing specialist, Francis Grogan. Their small abattoir and butchery, established by Irwin's father, expanded business opportunities when the South African supermarket chain, Shoprite, acquired the privatised Zambian National Home Stores. Zambeef was awarded a 5-year contract to supply beef to the Shoprite outlets. The open market therefore invited South African retail entrepreneurs, and they joined forces with a Zambian meat supplier who served a different end of the market. Zambeef diversified its operations to include the cultivation of its own feeds (wheat), chicken, and in 2008 an edible oil enterprise, Master Pork. In 2011 Zambeef listed on the Zambian Stock Exchange, with a market capitalisation of US$107 million and US$454 million on the Alternative Investment Market of London. After privatisation Alliance One Zambia Ltd, Zambia's largest tobacco company, was acquired by a US company; Zamseed (Zambia's seed company) was acquired by a consortium of the Zambian government, the Swedish government and local seed growers; National Milling Company was privatised in 1996 and the Dutch subsidiary of AAC, Erebus, acquired a controlling interest. Hybrid Poultry Farm (Zambia) Ltd was a private concern before independence, but finally in 2003 acquired by a Kenyan family consortium. This is the largest poultry producer in Zambia. Zambia Sugar was a private company, established in 1960 as Ndola Sugar Company. In 1972 majority of shareholding was acquired by the state. The company was privatised in 1996 by means of listing on a Zambian Stock Exchange and renamed Zambia Sugar Company. Tate & Lyle, its original owner, then reacquired a 40% stake, before the British controlled Illovo Sugar took a majority stake in 2001. Also Zambian Breweries, established in1968, was nationalised and, upon privatisation, was acquired by the South African group, South African Breweries (SAB). Invesco Ltd, incorporated in 1991, traded as a bottling company and manufacturer of soft and carbonated drinks. This company was established by Ajesh Patel's Indian grandparents in Livingstone in 1927. Their company was the typical general trading

enterprise that survived privatisation since it was a small family-owned business. Patel saved capital to enable expansion and diversification once privatisation gained momentum. The Zambian cotton industry was integrated into the Kenyan-based family ginnery. The Kenyan-based Indian family, Munir Zaveri's grandfather, settled in Kenya from India's cotton-producing region in 1895 and started the production of textiles. Once the markets opened in neighbouring countries, Alliance Ginneries commenced production in Zimbabwe in 2004 and Zambia in 2007. The Kenyan entrepreneur thus took advantage of the open market on the doorstep of its existing industry in Kenya. Another Indian entrepreneur, Manu Shah, a Zambian citizen of Indian descent, established a general trading enterprise in Zambia. He traded salt and sugar. He later diversified his business operations into insurance, farming and manufacturing. As a leading Indian businessman in Zambia, he consolidated his businesses into the Unity Group, consisting of three divisions: Unity Garments, Unity Packaging and Unity Distributors. The original trading company still operates under the name Tops Trading Company. In the construction, paper and packaging, building material, metals, engineering and assembly industry, foreign firms acquired a strong foothold after privatisation, having access to professional expertise, capital, experience and links to large conglomerates in Britain, Europe and South Africa (Sutton and Langmead 2013). Many foreign interests moved into Zambian industrial enterprises after privatisation. Entrepreneurs were nurtured in Kenya since independence, while the absolute nature of the state controls over the Zambian economy, prevented or stalled the development of local entrepreneurial capacity. At the time of privatisation, which in Zambia was a comprehensive process involving more than 85 companies between 1994 and 1999, limited local capacity existed to take advantage of the privatisation process. The underperformance of SOEs also required special expertise to effect a turnaround, a capacity inexperienced local entrepreneurs did not have.

6.5 Transforming Socialism into a Market

In countries emerging from highly centralised socialist political economies, such as Tanzania, Ethiopia and Mozambique, foreign entrepreneurs played a crucial role in business once the markets opened up. Some local entrepreneurs also entered the market, building on earlier general trading experiences, or simply intergenerational entrepreneurial capabilities transferred to new opportunities. In Tanzania, manufacturing developed from agriculture, and diversified conglomerates developed naturally from long-standing family-based trading enterprises. The main advantage assisting the expansion of the earlier trading businesses was the access to organisational capabilities. From long-standing family-owned businesses engaged in trading with India and neighbouring countries, networks developed, as well as organisational and managerial capabilities to integrate diversified businesses. Five large diversified conglomerates have established themselves as major players in business. Tanzania relinquished *ujamaa* when structural adjustment

policies were implemented to salvage the economy. Private enterprise was restricted to small-scale business and industry, but once markets opened, enterprise development could take off. In 1996/1997, 52 parastatal enterprises were divested—which was only the beginning to dismantle more than 400 SOEs. The scaling down of the scale and scope of government structures to allow private enterprise started in February 1999 (Cooksey 2004: 8; IMF 1999: 2). By that time small trading entrepreneurs consolidated their position. Said Salim Bakhresa opened a shoe repair shop in Dar es Salaam in 1968—independence was in 1961. Horizontal diversification followed into a restaurant, an ice cream shop and a bakery. Then he needed flour for his bakery and started his own wheat milling business in 1983. The Bakhresa family managed the small Bakhresa enterprises. Socialism failed to serve the Tanzanian economy, and in 1988 the government sold the National Milling Corporation in the first privatisation exercise. Bakhresa bought it to consolidate his milling interests. Bakhresa was an innovative entrepreneur. He modernised the mill and raised production almost five times. In 2001 he established a new company, Azam PP Bag, to manufacture the polypropylene woven sacks required for the flour. In 2006 he entered bottled water and soon diversified into fruit juices, manufactured from local fruit (Sutton and Olomi 2012; Bijaoui 2017: Multinational interest and development in Africa: 61). The Azam Group of companies of Bakhresa is currently a diversified group operating in milling, soft drinks, dairy products, packaging materials and shipping line transporting goods between Dar es Salaam, Zanzibar and Pemba. The Azam Group has expanded operations across the entire East Africa and the DRC (www.bakhresa.com; Bijaoui 2017: Multinational interest and development in Africa: 61). The group operates under family control—Bakhresa is in charge and his four sons manage the divisions. The family relies on professional management for the multidivisional group, but retains control at the centre.

The entrepreneurship of Indian citizens of East Africa is prominent in the other diversified conglomerates. The Sumaria group was started by K P Shah, a general trader in Kenya. He and his six brothers were traders in general stores across Kenya and later in 1957 expanded their business to Tanzania. In Tanzania Sumaria Enterprises manufactured plastic goods formerly imported by Tanzania Plastic Industries. The operations expanded into the manufacturing of pharmaceuticals, a variety of plastics, edible oils, food processing, soaps, cement, wheat flour, confectionary, textiles, soft drinks, dairy products, sisal products as well as real estate and forward clearing for trade. The head office of the group is in Tanzania, where family control remains tight, but the group has extended operations through joint ventures. The DPI Simba Ltd Company entered into a joint venture with South African DPI Plastics in 1999. The group is the primary manufacturer and supplier of polyvinyl chloride (PVC) pipes to the engineering industry in Tanzania and to East and Central Africa. From the pharmaceutical operations through the subsidiary Shelys Pharmaceuticals Ltd in Tanzania, Sumaria acquired the Beta Health Group in Kenya. When the Tanzanian government privatised soap and toothpaste manufacturing, the Sumaria group acquired a foothold in that sector as well. Further diversification into a cotton ginnery in 1996 and from that endeavour

edible oils are produced too (Sutton and Olomi 2012). The entrepreneurial adaptability, sense of innovation and assessment of market openings allowed the Sumaria group to take advantage of opportunities aligned with their core business. The family financed most of its expansion, but had established a substantial capital base from where further capital for major expansion was sourced. An even larger diversified conglomerate is the Mac Group, also established by a Gujarat Kanji Jeraj Manek, when he arrived from India in 1880. His general trading business was a family enterprise in Dar es Salaam, and in 1920 branches of the business opened in southern Tanzanian towns. The grandsons purchased a cosmetic manufacturing company in 1976, Chemi Pack Ltd. In 1978 the grandsons ventured into hardware; in 1980 into bituminized paper, which is the paper used to pack tobacco; and in 1980 into sanitary wear. One of the grandsons immigrated to the USA from where the overseas operations of the family enterprises were expanded. Yogesh's local operational expansion diversified business into welding electrode manufacturing, industrial chemicals and rubber slip-on shoes. The latter followed the government's disposal of National Rubber Industries, quickly acquired by Yogesh. By 1986 business operations were combined under a single group structure in Tanzania, The Mac Group Ltd. The Mac Group then acquired the Coca-Cola bottling contract for Tanzania, but in 1994 sold to the South African Kunene Group. The chemical operations of the group were consolidated in 2000 into ChemiCotex Industries Ltd. This has developed into one of the largest consumer goods companies in Tanzania and an extended network of business partners across Africa—even into South Africa. ChemiCotex exports resulted in the establishment of full subsidiaries in four neighbouring countries. When the government privatised a salt mine, the Mac Group purchased Nyanda Mines. In 2004 the group acquired International Pharmaceuticals and commenced with the manufacturing of drugs locally, and in 2005 the group moved into agribusiness when it acquired the East Usambara Tea Company. The management structure resembles a modern corporate structure with the Manek Brothers in executive control, supported by professional managers of the different operational divisions. The group finally also entered the financial services business by establishing Heritage Insurance Company Tanzania Ltd, Exim Bank (Tanzania) Ltd, another two insurance companies and an advisory service company and interests in real estate and construction. The latter was managed through the pacific International Lines, Ltd. After acquiring Strategis Insurance Zimbabwe, the Nac Group became the largest health insurance service provider in Tanzania (Sutton and Olomi 2012).

The entrepreneurial inclination of Subhash M Patel gave rise to yet another diversified conglomerate in Tanzania. Patel was born on the Tanzanian east coast. He started a trading in motor spares and conducted vehicle reparations. Soon he noticed the market for the manufacturing of small rubber motor spares, which was well received in Tanzania, since he thereby replaced imported parts. His vehicle spares business expanded to the point where he also collected scrap metal, which he soon reworked in a mill for reuse. In 1995 he established MM Integrated Steel Mills Ltd and gradually expanded operations into the manufacturing of galvanised corrugated roofing, different forms of metal sheeting using the cold rolling

technology. MM Industries also diversified into paints, rubber products and plastic water tanks. The group ventured into soft drinks and the tourism industry by operating the White Sands Hotel. The Motisun operations are smaller than those of the Mac Group, but are expanding into other countries in COMESA—Uganda and Zambia—where it engages in the manufacturing of roofing sheets. The group is managed a as a family business (Sutton and Olomi 2012).

The MeTL Group entered business in Tanzania in the 1970s when Gulam Dewji started out as a trader. Dewji started transporting goods between towns using his own transport, but later also traded in second-hand clothing. Business conditions deteriorated during the late 1970s, which created opportunities for entrepreneurs able to step in where emigrating businessmen left an opportunity. In 1998 Gulam's Mohammed Enterprises Tanzania Ltd (MeTL) moved into industrial operations. His son, Mohammed (called Mo), returned from the USA where he graduated from Georgetown University in Washington and landed employment on Wall Street. His father called him back to Tanzania to assist in the management of the newly acquired failing state-owned enterprises: a sisal processor, a sugar processor, a wheat flour mill and a manufacturer of bicycles. Before Mo's entry into the business, it was a trading house with annual revenue of US$26 million. In the next generation, Dewji saw opportunity in manufacturing, a strategy perceived by Gulam as too risky. Mo borrowed US$1 million from his father and acquired a soap factory producing 1 tonne soap per hour. Technology improvement and production efficiency through improved management of the production process resulted in production of 20 tonnes per hour in 2013. Mo repaid the loan—his father was convinced of the wisdom of a manufacturing strategy. Mo started a greenfield operation in edible oils, candles and cashew processing, which allowed him to expand into the agribusiness sector. The MeTL Group of companies employs more than 24,000 people and operates in eight countries in the SADC region. Turnover rose from US$30 million to US$1.1 billion in 12 years. Extensive operations in the sisal industry, cashew nut processing, textile manufacturing, agricultural packaging and import trading comprise the diverse business operations of the trader who patiently built small enterprises under a consolidated business group. The group invests in countries where it operates. In 2007 MeTL purchased the textile parastatal Nova Texmoque from the Mozambican state. MeTL modernised the technology and aligned operations with textile production in its Tanzanian plant. The executive management remains with the family—Mo is CEO and Gulam Chairman of the Board of Directors. They employ professional management on subsidiary level. The MeTL Group developed a high degree of vertical integration and geographical distribution. The group operates in five African countries. The MeTL Group has expanded 30-fold in 14 years, because of entrepreneurial insight in a newly liberalised market. The Comcraft Group contributed 3.5% of Tanzania's GDP in 2013 (www.metl.net; Http://www.forbes.com; Sutton and Olomi 2012; MeTL Group 2014). The reason for the existence of these diversified groups in Tanzania is the void in local entrepreneurship caused by the socialist economic policy after independence. Indian entrepreneurs sustained a low key business activity, managed by family members, and once expansion opportunities emerged

as the political economy changed, they had the organisational and financial capacity to move on opportunities offered by privatisation and market-oriented macro-economic policies. These diversified groups have interests in all sectors of the Tanzanian economy.

In the coffee and tea industries, local co-operative competes with foreign multinationals. In the coffee industry, the Kilimanjaro National Cooperative Union (KNCU) and the Tanzania Instant Coffee Company (TANICA) are co-operatives purchasing from smallholders and have diversified ownership away from state control to individual members. Government control in the tea industry was also privatised. Foreign companies such as Unilever and German coffee producers acquired some interests in the coffee and tea industries, but did not take over market control from the local co-operative enterprises. In the edible oil sector, the Zakaria family, who has been importing goods to Tanzania for more than 40 years, bought into edible oil processing once privatisation started in the late 1990s. In a similar way did the Patel brother who operated cotton ginneries since the 1960s move into the oil sector when private enterprise was welcomed in. In food processing, horticulture, sisal, sugar, cotton and beverage ownership and control are a mixture of joint ventures with foreign businesses, local entrepreneurs and new foreign entrants. The Badugu Ginning Company Ltd (BGCL), which started in 2006, is the only all African Tanzanian manufacturer in the cotton industry, where entrepreneurs from Indian background dominated. Five Tanzanian professionals started their business by buying wooden logs from government forests to make timber. From manufacturing furniture the company entered raw cotton ginning and crushing, in close collaboration with the Tanzanian Cotton Board. In the textile sector, a number of small mills operate in the market, but fierce competition from cheap imported textiles renders these plants small and uncompetitive. Also in the leather sector, small local shoe manufacturers operate, with foreign (Italian) partners since 2005. These remain small-scale operations.

In the construction metals and engineering sectors, former state-owned enterprises ended up in private control, often through management buyouts. Large South African and Chinese construction enterprises acquired businesses in these sectors. The only Tanzanian home-grown enterprise in the metal and engineering sector is ALAF Ltd, Aluminium Africa Ltd. This company was formed in 1950 by the Chandaria Group. The founder, Mr Chandaria, immigrated from India in 1916 to Kenya. He owned a merchant store, but gradually bought into the metal industry by buying into an aluminium plant Kaluworks. His son, Manu Chandaria, worked in that store, later studied engineering in the USA and returned to Tanzania, where the business acquired more aluminium plants. The company was the first in Tanzania to operate a sheet-to-sheet galvanising manufacturing line. The business was nationalised in 1973, but the Chandaria family maintained a management contract. In 1988 the contract expired and placed under full control of the National Development Board. The Chandaria family finally returned to the enterprise when the state divested from ALAF in 1997, and the family's subsidiary in Mauritius SAFAL bought 76% of the shares in ALAF (Bijaoui 2017: Multinational interest: 61; Sutton and Olomi 2012).

In Ethiopia the socialist political economy posted a negative 1.6% GDP growth between 1987 and 1992, which prompted structural adjustment under World Bank supervision. By 1995 an annual average growth rate of 6.4% was achieved, the fiscal deficit/GDP reduced to 8.7%, gross investment/GDP rose to 17.1% and domestic savings/GDP rose to 6.9% (ADF 1997). The introduction of market reforms, divestiture and privatisation of SOEs enabled the emergence of private enterprise across all sectors of the economy. The state consistently strengthened its growth and transformation incentives. In 2009 the Growth and Transformation Plan (GTP) for 2010 to 2015 was announced. The GTP targeted GDP growth of between 11 and 15% for 5 years. In 2011 11.2% GDP growth was achieved, but then growth slipped to 8.6% in 2012 and returned to more than 10% up to 2014. The GTP explicitly targeted large-scale foreign investment in agriculture and industry and private sector participation in the growth initiatives (www.tradingeconomics.com). Entrepreneurs therefore had a policy environment supportive of business. The entrepreneurial capabilities of Ethiopians developed in the small-scale trading companies from where business organisational capabilities, knowledge of the market and access to own savings or finance for expansion positioned those entrepreneurs to take advantage of the new market opportunities. From experiences with trading enterprises, a number of highly diversified firms entered business and industry after the 1990s. From small-scale import activity Ahadu Plc was established in 1994 by a man and wife Ethiopian entrepreneurial couple. Their trading activities expanded as market reforms facilitated foreign trade. The Ahadu Plc company is a holding company steering the operations of pharmaceutical import and distribution, tea processing and distribution, packaging and the administration of commercial buildings. The founder Solomon Wondimneh is the Managing Director, who employs deputy managers in the underlying subsidiaries. Ahadu operates as a network of local and foreign suppliers to the underlying concerns. From a small tailoring enterprise, Duguma Hunde grew his enterprise into a retailer and wholesaler of textiles, yarn, garments and corrugate iron sheets. As the sole agent for state factories manufacturing thread, textiles and garments, he integrated his knowledge of the industry with the supply and distribution network. In 1997 he decided to manufacture those goods himself and established DH GEDA Trade and Industry. The latter company is the holding company of a number of separate subsidiaries manufacturing wheat flour, galvanised iron sheets, paint and blankets, engaged in construction and real estate management. With strong central managerial control from the top, Hunde employs professional managers to head the subsidiaries, often his own children. The same profile characterises East African Holdings SC, a conglomerate of diverse businesses operating as joint ventures and affiliates (subsidiaries) Buzuayehu Tadele, and his family built a network of companies engaged in consumer good manufacturing and distribution, agribusiness, manufacturing of detergents, food and drink production, mining cosmetics and real estate and investment management. The trading enterprise of his father was nationalised during the communist takeover in 1974, resulting in the departure of the family from Ethiopia, but returned when a mixed economy was reintroduced towards the late 1980s. He resumed the import operations and then entered tea

packaging, processing and distribution. The family business skills led him to diversify soon afterwards. The company operates as strategic entity to the group and affiliates, relying on skilled professional staff and engaging in human resource development to serve the needs of the growing concern (Sutton and Kellow 2010).

An Ethiopian-born Saudi investor, Sheikh Mohammed Hussein Ali Al-Amoudi, established the MIDROC (Ethiopia) private investment group in the early 1990s. Sheikh Mohammed's investment interests are global, but in Ethiopia the group consists of 41 companies across the entire economy. The business interests are organised in three clusters: MICROC Ethiopia Group Companies, MIDROC Ethiopia Technology Group and MIDROC Ethiopia Affiliate Companies. The first cluster engages in catering, agricultural production, leather garments, mining and exploration, construction, communication, dairy products, box production, detergent manufacturing, manufacturing of scales, hotels, travel and cargo handling, soft drinks, pharmaceuticals, household and office furniture manufacturing, electric fittings and bulbs, paints and building materials, gas and plastic products, poultry and other meat processing, paper and plastic packaging materials, air transport and tourism services and finally general development. Many of these businesses developed from underperforming state-owned enterprises acquired by Sheikh Mohammed and turned around within the cluster. The technology group is specialised in all technology sectors and managed by expert professional technology engineers. Further disposal of state leather enterprises and state prohibition of raw hides and skin exports set MIDROC on the path of the production of refined leather garments and gloves. A desire to diversify into health care resulted in the establishment of a large pharmaceutical and drug manufacturing. The MIDROC network of companies spans the entire Ethiopian economy, but competes with foreign investors, especially Chinese.

In the coffee industry, local and Greek entrepreneurs compete in the processing and distribution of a large variety of coffee beans, often also adding tea and sugar. The floriculture industry has a dominant Dutch and German foreign presence, while edible oils and food processing have a strong Ethiopian presence. The state retained a strong presence in the sugar industry, but a Pakistani entrepreneur finally acquired ownership of a sugar mill. In the leather industry, foreign private enterprises were nationalised in the 1970s, but after privatisation local and foreign entrepreneurs re-entered the market. Family firms prevail in the leather industry—the Ramsey Shoe Factory was established in 1993 by the Zelalem family. In textiles Ethiopian families operate Crown Textile Weaving, a company adapted from trading operations to one specialising in the textile market, and GG Super Garment Factory, manufacturing shirts and sportswear. Also in the cotton industry, Ethiopian family entrepreneurs established a strong presence. Amibara Agricultural Development was established in 1999 by Abdul Omer and his family, and Tsegaye Gebremariam and three family members diversified their metal trading company into a salt producer and in 2002 into cotton production.

Ethiopian entrepreneurs have entered the engineering, steel and cement sectors, but are small players competing with foreign multinationals and the diversified groups, such as MIDROC. One Ethiopian entrepreneur, Mohan Kothari, built a

diversified group, the Mohan Kothari Group on four generations of family business. The founder, Mayor Kothari, established a family business during the early years of the twentieth century importing steel to Ethiopia. This small trading firm grew into an international trading firm, Mohan International. Analysing the needs of the domestic market, the company produced drawn wire from the imported steel to supply local demand for wire, sourcing the raw material in the Ukraine and supplying local demand with a product to counter imports by the Chinese competitors. The group benefits from the entrepreneurial capabilities of the third-generation Kothari, Mansur Kothari, who used his market knowledge to secure a competitive position for the group in the wake of Chinese subsidised imports. As operations expanded with opening markets, the family retained the focus on raw materials, specifically for plastics, packaging and footwear. The Mohan Group diversified its industrial operations by specialising in the manufacturing of plastics (ethylene-vinyl acetate [EVA] and PVC compounds). Ownership remains in the family, and the fourth generation is directly involved in the management of the subsidiaries in the group (www.mohanplc.com).

In Uganda persistent political instability since independence in 1962 undermined economic development. State intervention to control the commanding heights of the economy discouraged the development of a notable private sector. During the term of Milton Obote's government up to the coup d'état by Idi Amin in 1971 and subsequently until 1979 when he was also deposed in a military coup, small-scale private enterprise constituted the bulk of private entrepreneurial activity. As outlined in the previous chapter, traders of Indian/South Asian descent made up the bulk of trading operations. These small enterprises traded in imported goods and perforated the remote areas bringing basic consumer goods to people living far from urban areas. The most influential Indian trading enterprise was that of the Madhvani family, who settled from India in 1893 at the trading town Iganga in eastern Uganda. In 1919 Muljibhai Madhvani commenced coffee production on a small plot of land acquired from the British colonial authority. As sugar prices rose after the First World War, the family company ventured into sugar on land at Kakira. From primary production, the group diversified into industrial manufacturing (matches, glass works) and later services. The ascendancy to power by Idi Amin in 1971 disrupted commercial activities, as all persons of Indian descent were expelled from Uganda. The Madhvani Group's assets were confiscated. When Amin was detained in 1979, the Madhvani family returned to the country, was handed their assets back and commenced a slow reconstruction process (www.madhvani.org). The initial small trading enterprise supplied imported goods to remote villages. From the small trading roots, an extensive network of general shops and small agricultural activities developed. 'The Rockefellers of Uganda' (Muljibhai) built the massive Madhvani Sugar Works Ltd. This enterprise epitomised Indian business success in Uganda and contributed to anti-Indian statements by the state. What distinguished the Madhvani's from other small Indian businessmen was that they had the business acumen to become true industrialists. The Madhvani family diversified the primary production of sugar, coffee and tea into agro-processing of sugar and coffee and the manufacturing of sweets

and confectionary, paint, packaging and steel rolling. In 1985 the management modernised the sugar operations, because the operations deteriorated under state control. Madhvani Sugar Works was redesigned, and with the state as partner, the group turned the underperforming Kakira Sugar Works around into the Kakira Sugar Estate. Kakira is currently a modern high-technology operation, producing 150 tonnes of sugar per annum. A modern mill and crushing facility produced refined sugar and related products, such as sweets and confectionery. The group also acquired the Kabuye Sugar Estate in Rwanda. This estate performed a crucial role in expanding the group's sugar production. Rather than exporting raw materials, the group advanced into secondary production, using modern technology. Apart from sugar the raw materials produced on the extensive Madhvani agricultural estates were processed into products such as sweets, soap and golden syrup, cooking oil, vegetable ghee, tea, margarine and pastry shortening. The group also commenced with floriculture of roses and chrysanthemums for the export market. From the production side, the group expanded operations into the services sector in Uganda, such as insurance, hotels and tourism, information technology, media and communication and the distribution of industrial and consumer goods. The total turnover of this family enterprise exceeded US$500 million in 2014. The group employs more than 10,000 people (The New Times, 13/9/2016; www.madhvanifoundation.com; Bijaoui 2017: Multinational interest: 61).

Beyond the state sector, private enterprise was only fully unleashed at the beginning of the twenty-first century, because privatisation of state-owned enterprises only gained momentum in Uganda after 1995. By 2000 a total of 76 SOEs were privatised, of which the Madhvani Group acquired state assets in the agricultural, construction and distribution sectors. The group's accumulated organisational and managerial capabilities positioned it at the centre of the growth sectors of the Ugandan economy. When privatisation happened, the group had capital, business networks and managerial capacity to acquire and turn the SOEs around. The group acquired underperforming enterprises in Zambia (a hotel in the tourism industry—Hotel Intercontinental Lusaka). The Madhvani Group is a modern multidivisional conglomerate but still firmly under family ownership and control. Joint ventures with SAB in the Coleus Crowns enterprise manufacturing cork, or with Liberty Life in their insurance subsidiary, secured the group expertise on managerial as well as technical levels, but extended family control was not compromised. The company plans to list on local bourses within a few years; the second- and third-generation Madhvani's have studied abroad, at the London School of Economics, for example, and at other reputable international institutions. Professional managers are employed on all levels of management, and they are all included in strategic policy formulation. The holding company of the group is listed in Bermuda, 'to mitigate political risk as happened in 1972'. The Board of Directors include family members and prominent Ugandans (Email interview 20/5/2015). The superior knowledge of Uganda, the people of east Africa and local conditions affords this group an advantage to foreign entrants. The group integrated that advantage with family trust and managerial expertise to consolidate a massive business empire in East Africa.

In Mozambique the socialist Frelimo government nationalised almost the entire economy after 1975, leading to underperformance across all sectors. By 1983 World Bank and IMF debt relief was sought, and structural adjustment was introduced; by 1986 economic growth was returning, and by the first decade of the twenty-first century, growth exceeded 6% per annum. Small traders, farmers and private entrepreneurs gradually re-emerged. Between 1990 and 1999, 548 SOEs in Mozambique were privatised (White and Bhatia 1998: 139), a development that not only benefitted entrepreneurs but also corrupted state officials (Marshall 1990: 29; Chivangue 2015). Private business development therefore in essence only started in the mid-1980s. Local entrepreneurial capacity was limited, and multinational corporations and other foreign investors performed a crucial role in establishing private business. Foreign investment came from France, Portugal, Germany and especially South Africa. Since industrial development was not encouraged under Portuguese colonial rule, foreign expertise and capital, or joint ventures with the state, are vital for industrial development. The informal sector hawking or trading makes up a substantial part of entrepreneurial activity. Raw materials constitute the bulk of Mozambique's exports. After the establishment of the aluminium and natural gas operations with foreign companies, Mozambique's exports are more than sixfold. The major shrimp fishing company is a joint venture between a Spanish company and the government. In the cashew processing sector, two Mozambican companies were established in 2004 and 2007. In the agribusiness, foreigners dominate the market. In banana production and exports, a former South African farmer established Frutas Libombos Lda in 1998 (he has been naturalised as Mozambican citizen in the meantime) as the largest commercial fruit enterprise in the country. In dairy products and citrus production, Italian businessmen established enterprises, while entrepreneurs of Asian origin started Riz Industrial, a biscuit manufacturing enterprise in 2006. South African entrepreneurs established a subsidiary of their company Pannar Seed Lda in Mozambique to supply the agricultural sector with seeds. In the brewing industry, local brewers and manufacturers of soft drinks of Albanian and Greek origin have established their enterprises in the colony, but after independence the business was nationalised. In 1995 the business revived as a public liability company, but was acquired by the French group BGI-Castel and the Irish Guinness group. The Sociedade de Aguas de Mozambique Lda was also nationalised but acquired by a management buyout in 1996. In the tea industry, a family business, Group Gulamo, acquired the privatised state tea company in 1998. In the edible oil sector, French interests and long-standing Indian businessmen, the Ginwala family, reacquired their formerly nationalised company. The sugar estate and mill of the Portuguese Petiz family, Maragra Açúcar SARL, were established in 1968 and then nationalised in 1975, and after privatisation the family sold a stake to Illovo Sugar. British American Tobacco (BAT) is the leading company in the tobacco industry after privatisation. In the cotton processing and manufacturing industry, a Nigerian trading company, OLAM, was established in 1989 in Mozambique. After privatisation OLAM opened business in Mozambique to process cashew nuts, but soon diversified into lint manufacturing and currently competes with Chinese companies that had

entered the market. In the wood and furniture sector, two indigenous entrepreneurs operate businesses after privatisation, but South African entrepreneurs had established a subsidiary of their South African timber enterprise in Mozambique in 1947. The political changes of 1975 led them to withdraw operations, but they returned in 1992. Sutton noted that serious corruption in timber exports undermines the local development of a secondary timber industry in Mozambique (Sutton 2014). The cement industry was started by a German entrepreneur in 1929 in Matola, but the business was nationalised and after privatisation acquired by Portuguese interests and finally in 29,013 by the Brazilian cement manufacturer, InterCement Group. The other cement business is in Turkish hands. The anchor industry in the engineering and mining sector is Mozambique Aluminium (Mozal), which started in 1998 and is jointly owned by BHP Billiton, Mitsubishi, the Mozambican government and the South African Industrial Development Corporation. The local pharmaceutical industry only got off the ground in 2003, following discussions between the Brazilian and Mozambican presidents. Sociedade Moçambicana de Medicamentos (SMM) is a co-operative arrangement between the governments of Mozambique and Brazil and is the sole manufacturer of drugs in the country (Sutton 2014).

A serious hindrance towards entrepreneurial initiatives is the level of corruption fostered by the social networks of politicians and businessmen in Mozambique. Social networks of family and friends, of influential persons in the military and politics, who benefit from business connections, are especially prevalent in Mozambique. Personal connections to Frelimo, ethnic alignment of the Ronga and Shangaan people and pre- and post-privatisation connections of businessmen, secured revenue-based benefits and later ownership of profitable enterprises especially in the service sector (Cramer et al. 2009; Chivangue 2015). Corruption holds risks to entrepreneurial initiatives across Africa, but in Mozambique where the turn towards more market-oriented economic policies arrived late and privatisation was extensive within a short period of time, individuals in the social networks of the past benefitted and continued to do so. The pool of independent indigenous entrepreneurs is small and underdeveloped. In Angola enterprise development mirrored the development path of Mozambique. The difference is that Angola is the second largest oil produced in Africa – which makes for a significant source of revenue. The oil industry is state controlled through Sociedade Nacional de Combustiveis de Angola, also known as Sonangol (www.sonagol.co.ao; Sonangol 2015). Sonangol has its registered head office in London and representative offices in five other locations internationally. Since the company is the overarching business player in Angola, its subsidiaries span the entire spectrum of business in the country. Subsidiaries in training, logistical support, shipping, estate management, air transport services, management, corporate infrastructure and exploration distribution of downstream petroleum products are a few. Close family ties are maintained, e.g. where the son-in-law of the Angolan president sits on the Board of Directors of the Portuguese energy company Galp, in which Sonangol has indirect participation through a stake in Amorim Energia (www.sonagol.co.ao). Business development in Angola suffers from the high prevalence of corruption. Angola has the third

highest corruption index in Africa at 51.3 (World Development Indicators, Table 5.27.5).

6.6 Muslim Maghreb

Entrepreneurial activity in the Maghreb suffered the market restrictions of nondemocratic societies and state-centralised economic activity, but private enterprise of small, medium and to a limited degree also big business survived. Many big and successful enterprises were nationalised shortly after independence, which delayed the development of a strong independent business sector, with entrepreneurs willing and able to imprint on society an openness to competition, excellence in performance and innovation. In Egypt the long-standing trading tradition of Muslim traders was perpetuated in a number of businesses. The most diversified conglomerate is the Orascom Group of the Sawiris family, employing more than 80,000 employees across the conglomerate. The Sawiris family established and controlled Orascom since its formation in 1950, despite listing on the Egyptian Stock Exchange in 1999, and one of its wholly owned subsidiaries on the Nasdaq in Dubai in 2015. Currently 84.6% of equity is still in the hands of the Sawiris family. The Orascom business was also nationalised by the Nasser government in 1961, but after 1976 when Sadat rose to power, the family returned and received the business back, enabling diversification from construction into real estate, hotels and land sales in eight countries (http://www.orascom.com/about-us/our-history). Orascom was rebuilt after 1976 as Orascom Onsi Sawiris & Company. The entrepreneurial orientation of Onsi Sawiris took him to Virginia in the USA in 1985 to establish his company, Contrack, on American soil, hoping to benefit from USAID and building contracts from the US Government in Egypt. Under close family control, Orascom developed into the leading private sector building materials and construction contractor in Egypt. The Sawiris family collaborated with local and foreign partners to establish building material outlets across Egypt. As the founder stepped down in 1995, the successor was his eldest son, Nassef Sawiris. His brothers Naguib and Samih manage other companies in the diversified conglomerate. (Naguib later left the management of the business and entered Egyptian politics.) Another family enterprise is the Mansour Group that was established in Egypt by Loutfy Mansour in 1952 a Mansour & Sons Cotton Trading. Loutfy studied at Cambridge University and took up government employment after returning to Egypt. He started the cotton trading company to that of the second largest cotton exporting company. In 1964 Nasser nationalised the company, but Loutfy's expertise was widely acknowledged. He was offered a key position by the President of Sudan in the Sudanese cotton trading business. By early 1971 he moved to Switzerland to reopen his cotton trading business in Geneva. In 1973 the new Egyptian government restored the Mansour assets and Loutfy returned to his home country. As a businessman of international acclaim, he entered into a partnership with General Motors in Egypt. He passed away in 1976, but his four sons succeeded him in the enterprise, having

been involved since his return in the mid-1970s. Mohammed Mansour (eldest son, trained engineer in the USA and holder of a MBA) expanded the General Motors dealership to the largest distributor of General Motors worldwide. He also acquired the dealership for Caterpillar in Egypt, Mantrac, and was appointed as Minister of Transport in Egypt in 2005. The success with Mantrac led to the acquisition of Caterpillar dealership from Unilever for six African countries. In 2009 Mohammed left politics and returned to London where he established Man Capital, the Mansour family's private equity and asset management company. The second son, Youssef, developed the supermarket and food companies of the group. Youssef managed the Mansour Trading Company between 1976 and 1981. In 1992 the Mansour Group acquired the sole licence to manufacture and distribute Philip Morris International (PMI) tobacco products. The Al Mansour International Distribution Company since 2014 acquired the rights for international distribution of more international tobacco brands. During the Egyptian privatisation process, the Mansour family business acquired interests in dairy production and bottling plants for pure water and subsequently established all the food interests in Egypt's largest retail chain, Metro Mansour. In the computer and IT field, the Mansour business had agreements with IMB, Microsoft Compaq, HP and 3COM for hardware and software distribution. Finally, the Mansour Group entered into a partnership with the El-Maghraby family to establish the Mansour-Maghraby Investment and Development Company (MMID). The Mansour Group thus developed a highly diversified conglomerate with six divisions: Montrac, Caterpillar; Man Capital LLP, family global investments; Al Mansour Holding Company, financial investments, tobacco and Metro Markets; Al Mansour Automotive, GM and Chevrolet business; and Manfoods, McDonald's (Adly (2017): Too big to fail: 7–9; www.mansourgoup.com). The family was the entrepreneurial actor, and the successive generations sustained the enterprise through their own professional qualifications and managerial capabilities. The group relied on specialist managers in all divisions, while control remained in the family. The group is not listed.

Entrepreneurial talent of Egypt was often nurtured in international universities. A number of talented entrepreneurial individuals established innovative enterprises in modern Egypt. Some enterprises were small and others developed into big and globally reaching enterprises. Just like the Sawiris brothers, who had UK-based university training, Ahmed Bahgat studied in the USA. He developed an electronic device to tell Muslims when and in what direction to pray. He returned to Egypt and started an electronic company selling household appliances and telecommunication equipment. He wanted to sell advanced first world appliances to the emerging market and therefore took his entrepreneurial ambitions back to Egypt in the late 1980s. He also entered urban and tourism development projects and established an extensive Internet service providing business. Talaat Moustafa established the Talaat Moustafa group as a construction company that built city complexes, luxury hotel complexes on the Mediterranean and housing projects across Egypt. Business is often established and managed along family connections in the Muslim world. The Ghabbour brothers—Kamal and Sadek—established an automobile business in Egypt in the 1950s and built their enterprise into a diversified automotive business

operating across the Maghreb. The company sells automobiles for passengers, light commercial, commercial vehicles, heavy trucks, luxury tourist busses and related spares. Rami Lakah inherited a medical supply company from his parents in the 1980s. He diversified the operations into the import of computerised advanced medical equipment and built 20 new hospitals in Egypt. In 1979 Tarek Nour established Tarek Nour Communications, the first privately owned advertising company in Egypt. Pyramid Brewery was established in 1897 by Egyptian and Belgian entrepreneurs. In 1953 the name was changed to Al Ahram Breweries Company (ABC), but was soon nationalised. Finally in 1991 it was privatised and Ahmed Zayat as CEO developed the company into the largest alcoholic beverages company in Egypt. Several mergers and acquisitions followed. Advanced state-of-the-art technology in the refurbished enterprise made this a model of private enterprise in Egypt. In 2000 *Forbes Global Magazine* considered ABC one of the 20 outstanding small companies in the world (Fick 2002).

In the Muslim/Arab Maghreb of North Africa, political systems are less democratic and more autocratic and subjected to the government of dictators and the state a major or dominant player in the economy. The Arab Spring commencing on 10 December 2010 in Tunisia and spreading throughout the region until the mid-2012 paved the way for political reforms, although religious and cultural constraints still prevail. The Maghreb five, Morocco, Mauritania, Tunisia, Libya and Algeria, formed the Arab Maghreb Union in February 1989 (AMU). The AMU aims to develop economic development strategy for the union, especially in the promotion of agriculture, industry, commerce and security. Intra-AMU trade was still only 3% of total foreign trade of the members by the mid-2000, which show that the bulk of economic activity is local and foreign trade primarily with Europe.

Across the AMU entrepreneurial activity is no different from the rest of Sub-Saharan Africa. The state sector is dominant and a few families and young emerging entrepreneurs operate private enterprise (NEPAD 2015). In Algeria Sonatrach, the state-owned oil company occupied a similar controlling position. Sonatrach is ranked the largest conglomerate in Africa, with a turnover of US$58.7 billion, followed by Sonangol, with US$22.2 billion turnover (www.theafricareport.com/top-500-companies-in-africa-2013; www.africanbusinessreview.co.za). Sonatrach was established in 1963 after the independence of Algeria to extract oil, build pipeline infrastructure, transport oil and gas, conduct explorations, distribute petroleum products and finally monopolise the market for the production and distribution of all related production after the nationalisation of the industry in 1967. Sonatrach acquired critical mass in the domestic Algerian petrochemical industry, because in 1971 all hydrocarbon resources were also nationalised. Algeria joined OPEC in 1969. In 1986 Sonatrach received permission by statute to enter into joint ventures with local or foreign businesses and that brought foreign investment and expertise infusion into the company. This changed the inward-looking SOE perspective towards opportunities outside Algeria.

In Tunisia the Magasin Général (MG) is the largest retailer. The retailer started in 1925 and is a public company, part of an agricultural SOE, STIL, but separated into a separate company in 1988. MG listed in 1999 and finally privatised in 2007.

Existing business groups acquired the shares from the state and are now under private ownership, distributed amongst shareholders on the Tunisian Stock Exchange. Private entrepreneurs since 2007 manage the retail concern as a modern department store with food, furniture, cosmetics and even automobiles. In Algeria state ownership controls industry, mining, oil and services. Small- and medium-sized entrepreneurs operate in localised trading. Few private enterprises ventured into big business. Issad Rebrab is the son of a militant who fought for the independence of Algeria from French colonial control. In 1968 Algeria became independent and Issad Rebrab immediately displayed entrepreneurial traits. He established his own office of certified public accountants and in 1971 invested in a metallurgic manufacturing company, Sotecom. In a systematic expansion exercise, he built an industrial group operating as a multidivisional conglomerate. The industrial interests are in the petrochemical, steel, naval and automobile construction sectors. The business operations diversified as he took over the interests of IBM in Algeria in 1991, then those of Rank Xerox in 1992 and Hyundai in Algeria in 1997. In 1998 he ventured into food processing juice and canned food and glass industry. In 2007 Rebrab restructured his businesses into the Cevital Group of companies. His five children all serve in the management of the group. As the largest private conglomerate in Algeria, the business interests of Cevital made him the first Algerian billionaire in 2015 (La Rédaction 2014; www.forbes.com). From an accounting firm, he ventured into investments in the metallurgy sector and diversified into other nonengineering sectors in a similar fashion as the Madhvani Group in Uganda, or the Mohan Group in Ethiopia. Rebrab sent his children to overseas universities and employs professional engineers, IT specialists, managers and other specialised staff. The Cevital group employed has a turnover of US$4 billion and employs 18,000 people (www.cevital.com; www.afruicatopsuccess.com).

Recently small entrepreneur, Arslan Chikhaoui, ventured into financial analysis for investors from the private enterprise and government bodies. His company Transactions Nord-Sud, established in 1993, entered an unexplored market in Algeria, since professional analysis of Algerian markets did not exist from within Algeria and international investors needed such advice to venture into the market. The Khalifa Group started in 1996 when the founder, Abdelmoumene Rafik Khalifa, a pharmacist, established KRG Pharma, a medical supply company. Business interests diversified as he established Khalifa Banka, an Algerian Bank, a transport (rental cars) company and a private Algerian airline. A diversified conglomerate specialised in finance and real estate developed (Fick 2002). Khalifa was later tried for fraud, found guilty and sentenced. His entrepreneurial skills nevertheless established a conglomerate enterprise in Algeria. Business in Algeria remains either small or through links with the state, big personal empires under family control.

In Morocco the Omnium Nord Africain Group (ONA) was established in 1919 in the food, food processing and fishing industries, but in 1929 also ventured into mining. The ONA Group diversified into almost all sectors of Moroccan business, but was absorbed in 2010 by the National Investment Company (SNI), a private holding company controlled by the Royal family of Morocco, that is, the state.

ONA was the largest private enterprise in Morocco by that time. The outcome meant that SNI assumed the function of an investment fund. SNI transferred greater autonomy to underlying companies in the former conglomerate structure and disposed of companies or acquired new companies, depending on the performance of the entity and the investment focus of SNI. Big business in Morocco is therefore controlled by the state. Small enterprises operate on the lower end of the market. Young entrepreneurs nevertheless venture into new enterprises. In 1999 Nabil Ayouch established Ali n'Productions, film production company. Ayouch was trained in advertising and worked in film production and finally decided to establish his own production company. Ali n'Productions does the research and makes films, documentaries and television programmes (Fick 2002; www.ona.com).

6.7 Banking

The banking business in Africa has been under European domination since the colonial period. The discussion above alerted to a number of private financial services initiatives by entrepreneurs engaged in larger conglomerate business operations. In the area of formal banks, the regulatory environment tightened in response to conditions of macro-economic restructuring. Two trends emerged in the banking sector in Africa. The first was that local banks, which include the South African banks, spread their branch networks outside domestic borders into the larger African market. The second was the emergence of new regional African banks, with entrepreneurs displaying a clear regional and global focusses. The well-established South African banks had an advantage in market-seeking strategies into Anglophone African countries. These strategies met increasingly with the introduction of regulatory measures in compliance with the Basel Accord for central bank regulation, as introduced by African governments. Outside South Africa, this development was led by East African states. In 2008 the Kenyan Finance Act introduced minimum capital requirements, followed by prudential and risk management requirements introduced by the Central Bank of Kenya. In Rwanda the Bank of Rwanda issued several prudential regulations between 2009 and 2011 (capital adequacy requirements). In Uganda the Financial Institutions Act of 2004 introduced regulatory measures such as liquidity, credit reference, insider lending, ownership control and corporate governance requirements. The Bank of Uganda introduced capital adequacy requirements in 2010. In Tanzania similar regulatory measures were implemented in 2006 when the Financial Institutions Act of 1991 was amended to provide for Basel Accord compliance (Kodongo 2016). Market liberalisation was linked to better governance, and therefore the globalisation of financial services simply necessitated compliance with international bank regulatory agreements. The banks in Africa were relatively unaffected by the GFC, because of compliance with the Basel Accord on capital adequacy, liquidity and reserved requirements. The cost of regulatory compliance often discourages the establishment of new banks, or the extension of branch networks beyond densely

populated urban areas. In Africa a large portion of the population lives outside urban areas, thus complicating financial inclusion strategies. Central bank regulation (where functional central banks are operational) impacted adversely on banks' cost structure. After privatisation of state-owned banks since the late 1990s and early 2000s, few private African banks entered the market. The well-capitalised South African mega-banking groups expanded from a position of strength. By 2013 the SARB had authorised more than 200 international expansions of local banks since 2004. The majority was into African markets (SARB 2013: 6). The most successful African banks (outside South Africa) expanded into regional markets as efficiency-seeking strategies (Kodongo 2016).

As markets opened up across Africa, pan-African banking is gaining increasing traction as financial entrepreneurs look towards regional and global markets. The political changes in South Africa in 1994 opened global markets. African entrepreneurs across the continent grasped opportunities in financial services presented by the relative exclusivity of formal banking operations. In East Africa increased regional integration and trade links stimulated banking expansion. In Nigeria the new minimum capital requirements and banking crisis of early 2000 encouraged Nigerian banks to expand outside national borders seeking access to new capital. In West Africa the Francophone linkage and scope of the unbanked sector offered opportunities to Moroccan banks to escape from a saturated domestic market by expanding into West Africa and Central Africa. Between 2002 and 2014, seven banking groups extended pan-African operations significantly. From Morocco the Attijariwafa Bank, the Groupe Banque Central Populaire (GBC) and the Banque Marocaine du Commerce Extérieur (BMCE – which acquired Bank of Africa in 2010 as majority shareholder, but continued operations under the name of the Bank of Africa [BoA]) are the three most expansive banking institutions with a pan-African footprint.

The West African Economic and Monetary Union (WAEMU) and the Central African Economic and Monetary Union (CEMAC) presented a context conducive to the expansion of Moroccan banks. In West Africa, entrepreneurs from the West African Chambers of Commerce and Industry, with the support of ECOWAS, established a private public liability company as a bank holding company in 1985. These African entrepreneurs wanted to counter the domination of the banking industry by either foreign or state-owned banks. The new bank holding company was Ecobank Transnational Incorporated (ETI). Ecobank wanted to enter into the opening in the market left by failing Nigerian banks and a lack of substitute African banks in the region. By 2016 Ecobank had 1284 branches. The Standard Bank Group from South Africa, Ecobank and Oragroup from Togo developed pan-African footprints. From Nigeria the United Bank for Africa followed pan-African expansion strategies, as will be discussed in more detail in the next chapter. Growing regional expansion from Ecobank, Kenyan and South African banks contribute to the competitive African banking environment (Enoch et al. 2015; Mecagni et al. 2015; Martinez 2015; Kodongo 2016).

The most significant entrepreneurial initiative in money and banking in Africa was the introduction of mobile banking services to the unbanked majority.

Although the technology of mobile money transfer was not developed by an Africa entrepreneur, innovative entrepreneurial insights of the Kenyan mobile phone company, Safaricom, supported by Vodafone, introduced the M-Pesa. Funds are deposited in the mobile account and transferred by SMS to another mobile account, or cash is withdrawn at dedicated outlets. This service was introduced in 2007 and by 2014 it had (GSMA 2015) 12.7 million subscribers. This product, M-Pesa (where ‘M’ is for mobile and Pesa is the Swahili word for money), has been so successful that 4 years after its launch, approximately 70% of all households in Kenya are using M-Pesa. Given the high fixed cost structure of formal banks and the constraints of formal bank regulation, the entrepreneurial alternative rapidly won the day. The time was ripe – Africa had a high level of financial exclusion and mobile phone companies noticed that mobile phone users were increasingly using the purchase and transfer of airtime as a mechanism of value transfer or value saving. In Africa only one in four people has a bank account, but eight in ten have access to a mobile phone. By the mid-2015, 200 million people across Africa were accessing the Internet through mobile devices. Apart from the notable cost saving of electronic payments (Babatz 2013), far-reaching innovation enabled by mobile technologies has the potential to enhance the growth trajectory of Africa. During the first decade of the twenty-first century, SSA’s mobile technology subscriber base increased by 13% which was faster than the global average growth of 6%. The M-Pesa system allowed entrepreneurs to set up small businesses as agents around the remote areas of the country. People can convert e-money into currency and vice versa (Jack and Suri 2011). In 2014 transactions to the value of more than K Shillings 2.1 trillion were conducted through M-Pesa in Kenya, that is, almost half the value of the Kenyan GDP.

6.8 Black Business and Open Markets in South Africa

As a political agenda, the new ruling party, the African National Congress (ANC), wanted to secure black people a meaningfully large share in the mainstream of the economy. This was motivated as ‘dealing with the legacy of Apartheid’ (http://www.anc.org.za/ancdocs/history/charter.html). The policies to transfer ownership of the South African economy to black people passed through different stages of ideological intensity. Prior to the political change in government in 1994, private business had taken the lead in facilitating transactions whereby blacks acquired shares in big business. Sidiropolous wrote: ‘Black economic empowerment encompasses [BEE], among other things, black entry into business as owners and as managers, advancement in the workplace through the erosion of the industrial colour bar, unionization, acquisition of equity, redistribution of existing wealth, and the rise of the black consumer’ (Sidiripoulos 1993: 1). Cyril Ramaphosa defined Black economic empowerment as ‘... economic empowerment for all South Africans—(it) is a very deliberate programme to achieve meaningful participation of disadvantaged South Africans in the mainstream South African

economy' (Ramaphosa 1997: 12). The first BEE transaction was performed by SANLAM, the Afrikaner-owned life assurance company, in 1993 (Verhoef 2003: 36–44, 2004: 97–98; Kruger 1998: 7–8), but by the middle of 1998, market capitalisation of BEE companies listed on the JSE comprised 6% of the JSE, and in January 1999 it stood at R58,7bn/$9,8bn or 5.5% of the JSE market capitalisation. The decline was the result of 1998 market crisis. Many of the BEE companies had financed their deals through debt instruments. Most of the BEE financial engineering was done to encourage a high degree of deal flow, and that caused those companies to build a debt base rather than an asset base. The 1998 market crisis thus left them with unsustainable gearing ratios. Furthermore, the Special Purpose Vehicles (SPVs) established to facilitate the empowerment transactions and were premised on a bull market. When the market turned bearish, those companies struggled to meet their financial obligations and were pressured to give up the shares they have only just acquired. Caygill argued that the SPVs protected the empowerment companies from capital risk, thus contributing to the distortion of normal business practice. These funding weaknesses compromised their direct hold over operations (Cargill 1999: 3; Kruger 1998: 11–16).

Concern over the actual empowerment effects of the ownership acquisition deals of corporate entities in South Africa (Jack 2003) led to the report by the Department of Trade and Industry (DTI) in 2003 outlining proposals for the effective empowerment of blacks. The underlying principle was that ownership should be distributed more widely to benefit a broad base of the black population and that skills must be transferred in order to facilitate black participation in the management of business. The report *South Africa's economic transformation: A Strategy for Broad-based Black Economic Empowerment* (DTI 2003) introduced the principle of economic sector-based charters to manage the transfer of ownership, managerial control and skills to the broad black community in South Africa. These transfers occurred by means of a DTI Code of Good Conduct assessing the degree of black ownership of enterprises, the number of black directors of corporations, black management, skill transfer to enable black managers to take control, the number of black employees as well as the effective empowerment of the broad black community through compulsory procurement of goods and services from black enterprises. The incentive to comply with the Code of Good Conduct (scorecards) in the various sectors was the achievement of a B-BBBEE score ranging from 1 to 4, of which 4 was fully compliant and would secure such enterprises public contracts, preferential procurement by government and a general positive image as a business concern contributing to the economic transformation of the country (DTI 2003: 11–14; Jack 2007: 108–109; Andrews 2008: 33–36). The impact of the B-BBEE Code of Good Conduct was to impact again on the free market conditions of the South African economy: companies with a good B-BBEE score would benefit from preferential procurement by government enterprises and departments, but also with companies doing business with government.

African business since 1990 therefore entered the environment of large corporations. Access to capital was beginning to open up and the corporate sector displayed an increasing multiracial character. The black entrepreneur was no longer

the driver of African business, but statutory enforced measures mandated a transfer of ownership and management. As the public discourse on BEE commenced, some entrepreneurial voices amongst African businessmen insisted that the empowerment drive should ‘grow from the people’. XB Brokers, a financial and insurance broking firm, was established by Moss Nxumalo in 1991 (African Business, September 1991: 6). Africans were encouraged to invest in share, and when the National Sorghum Breweries (NSB) listed on the JSE in May 1991, Africans were encouraged to subscribe to the public offering. NSB was established on 30 June 1990 when the government transferred its control over the brewing of sorghum beer in the townships to African private ownership (African Business, May 1991: 8; June 1992: 8; September 1993: 12). The development of black business in the empowerment context has two distinct features: on the one hand individual entrepreneurs thrived in the open capital, labour and distribution markets. These entrepreneurs can be described as the ‘self-made’ entrepreneurs—businessmen who relied on their own enterprising to build and sustain their companies. The scale and scope of their enterprises extended well beyond the limited scope of the former African township enterprises. The second category comprised of the growing number of black persons, often qualified professionals such as lawyers, accountants or holders of MBA degrees, appointed to senior managerial positions in formerly white businesses and who developed influential networks of directorships, ownership and management positions in companies with BEE credentials or entering into BEE transactions. These enterprises were part of the corporate environment of the South African economy.

In the first category of self-made black entrepreneurs, three prominent business conglomerates are interesting. The Kunene business interests were expanded by the brothers without statutory or political intervention. Soon after the acquisition of Nigel Bottling Industries, the Kunene Brothers visited the USA to apply for the sole distribution licence for South Africa, since by October 1994 they were the largest independent distributor of Coca-Cola in South Africa. The mission was successful and the Kunene Brothers also acquired 51% shares in Coca-Cola Bottling Mpumalanga (Pty) Ltd (CCBM) from Coca-Cola USA. Once CCBM was under Kunene control, the business was consolidated in Kunene Brothers Holdings (Pty) Ltd (KBH) in August 1994. Coca-Cola disposed of its 13% interest in CCBM to KBH and left KBH with 64% interest in CCBM. From CCBM the corporate structure of KBH facilitated expansion into other business ventures. Business expansion required access to capital, which was then facilitated through Kunene Finance Company (KFC), a dedicated company to provide short- and medium-term finance for the group. Up to that point, no external funding had been acquired for the business development of the group, but sole reliance was on personal savings. KFC remained unlisted, but institutional investors held 49% of the shares and KBH 51%. KFC was used as the vehicle to establish Kunene Industrial Holdings (KIH), which acquired the controlling interest in the McCarthy Motor Holdings (Pty) Ltd, motor dealerships in Witbank and Sandton. All the Coca-Cola investments were grouped into Fortune Investment Holdings (FIH), an unlisted holding company, but in 1998 a listed entity Kilimanjaro Investments Ltd acquired the bottling rights of a

new East London bottling plant. Soon Kilimanjaro took over CCBM, and the Kunene Brothers changed the name of the holding company to Fortune Beverages Ltd (FBL) in 1999. The family nexus was perpetuated further in 2002 when FBL merged its bottling operations with other local bottling interests to create the Coca-Cola's South African bottling company (SABCO). Soon the name was changed to reflect the founder of the business group—Coca-Cola Fortune. FBL held a 19.5% interest, but was delisted in August 2002. The group diversified investments by acquiring a stake in a strategic defence technology company, Grintek Electronics in 1995 and in 1997 a controlling stake in Grinaker Holdings (Grintek—the holding company). All these interests were restructured in Kunene Technologies, in 2000, and the latter was delisted in March 2000. In 2002 the Kunene Investment Trust was created as the vehicle to house the group's stake in the investment bank Genrand MIB (Interview Keith Kunene 27/08/2014; D Kunene 24/2/2013). The funding model of this transaction was by means of the subscription for redeemable preference shares in Glenrand to be exercised over a 3-year period—an alternative model to the SPVs and testimony to the Kunene Brothers' philosophy on empowerment. The stake in Glenrand was acquired through a mechanism funded by KBHs own resources. The Kunene Brothers kept the managerial structure 'flat' and firmly under family control, because 'empowerment through active ownership' was their philosophy (www.kunene.co.za; Interview K Kunene 27/08/2014).

The Kunene model of empowerment resembled the growth path of African business before deregulation, i.e. the accumulation of own resources through savings and active operational involvement. This model also resembles the development of diversified conglomerates in other African countries, as discussed in the next chapter. As business expansion extended beyond own resources, credit could be secured from financial institutions with which relationships of trust had been developing since the inception of the business. The expansion of the Maponya business conglomerates because of Richard Maponya's organic business growth from milk distribution to general dealership (a general dealership is a general stor, trading in a wide variety of consumer goods), etc. until the system of racial segregation opened up through deregulation, and he expanded his enterprises beyond Soweto. Maponya nevertheless admitted that he conducted his business within the restrictive parameters of racial segregation. He recalled, '. . .I was making the statement that, given a chance, a black man could become as successful as a white man' (http://theafricanmillionaire.blogspot.com/2009/04/african-millionaire-of-week-become-rich.html). One such opportunity came in 2007. Maponya secured funding for a consortium to erect the Maponya Mall, a multimillion Rand shopping mall in Soweto, bringing the most modern shopping experience to the people of Soweto. From the initiative to build a shopping mall, Maponya established Maponya Developments Pty Ltd in 1997. This development company is managed by his son and engages in development projects across South Africa. The expansion of Maponya's business interests, similar to the diversification of the Madhvani Group in Uganda, or the Dangote group in Nigeria, is directed through the Maponya Africa Group (http://www.maponyaaafrica.co.za). A diverse range of investments are undertaken by the Maponya Africa Group, under the Chairmanship

of Richard's second son Peter Maponya. The group has six business foci, namely, business technology [information and communication technology], energy solutions [lighting, street lighting, 'green' buildings, solar water heating and process optimisation], e-learning [Learning24, which has developed curricula for the use as teaching support to teachers or as independent learning solutions], logistics and corporate transport [point-to-point corporate services, luxury chauffeur services and air travel connections], sport and marketing [PM sports and marketing engage in athlete development, sport development, event management, brand development and sponsorships] and a mining division [which engages in the extractions of various ores]. The Maponya group of companies resembles some characteristics of the phenomenon of business groups (Colpan et al. 2010). There is a pyramidal control structure, as the Maponya family owns controlling interests in all the entities, namely, the Maponya Group, the Maponya Africa Group and Maponya Development Projects. The various enterprises in the different business groups are engaged in unrelated product portfolios and the family is firmly in control.

The model of empowerment of Maponya was also self-empowerment, direct involvement with his business and growing from own resources (See Keeble 1981). Another experience of economic empowerment through own entrepreneurial endeavours was the company *Black Like Me* established in 1986 by Herman Mashaba. Mashaba was brought up by his sister in GaRamotse in Hammanskraal, part of the Bophuthatswana homeland. He was a delinquent youth, selling drugs and engaging in unacceptable conduct. He went to the university, but his studies were disrupted by the student violence and subsequent state of emergency in the mid-1980s. He dropped out of the university and got employment as a salesman with a grocery retailer. Soon he was selling hair care products for the SuperKurl company. He found in a white Afrikaans co-salesman, Johan Kriel, a partner for his new business: Kriel developed a perm lotion that reduced existing production time substantially. In a small factory of 20 people, Mashaba and Kriel manufacture the hair care product *Black like Me*. Together with another former employee of SuperKurl, Joseph Molwantwa, Mashaba established the new hair care company *Black Like Me* in 1984. Mashaba acquired a loan from a personal friend, Walter Dube, for R30,000.00 and started the manufacturing process, which developed into a multimillion Rand enterprise. In 1997 Mashaba sold a stake in the business to Colgate-Palmolive, but bought it back in 1999 and expanded distribution into the UK in 2001. Mashaba stepped down as CEO in 2004 and entered the BEE corporate environment while remaining a major shareholder in the enterprise (African Business, May 1994: 10–12; http://blacklikeyou.co.za/profile/; http://www.iol.co.za/the-star/story-of-black-like-me-and-the-man-behind-it-1.1297341; http://www.citypress.co.za/business/how-to-spread-it-banding-together-for-good/).

The development path of Mashaba as an entrepreneur displays an important profile of the new generation black businessman in South Africa. Dislocation in society and a lack of a sustainable career path sparked the entrepreneurial spirit and led to the innovation of an existing product (African hair care product). With the collaboration of trusted colleagues (Kriel and Molwantwa), a new enterprise was established, developed and expanded into a highly profitable business. The

enterprise was of special importance in the South African context, because it was an innovative product manufactured in the local industrial environment. Very little African involvement in manufacturing has been recorded (Empowerdex 2012)—the majority of African business was in retailing and distribution. The business giants, Maponya and the Kunene Brothers, are successful in the services sector, in distribution of food and goods or in the automobile retail distribution. The BEE regulation resulted in the acquisition of quick investments in lucrative businesses, such as the mining industry (Wu and Moodley 2009), and in financial services (Metropolitan transaction), contributing to ownership of substantial shareholding, but limited exposure to entrepreneurial risk. Mashaba established Leswikeng Minerals & Energy in 2002, which became the investment vehicle for his BEE investments in the mining sectors, in construction and in exhibitions, real estate, security, aviation and information technology. He sold 49.9% of *Black Like Me* in 2005 to Amka Products and keeps himself occupied with two executive chairmanship positions, three non-executive chairmanships, eight non-executive directorships and a number of directorships on the boards of non-profit organisations (http://www.blacklikeyou.co.za) as well as being the Mayor of Johannesburg since 2016.

A new class of very wealthy African businessmen in South Africa is the product of BEE transactions and the BBBEE statutory requirements on the appointment of black persons in management and as directors of corporations. These persons benefitted from incentivising remuneration packages, share schemes pertaining to company directors and managers and procurement policies prescribed in the statutes. Some of them were involved in setting up black-owned companies or SPVs to do BEE transactions, whereby substantial portions of big corporations were acquired by 'new' black owners. These transactions are mandated by a wide range of industry charters which set out the extent and timing of the transfer of ownership to black shareholders. The banking charter, the mining charter, the charter for the accounting profession and similar charters were 'negotiated' between black stakeholders and big business or professional organisations to ensure compliance with the BBBEE Act of 2008. During these negotiations, black politicians, professional people and other community leaders gained from the statutory provisions of BEE. The Group CEO of MTN was Raymond Dabengwa, AngloGold Ashanti's CEO was Srinivasan Venkatakrishnan, First Rand's CEO was Sizwe Nxasana, Gold Fields' CEO was Alfred Baku, Standard Bank's CEO was Sim Tshabalala, Exxaro Resources' CEO was Sipho Nkosi, Sasol's CEO was Nolitha Fakude, MMI Holdings' CEO was Ngao Motsei, and Yunis Shaik was the CEO of Deneb Investments, E Media Holdings and others. (Many of these persons have moved to other positions since.) These individuals performed executive duties in the big corporations and bank and financial companies, where they were well remunerated and rewarded, as all other executives and company directors, with, inter alia, shares. All of these persons are currently prominent black businessmen in South Africa and are expanding their business interests beyond the specific corporations in which their business careers started. Perhaps the wealthiest black South African is Patrice Tlhopane Motsepe. His father was the owner of a 'spaza' shop (a small convenience store in the black townships, frequented by mineworkers). Patrice studied towards his first liberal arts degree at

the University of Swaziland and then completed training as a lawyer at the University of the Witwatersrand in Johannesburg. He was the first black partner at an established law form, Bowman Gilfillan, at the age of 32 in 1994. He was appointed as director of companies, including Sanlam, the life assurance company. Motsepe was then tasked to put together a company, in compliance with the BEE statutes, to transact a BEE deal with Sanlam. The company, Batho Pele, acquired a stake in Sanlam in 2006, which ensured Sanlam's compliance with the BEE statues. Motsepe also engaged in similar transactions in the mining industry, leading to him owning a controlling stake in African Rainbow Minerals (ARM). Motsepe's families were supporters of the black opposition political organisations, and in 2013 his ARM was the largest sponsor of the ANC's election conference in Mangaung. Motsepe is also the owner of the Sundowns soccer team (https:www.bizzsouthafrica.com/richest-black-man-in-south-africa). The South African BEE policies have created a class of super rich businessmen, who have not set up businesses as the generation of the Kunene's, Tshabalala's, Maponya's or the Mashaba's have. They were the beneficiaries of the type of 'indigenisation' policies that characterised the post-independence era in Africa. The risk of destabilising the South African economy after the first democratic election in 1994 led to intense negotiations between business and the expected leadership of the ANC (i.e. in an alliance with the South African Communist Party and the largest trade union federation) to secure the capitalist market economy and private enterprise after the introduction of black majority government. Private business support for some form of transfer of wealth, as later manifested in the BEE programmes, shows resemblance to the state-business alignment in Kenya after independence. As in other parts of Africa, the growth of black business in South Africa maintains a close link to the ruling political party.

6.9 Conclusion: The Journey Has Just Begun

The future of business in Africa lies in innovative entrepreneurship. This chapter alluded to some bright new entrepreneurs across the continent. The first source of those entrepreneurs is the small- and medium-sized businesses, often operating in informal structures. Growing links between street traders and small enterprises in Accra, Ghana, facilitated by trade organisations, assisted the transition into sustainability of small enterprises (Anyidoho and Steel 2016). In Nigeria Gbenga Aluko is a commercial lawyer, who bought shares in MTN Nigeria and used his legal knowledge to acquire more shares in more entities until he has a net worth of millions of dollars. Another young Nigerian, Kola Aluko, established a resource trading firm, Fossil Resources, in 2001 and branched his entrepreneurial capabilities out into oil exploration and production. He is also now a well-to-do businessman (Nsehe 2012; Nsehe 2014). In South Africa, Sandile Shezi dropped out of a university engineering programme to start investing online. Ultimately, he established the Global Forex Institute. He teaches people to trade in securities and has created impressive wealth for himself and his students. Rupert Bryant

was fascinated with the Internet and dropped out of school to set up a Web design company. With a close friend, they established Web Africa, currently the largest independent Internet service provider in South Africa—employing 120 people and serving 51,000 customers. Rapelang Rabana completed a bachelor's degree in computer science and used those skills to establish an e-learning enterprise. His company Rekindle Learning repackages school study material in a digestible way and sells it to facilitate learning online (Https:///topperforming.co.za). These are the human capitals of Africa able to transform the legacy of power and *statism.*

Independent Africa was concerned with power. The power in politicians also grabbed economic power and plunged many economies into gradual descent. The overhaul of the global political economy of the new millennium offered Africa a new horizon. The state displayed an antibusiness image in many newly independent states and allowed SOEs to stifle economic development and growth. Entrepreneurs operated in areas of economic activity where they were best protected from government hostility, cumbersome bureaucracy and insecurity because of a lack of property rights. This chapter highlighted the plethora of success stories of entrepreneurs who observed opportunities, displayed an entrepreneurial orientation towards those opportunities and actually assessed the risks of expanding existing small enterprises, established new ventures and even took the first steps towards expansion beyond the home market. New business development after the opening up of markets was either feeding off the deep-seated long legacy of trading enterprises or simply represent the new opportunistic entrepreneur unable to let the opportunity go. The deep roots of entrepreneurial capabilities in Africa are illustrated in the strong family and kinship network nature of many emerging enterprises. The phenomenon of highly diversified conglomerates headed up by former general trading families is a powerful element in the growth of business in Africa. The prevalence of state intervention varies with the level of democratic institutions in the society. Economic restructuring introduced Africa to enhance levels of governance and economic efficiency. The business environment flourished under those circumstances, as is shown by the growth and performance of the private sector enterprises in Zambia, Tanzania, Ethiopia and Botswana. The growing partnership between business and government makes a distinct contribution to the emergence of successful enterprise in Africa. It is important to note the impact of advanced western university education in preparing the new entrepreneurs of Africa. In all the cases of growing conglomerates, the second generation in the business ownership and management had specialist education abroad. That knowledge base is vital to the development of the modern high-technology-based business of Africa. Much of the diversification grows from the primary sector—agriculture and natural resources—but depends on the application of new technology. The second important innovation following from the education of the new business leadership is the development of financial services. In the globalised world of finance, this chapter has shown how the new African entrepreneurs framed financial solutions for their business and the African market. The next horizon is the global market.

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Chapter 7
Into the Global

Abstract Business in Africa has matured into several highly competitive multinational corporations able to compete globally. Verhoef presents the first overview of Africa's global business capabilities by following the successful emerging market conglomerates from the continent. South African EMNCs dominance in market-seeking globalisation strategies are built on superior managerial and financial competitiveness, while ownership structures and a lack of technological advantages hold EMNCs from other African markets confined to intra-African expansion. The relationship between a legacy of capitalist market relations and globalisation from Africa needs consideration, as well as access to physical and human capital. The agenda on business development, organisational structure and management culture in Africa is opened by this provocative introduction to Africa's globalising corporations and aspiring EMNCs. Verhoef underlines the persistent challenging state-business nexus and compromising governance context of corruption and political nepotism.

The sprawling entrepreneurial orientation in Africa has taken business to a level where the informal and small enterprise grew into emerging market businesses expanding outside the domestic market. The big business enterprise or corporation is growing excitingly rapidly in Africa, despite there not being one African conglomerate (excluding corporations form South Africa) in the Fortune Top 500 global corporations. Africa's economic growth trajectory of an average of 6% GDP growth between 2000 and 2010 has slowed down to around 4.1% the last year, but private enterprise has already pulled the continent's economic performance beyond the sluggish record of state-owned enterprise dominance. Global economic conditions associated with weakened resources and oil prices, and the slow recovery from the global financial crisis of late 2008, impacted adversely on African business' ability to conquer global markets. African entrepreneurs have expanded their business operations to conquer the domestic economies, except for utilities and the resources industry. African-owned companies dominate resources processing, R&D intensive manufacturing, health care, telecommunications, wholesale and retail business, utilities and transport, other services, construction, financial services and light manufacturing. It is only in food and agro-processing

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that multinational corporations and African-owned companies share the market on equal terms, while in resources, state-owned enterprises still dominate the market. Overall private enterprise has a 56% share of corporate Africa's business, and SOEs have diminished to only a 17% share and multinational corporations 27% of the market. Private companies are small by global standards. The top 692 companies in Africa have revenue of around US$1.4 trillion, compared to the top company in the Fortune Top 500 companies, Apple, with US$39.5 trillion as a single corporation. The African corporation has shown strong revenue and asset growth, but has not surpassed the size and performance of emerging market corporations from South and South-East Asia. In Africa McKinsey reported only 13 corporations in Africa with revenue exceeding US$10 billion by 2016, with 42 corporations earning between US$5 and US$10 billion, 341 corporations in the US$1 to US$5 billion revenue stream and 296 corporations in the US$500 million to US$1billion revenue stream. African-owned corporations have outperformed most of their global peers, especially in health care, banking and insurance, utilities and transport, services, food and agro-processing, construction, light manufacturing and telecommunications. Those African corporations were generally more profitable than companies in the same sectors in the rest of the world (McKinsey Global Institute 2016: 18–20).

Access to global markets has encouraged African entrepreneurs to take on the challenges of international competitiveness. Having progressed through various phases of globalisation since the sixteenth century, African entrepreneurs only engaged actively as merchants in global exchange during the nineteenth century. During the initial stages of globalisation, Africa contributed primarily through its labour in plantation economies, but later engaged actively as merchants in trading with merchants outside Africa (Inikori 2007: 63–86). As outlined in the earlier chapters, this entrepreneurial legacy was transferred through family and kin relationships into the modern era, through to the history of emerging twenty-first century African business. The new generation entrepreneur moved away from only regionally confined or domestic markets into international markets outside Africa. The new businesses either seek expansion outside the local consumer base, or target global markets. An important dimension of twenty-first-century African business globalisation is the multicultural and multiracial character of the African entrepreneurs, with ethnic and cultural links to other continents. African business acquired a modern multicultural 'new' African appearance to reflect the merging open markets and liberal economic policies.

The entrepreneurial activity of the new era African businesses in Africa can broadly be categorised in two groups. The World Economic Forum (WEF) classifies economies by the level of economic development. In aligning to the business activity to the WEF classification, the bulk of entrepreneurial activity in Africa occurs in factor-driven economies. These economies are dominated by subsistence agriculture and extraction businesses, with a heavy reliance of unskilled labour and natural resources. African countries categorised in that group are Botswana, Cameroon, Egypt, Senegal and Tunisia. The next category is economies in the efficiency-driven phase, where further development of the economy leads to increased competition, accompanied by industrialisation and an increased reliance on economies of scale- and capital-intensive large organisations. The businesses in

South Africa and Morocco can be placed in this category. The last category is the knowledge-driven economies where businesses are more knowledge intensive and the service sector expands (http://www.weforum.org). While most First World countries are classified in this category, some South African and Kenyan enterprises only recently moved into this space. The Baumol distinction between replicative and innovative entrepreneurs (Baumol 1968: 64–71) correlates with the WEF categories of factor-driven and efficiency-driven economies. The bulk of businesses in the new era African enterprise environment are replicative, in that they simply established more new businesses conducting the same type of business as enterprises around them. The truly innovative entrepreneurs have created new products and services and changed the nature and scope of products and services on the market. In the development of business in Africa, the role of entrepreneurship in creating 'a better world' (Sarasvathy and Venkataraman 2011; Sheperd and Pazelt 2011; McMullen 2011) has been instrumental in the growth performance of the continent since the beginning of the century. This chapter considers the unfolding of African business initiatives to make Africa 'a better world', especially by exploring the opportunities outside the home market.

In the new era of African business, large corporations and billionaires emerged from the African emerging markets to compete on global markets. A number of highly innovative entrepreneurial activities have entered the business environment in a manner that has attracted foreign interest. The growth of the big African corporations eventually led to investment flows out of Africa. Business out of Africa has contributed to an exponential rise in total entrepreneurial activity, by establishing linkages with enterprises on the small- and medium-sized business platforms. Forward and backward linkages in the home market led to the growth of the big national conglomerates. These businesses needed to expand beyond the home market.

7.1 Big and Powerful

The large corporations in Africa are diversified conglomerates. Management is professional managers supported by professional people from the industry. In the South African corporate context, the Companies Act No. 71 of 2008 added explicit requirements on corporate governance pertaining to independent and executive directors. The act strengthened professionalism and corporate governance, both on the Board of Directors and in the executive management. Along with compliance with International Financial reporting Standards (IFRS) as subscribed to by the South African Institute of Chartered Accountants (SAICA) since 2006, global transparency in corporate business in South Africa enhanced and supported the globalisation of business. In the rest of Africa, compliance with international accounting standards is gaining momentum through the expansion of the operations of the global accounting firms, PWC, KPMG, Deloittes and E&Y. The landscape of big business in Africa has moved closer to corporate South Africa and emerging market multinational companies. The global connection of the new era business can be illustrated by the foreign direct investment flows into and from Africa. State policies adjusting to

open markets and sociopolitical restructuring delayed outward foreign direct investment (OFDI) by African economies. The strongest drive towards globalisation came from South African businesses entering world markets after many years of sanctions and isolation, which ended in 1990. OFDI from Africa commenced from low levels of US$659 million OFDI in 1990 compared to Asia OFDI which already stood at US $11,024.3 million in 1990. African OFDI showed stronger growth off the low base than the rest of the world: world OFDI grew by 7.92%, Africa by 12.55% and Asia by 15.21% between 1990 and 2015 (WIR 2016, Web Annex Table 2).

As shown in Table 7.1, the strongest growth in African OFDI occurred in southern Africa, where the growth in OFDI was 21.94% over the last 25 years. East Africa displayed the second fastest rate of OFDI growth at 19.71% since 1990. This growth rate had slowed down somewhat since 2013, when East Africa maintained 118% annual compound growth (coming off a very low base as is reflected in Table 7.1). Central African growth was 8.45%, and southern Africa has 24.53% annual compound growth between 1990 and 2015. West Africa grew only by 6.88%. North Africa posted 10.47% OFDI growth by 2015. The adverse GFC effect on Africa, exacerbated by the Arab Spring of 2010/2011, hampered sustained OFDI flows from Africa, but the growth of Africa's economy was at a rate of 7.1% between 2004 and 2008 and 5.3% between 2008 and 2014 (World Bank 2014: 63), which slowed down since.

An analysis of the composition of African OFDI since 1990 shows a doubling of outward stock as a percentage of gross domestic product. This is reflected in Table 7.2. OFDI stock in Africa rose from 4.8% of GDP in 1990 to 8.6% in 2013, but in North Africa, the ratio only rose beyond 2% during the late 2000s to reach 4.4% in 2013.

In North Africa, a steady rise in OFDI stock as a portion of GDP, to 5.0% in 2015, underpins the active entrepreneurial drive of new businesses especially in Egypt and Morocco to develop sufficient scale for global expansion. The chapter below discusses cases of such entrepreneurial assessment of opportunity. Libyan OFDI rose steadily since 2010, a trend following the political instability after the termination of Gadhafi's rule. This trend culminated in 52.7% OFDI stock as a percentage of GDP in 2015. The trend in OFDI stock as percentage of GDP remained low at 3.1 in West Africa, with Nigerian movement being sluggish at 2.4%, Ghana almost inactive at 1% but an impressive 42.3% in the case of Togo. This links directly to the expanding operations of Ecobank, which is discussed below. The East African performance remained sluggish, but Kenya lost its leading position of 2013 to Mauritius that acquired OFDI stock as a percentage of GDO of 12.5 in 2015. Southern Africa remains the leading source of OFDI stock acquisition in Africa. With OFDI stock as percentage of GDP in 2015 at 37.7, it is no surprise that the leading African corporations and leading globalising conglomerates are from southern Africa. The OFDI stock acquired as a portion of GDP by South African companies was 52% in 2015, just shy of Libya, but by closer assessment, South African corporations dominated the list of leading African companies. The important aspect of the stock acquisitions is that cross-border

Table 7.1 OFDI, Africa by region and South Africa, 1990–2015 ($m)

	1990	1995	2000	2005	2008	2010	2012	2013	2015
Africa	659.0	2975.7	1533.9	1925.3	4974	6659.4	11,999.7	12,418.1	11,325
North Africa	135.2	132.5	222.9	288.6	8751.9	4846.6	3273.4	1481.3	1831
West Africa	411.5	189.2	964.9	418.1	1708.7	1292.3	3155.2	2184.9	2030
East Africa	3.7	38.6	20.4	90.6	108.9	140.5	204.7	147.8	279
Central Africa	51.2	34.9	33.5	173.6	148.6	590.4	222.1	634.1	360
Southern Africa	57.4	2580.5	292.2	954.3	5771.0	−210.4	5144.3	7970.1	6824
South Africa	27.4	2497.7	270.6	930.3	3133.7	75.7	2987.6	5619.9	5349

Source: UNCTAD WIR (2013: 214); WIR (2014: Web Annex Table 2); WIR (2016: Annex Table 1: 196–199)

Table 7.2 OFDI stock as percentage of gross domestic product, 1990–2015 (%)

	1990	1995	2000	2005	2010	2013	2015
Africa	4.8	6.7	7.2	4.7	8.2	8.6	12.1
N Africa	1.1	0.9	1.3	1.4	4.4	4.4	5.0
W Africa	3.4	7.9	8.2	2.0	3.1	3.7	3.1
Nigeria	3.5	9.7	8.9	0.3	2.2	3.0	2.4-
C Africa	1.7	2.5	2.8	1.5	2.0	2.7	2.4
E Africa	1.0	1.6	1.8	1.8	2.1	2.3	2.2
Kenya	0.9	1.0	0.9	0.7	0.9	0.7	0.9
SD Africa	10.8	13.5	16.7	10.3	17.9	19.8	37.7
South Africa	13.4	15.4	20.6	12.6	22.9	27.3	52.0

Source: WIR (2016: Web Table 8)

Table 7.3 Value of cross-border M&As, by region of purchaser, 2007–2015 (US$ m)

	2007	2008	2009	2010	2011	2012	2013	2015
Africa	10,356	8266	2577	3792	4393	629	3019	3357
N Africa	1401	4729	1004	1471	17	85	459	1752
Egypt	1448	4678	76	1092	–	16	–	1672
Morocco	–	–	324	–	17	101	147	80.8
Other Africa	8955	3537	1573	2322	4376	543	2560	1605
East Africa	276	220	29	694	254	229	66	1394
Mauritius	253	136	16	433	173	418	65	1149
Nigeria	196	418	25	–	1	40	241	335
South Africa	8646	2873	1504	1619	4291	825	2246	549

Source: WIR (2016: Annex Table 10)

merger and acquisitions are open markets in action—business acquisitions are increasingly outside the home market. This is illustrated in Table 7.3.

Up to 2013, South African businesses have dominated the cross-border M&As, but by 2015, Egypt and Mauritius have acquired the leading positions. No M&A activity was recorded of significance in southern Africa, except for Mauritius. The big M&As by South African companies occurred between 2006 and 2013, after which the expansion strategies included the development of branch networks or agency agreements. Moroccan companies are gradually building globalisation capabilities since 2009. In the discussion below, the leading entrepreneurs and corporations in African expansion and M&As will be discussed. The level of cross-border M&As of African businesses remains significantly lower than that of companies in Asia and South-East Asia. The M&A activity in that region increased from US$97,406 million in 2007 to US$110,341 million by 2015, which surpasses the African achievement significantly (WIR 2016: Annex Table 10).

The leading 250 companies in Africa are concentrated in five leading African economies. The leading 50 companies in the top 250 companies in Africa are from six African countries—South Africa, Nigeria, Morocco, Kenya, Egypt and Cote d'Ivoire (http://africanbusinessmagazine.com). Eighty six percent of the companies

in the top 250 list are companies domiciled in the leading six. The concentration of business is further illustrated by the fact that only eight countries have more than six companies in the top 250 list. Big business is concentrated in South Africa, with 95 companies in the top 250, Egypt with 41 companies, Nigeria with 32, Morocco with 29, Kenya with 13, Zambia with 7 and Botswana with 6. The leading position of South African companies is underlined by the ranking of the largest global companies published by *Forbes* magazine in 2015. Africa has only 21 companies in the Forbes Global 2000 companies' list. Only four countries are represented—South Africa with 13 companies, Nigeria with 4, Morocco with 3 and Egypt by 1 (https://asokoinsight.com/news/21). Only 18 countries in Africa have companies in the list of Africa's top 250 companies. The financial sector comprises 30% of the top 250 companies, with 11 banks and financial service companies, 3 insurance companies and 1 asset manager in that category in 2015. The second largest category is mining, minerals, oil and gas, where 8 companies are in the top 250 list. In consumer goods there are 6 companies and another 5 in the category diversified conglomerates and retail. It is in this category into which many earlier general trading and family enterprises have matured. A growing number of companies in telecommunications and information technology (5), health and pharmaceuticals (3) and construction (3) entered the top 250 list since 2013. In 2013 the banking sector was also the dominant sector in the top 50 companies, but the second largest category of businesses was in consumer goods and retailing, with the mining sector in the third place. It is significant that only one company in the top 50 companies is engaged in manufacturing. This correlates with the Baumol distinction between replicative and innovative entrepreneurship. The strong representation of the mining and extractive sectors made for replicative entrepreneurship, but innovation in R&D of the mining, oil and gas companies, added significant value to mere mining operations on the continent. Innovative entrepreneurship gets attention in the discussion of individual corporations. In the financial sector and telecoms, innovation in Africa has resulted in local companies leading mobile money and electronic transfer technology. The general consumer goods, retail and brewery category of enterprises have not innovated, but distributed. The innovation in some consumer goods and food companies emerged in distribution channel technology, where African entrepreneurs developed a unique and specific advantage in food distribution for the local concern.

On the world stage, Africa was ranked under the world's top 100 nonfinancial TNCs, but lost that position in 2013 (WIR 2014: Web Table 28). Only two African corporations were amongst the world's largest nonfinancial companies in 2012: Anglo American Corporation Plc (ranked 43rd in terms of foreign assets, with a TNI of 2), with a primary listing on the London Stock Exchange, and SABMiller Plc (ranked 55th in terms of foreign assets, with a TNI of 7), also with a primary listing in London. Both AAC and SABMiller maintained their ranking amongst the world's top 100 corporations since 2008 (UNCTAD 2008, 2009; Verhoef 2011) but with substantially reduced TNIs. African companies are better represented on the list of the top 100 nonfinancial TNCs from developing and transitional economies, ranked also by foreign assets, in 2012. There are eight South African companies, one from Egypt and one from Algeria (see Table 7.4).

Table 7.4 African top 100 nonfinancial TNCs, ranked by foreign assets, 2012 and 2015

Ranked by foreign assets 2012	Ranked by TNI 2012	Corporation	Ranked by foreign assets 2015	Ranked by TNI[a] 2015	Home economy	Industry
31	31	MTN Group Ltd	40	25	South Africa	Telecommunications
43	27	Steinhoff International Holdings	36	26	South Africa	Other consumer (Furniture and home ware)
49	25	Gold Fields Ltd	84	78	South Africa	Metal and mining products
51	72	Sonatrach	–	–	Algeria	Petroleum
53	74	Sasol Limited	55	90	South Africa	Chemicals
63	35	Naspers Limited	66	76	South Africa	Other consumer services (Media)
67	34	Orascom Construction Industries SAE	–	–	Egypt	Construction
83	41	Mediclinic Corp Ltd	91	98	South Africa	Other consumer goods (Health care)
97	60	Netcare Ltd	–	–	South Africa	Other consumer goods (Health care)
98	33	Sappi Ltd	–	–	South Africa	Wood and paper products
–	–	Aspen Pharmacare Holdings	87	63	South Africa	Pharmaceuticals

Source: WIR 2014: Web table 29; WIR 2016: Annex Table 25
[a]TNI = transnationality index, which is calculated as the average of the following three ratios: foreign assets to total assets, foreign sales to total sales, foreign employment to total employment

The world ranking of some of these South African corporations is changing consistently. In 2008 Sasol was the highest ranked South African conglomerate on the top 100 list of nonfinancial corporations—at the 22nd position—with a TNI of 31.6% (UNCTAD 2009: 23). In 2012 Sappi was not on the top 100 list any more, despite increasing its TNI significantly to 74%. New corporations entered the top 100 nonbanking companies in developing countries since 5 years ago, and this list keeps changing. Comparing the largest companies in Africa in 2015 to the top 100 rankings of UNCTAD, South African companies made up 71% of the top 50 companies. Based on market capitalization in 2015 the largest African company is BHP Billiton, a mining and metals company, followed by SAB Miller, then Sasol, Naspers (the media conglomerate) and MTN. The dynamics of the market resulted in a change of fortunes for many African companies. On the top 100 nonfinancial companies from developing and transition economies in 2015, only seven South African companies (by foreign assets) are listed. These are six companies included in the 2012 rankings, namely, Steinhoff International (ranked 36th), MTN (ranked 40th), Sasol (ranked 55th), Naspers (ranked 66th), Gold Fields Ltd (ranked 84th) and Mediclinic International Plc (ranked 91st). The only new entrant is Aspen Pharmaceuticals, ranked 87th (WIR 2016: Annex Table 25). The dominance of South African-based companies occurred at the expense of some African companies, especially Egyptian, Nigerian and Algerian companies, but also because of the rise in Chinese, South Korean, Singaporean and Taiwanese companies intensifying globalisation strategies. The significant rise in the TNI of Sasol, Naspers and Gold Fields shows the growing strategic value of global operations. Mediclinic has established an important foothold in the Middle East leaving the group with a TNI of 98, while Steinhoff and MTN have grown their asset bases, but not improved on TNIs.

The development of big business in Africa is both an extension of corporate development before 1990 and of innovative entrepreneurial action. The company histories of the leading corporations underline the role of management as the cornerstone of organisational adaptability, business diversification or refocussing and sustainability. The entrepreneurial orientation and international orientation of management in the three corporates of South Africa, that have relocated their primary listing, is a manifestation of the visionary global ambitions of management despite adverse political and international condition for South Africa since the 1980s. The cases of AAC, SABMiller and BHP Billiton serve to confirm these traits. As global markets opened up for South African corporations, two trends favoured OFDI from South Africa. The first was strong MNC global expansion, and the second was the international trend towards unbundling of highly diversified conglomerates in favour of focussed business groups. Three South African conglomerates rode those waves. The Anglo American Corporation (AAC), South African Breweries (SAB) and Old Mutual entered into large M&A deals (E&Y 1998–2009). The frequency and scale of such M&A transactions were highest between 2000 and 2001. In 1999 AAC, and in 2002 SABMiller, secured primary listings on the London Stock Exchange (with a secondary listing on the Johannesburg Stock Exchange). The SA Mutual Life Assurance Company (Old

Mutual) followed suit (Economist 1998). From an international listing position, these three conglomerates refocussed group operations and entered into successive M&A transactions to become truly global enterprises.

Sir Ernest Oppenheimer established the AAC in 1917 as mining company specialising in gold mining. In 1926, the AAC acquired the controlling share in De Beers Corporation, the diamond company of Alfred Beit. With De Beers as an AAC subsidiary, the mining company soon diversified into coal mining, platinum mining, other nonferrous metals and minerals, paper and the pulp industry (Mondi paper) and other industrial interests. By the mid-twentieth century, AAC was the largest diversified mining conglomerate in South Africa. The international isolation of South Africa served to lock foreign exchange into the country, which led to the massive diversification of business interests of AAC. After the merger with Minorco in 1998, AAC shifted its primary listing outside South Africa and systematically sold off gold interests to focus on platinum (AAC is the world's largest platinum producer with 40% of the world market under AAC control). AAC developed from a family enterprise into a typically Chandlerian multidivisional conglomerate, managed by local management. The organisational form enabled the statutorily mandated Black Economic Empowerment transactions. AAC disposed of certain mining assets the group desired to restructure to improve focus on efficiency in markets better suited to its business model. As AAC can no longer be considered to be an African company, its South African roots distinguish it from UAC/Unilever, as it was incorporated in South Africa, operated primarily in South Africa until the late 1990s and then relocated to another global hub in London. As a South African company, AAC was the largest company listed in the JSE, by market capitalisation, since its listing in the 1930s. The entire global mining industry has become multinational. The former South African mining conglomerates followed market trends in refocussing operations. As the global markets opened for South African business, the Gencor unbundling of 1993 allowed the acquisition by the Australian-based BHP mining group of Billiton from Shell in the Netherlands. Despite being listed on the JSE, BHP Billiton has no operational activity in South Africa any more. BHP Billiton Plc, Glencore Plc and AAC Plc are global mining conglomerates, but share South African and African mining operations, managerial and professional staff and listing. South African innovation in deep-level mining technology afforded them a competitive advantage, but also in management. Under isolation, South African mining companies diversified into industrial manufacturing, banking services and financial services. This led to the massively diversified conglomerates, which required managerial strategy and skill. South African managers emerged capable of leading the new global multidivisional mining corporation irrespective of the location of the head office of listing. The domestic Black Economic Empowerment policies constituted a certain dimension of the decision by mining companies to diversify operations out of South Africa. In 2010 Moeletsi Mbeki, Deputy Chairman of the South African Institute of International Affairs, described the internationalisation of large companies out of the South African market, as 'political risk management' (Financial Mail 9/4/10). Financial analysts confirmed that BEE transactions are expensive for companies,

since it takes long periods of negotiations to find a suitable business partner. That process amounts to high costs to advisers and financiers, apart from companies having to issue new shares at a discount (Financial Mail 2015: 41). Push factors from the home market have indeed contributed to globalising strategies of big South African mining interests.

The South African Breweries (SAB) global development trajectory started in 1993 with the acquisition of struggling breweries in Tanzania, Hungary and other Eastern European markets and since 2001 into Central America. In May 2003, SAB acquired the Miller Brewing Company from Peter Morris and subsequently changed its name to SABMiller. In 2005, SABMiller became the second-largest brewer in Latin America after the acquisition of Grupo Empresarial Bavaria, the largest drinks firm based in Colombia (Economist 20/07/05; 21/07/05). SABMiller managerial capabilities supported the global expansion initiatives, but the London listing was necessary to access hard currency for further expansion. SABMiller Plc was no longer a South African company when it was acquired by Anheuser-Busch InBev for US$103 billion in 2016 (Buckley 2016; www.bloomberg.com/news).

The key to the global expansion of AAC and SABMiller was the quality of the management. Well-trained professional managers, engineers and accountants were at the helm. Knowledge of the restricted domestic market, the sociopolitical uncertainties and the opportunities for synergies in foreign markets allowed these corporations to become global players from South African roots. The century-old link with Britain and other European nations was placed under severe strain during isolation, but never severed to the extent that South African corporate managers no longer had strategic personal, professional and business connections. These networks survived the relatively short period of isolation. Another example of the personal networks at play was the establishment of the paper industry in South Africa. Mining engineers working for the Union Corporation, established Sappi, the South African Paper and Pulp Industries, in 1936. Entrepreneurs Robert Blane and Alex Aitken established the African Cellulose Syndicate to explore paper production in South Africa. The country was a net importer of paper. Persistent shortages of paper therefore presented the entrepreneurial opportunity, which led to the formation of Sappi in 1936, in collaboration with Union Corporation. The South African entrepreneurs negotiated with Umberto Pomilio, the Italian inventor of the Pomilio process of paper manufacturing, to assist in the establishment of paper production in South Africa. Industrial protection policies in South Africa secured Sappi a captive local market, but isolation constrained expansion. By the 1980s, Sappi had excess capacity, modern technology and a strong management team. Market-seeking export operations by 1986 accounted for 50% of Sappi's sales abroad (www.sappi.com; Financial Mail 6/2/04). Successive M&A transactions since 1991 made Sappi the world's largest producer of coated paper and market leader in Europe, North America and Africa. In 1998 Sappi listed on the New York Stock Exchange, but retained its primary listing on the JSE. In 2004 the expansion into China by acquiring a 34% stake in Chinese joint venture Jiangxi Chenming to build paper machines, a mechanical pulp mill and a deinked pulp plant. By 2008 Sappi was the world leader in the manufacturing of coated woodfree

paper (Economist 13/07/06; www.sappi.com/Sappi web). This South African corporation is a global leader in coated woodfree products and speciality packaging paper and since 2015 the pioneer, in collaboration with Napier University in Edinburgh, in a new low-cost process to manufacture nano-cellulose, a 'wonder material to make greener cars, thicken foods and treat wounds'. Listed in three continents, Sappi is an emerging market global corporation.

The globalisation of the multidivisional South African corporations occurred because they had a sound business model based on firm-specific advantages (FSAs), suited for adaption to new markets. At first FSAs developed in modern production technology, strategic management and product innovation. These conglomerates could no longer grow in the confined home market—the new and expanded markets to dispose of excess capacity and enhance efficiency of new technology. South African companies were also well disposed towards markets in Africa. The globalisation of Gold Fields Limited is a case in point.

Gold Fields was one of the first gold mining companies operating in South Africa, established in 1887 in London, and by 1892 consolidated its operations in South Africa under the name of Consolidated Gold Fields of South Africa Ltd (CGFSA). CGFSA operated in the gold mining sector, but soon diversified operations into manufacturing, finance and property. After the AAC relocation to London, Minorco (owned by AAC) acquired the London-based Consolidated Gold Fields Ltd (GF) in 1989. This left the South African operations in an independent company, firmly rooted in the Witwatersrand. GF expanded its gold mining operations by acquiring the Tarkwa gold mine in Ghana. In 1998, GF merged its gold interests with the gold interests of Gencor after the unbundling of Gencor. GF added a 21.6% share in the former AAC Driefontein Gold Mine in South Africa. Specialisation in gold mining allowed Gold Fields Ltd (GFL—the name of the dedicated gold mining company) the ability to apply its competitive advantage in mining technology to expand operations. Gold Fields is the global leader in cyanide technology, which it introduced at all the gold extraction plants. In 2009 Gold Fields was the first gold mining company to sign the Cyanide Management Code, of which the company had been a leading compiler. GFL applied its management skills and innovative technology in gold mining to expand outside the home market, primarily in West Africa. The company explained the mergers and acquisitions as occurring '...against the background of a tough commercial environment where costs are outstripping the price of finished gold' (Gold Fields Annual Report 1999: 4). By 2000 Gold Fields was the largest gold mining company in the world. GFL acquired more gold mines in Ghana (Aush Agnew mine, St Ives mines). To gain access to international capital, GFL listed on the New York Stock Exchange in 2002 and subsequently expanded operations into Venezuela (acquired Choro 10 gold mine in a joint venture with Bolivar Mining Company in 2006 but sold again in 2007—managing contextual risk), Peru and the Philippines. GFL bought out minorities in Ghana and the Philippines in 2011 and in 2013 expanded operations into Western Australia through the acquisition of three gold mines. Gold Fields remained active in the South African gold mining industry, but restructured its ownership by unbundling some mines and listing them separately as Sibanye Gold

on the JSE as well as the NYSE in 2012. This BEE transaction exemplified the creation of so-called 'junior' mining companies performing mining operations in other African countries, such as Botswana, Mozambique, Zambia and Zimbabwe, South Africa and Ghana. In principle, the continued 'unbundling' of too large mining companies displayed the innovative management strategy of the mining corporations in South Africa. Breaking up large corporations, focussing operations on specific mining operations and mentoring new business and industry leaders assisted the mining industry to overcome the home market constraints on improved efficiency. It has become the core transfer mechanism of South African mining expertise into emerging African mining operations.

The South African synthetic fuel producer, Sasol, used its ownership of advanced technology developed by local engineers to drive its globalisation strategy. Sasol was established in 1951 as a SOE to develop the German Fischer-Tropsch process of manufacturing synthetic fuel from coal commercially. Pioneering technology was developed, and South Africa became the first country in the world to produce fuel from coal commercially since the last half of the 1950s. In 1979, Sasol was privatised and listed on the JSE. By the early 1980s, Sasol had to expand operations in response to the international oil crises unleashed by the OPEC price hikes of the early 1970s. Sasol built two additional manufacturing plants, Sasol 2 and Sasol 3, by the mid-1980s. Sasol also developed an extensive downstream chemical by-product business and by the turn of the century was a diversified chemical conglomerate. Sasol diversified operations from the start: coal mining for its smelting demand, it ventured in chemical products, oil and the development of chemical technology (Sasol 1990). In 1996 Sasol announced its world-leading Slurry Phase Distillate (SPD) technology for the manufacturing of fuel from coal (CTL—coal-to-liquid fuel) and by 2001 its world-leading gas-to-liquid (GTL) technology. In 2008, Sasol Technology received international accreditation for the innovative research leading to the development of fully synthetic jet fuel (Sasol Review 2009: 26). Sasol became a global corporation, because businesses built around natural resources are usually global, since they serve international customers in advanced markets, they seek alternative sources of resources due to the saturation or cost of domestic materials and such 'companies move up the value chain, selling branded products or offering solutions to niche markets' (Khanna and Palepu 2006: 67). The innovative SPD technology paved the way to the next innovation, namely, the gas-to-liquid (GTL) technology. From Sasol's pioneering Qatar GTL plant, another was erected in Nigeria succeeded by JVs around the world to apply its GTL and its coal-to-liquid (CTL) technology. For South Africa, Sasol was of strategic importance during the international sanction era based on innovative technology. Sasol moved from its technology advantage to make strategic acquisitions and collaborate in joint ventures, following the Dunning and Lundan (2008) model of expansion driven by OLI advantages. By 2009 Sasol was ranked the highest of the South African companies in the WIR top 100 nonbanking companies (WIR 2009: 223). With a market capitalisation exceeding ZAR 317,687 million (or US$30.9 billion) by 2013, Sasol added a second listing on the New York stock exchange in 2006, but maintained its primary listing in Johannesburg. By

2015 Sasol was the fourth largest corporation in Africa with a market capitalisation exceeding ZAR 39 billion.

In the media and telecommunications industry, two South African EMNCs have established an undisputed global footprint. The first is Naspers. This company was established in 1915 as the holding company of an Afrikaans newspaper *Die Burger*. Afrikaans language newspapers were not expected to lead media internationalisation from South Africa, but exceptional entrepreneurial and innovative business strategies achieved just that. The more established English Argus Group of newspapers in the Cape sold out to the Irish Independent Group in the 1980s. As international sanctions and isolation restricted globalisation ambitions and electronic media increasingly marginalised the printed media, innovation through the electronic media opened opportunities to the early birds. Naspers opened the first pay-television business, M-Net, in 1985 and listed it on the JSE in 1990. More was needed to salvage the old-fashioned print media company. In 1993, Naspers split M-Net into two companies: M-Net, which was the pay-television company, and MultiChoice Limited, which took over subscriber management, signal distribution and cellular telephone services. In 1994, *Nasionale Pers* (the company owning the newspaper *Die Burger*) listed on the JSE as Naspers. In 1995, Richemont S.A. Switzerland and MultiChoice merged their pay-television operations into NetHold B.V., held through the Naspers subsidiary MultiChoice Investment Holdings (MIH Ltd).

These strategic industry changes resulted from a Naspers manager in the newspaper division JP ‘Koos’ Bekker’s disagreement with the old-fashioned management style of the company. Bekker completed an MBA at Columbia University, with a short dissertation on the Home Box Office in New York that introduced pay television in the USA in the 1960s. He introduced the Managing Director of Naspers, Ton Vosloo, who was at a loss of blowing new life into newspapers, to the concept of the electronic media. Bekker had left South Africa for New York, but Vosloo brought him back to assist *Nasionale Pers* in acquiring the first South African pay-television licence in 1986. When *Nasionale Pers* listed on the JSE in 1994, the media company did not outperform rival newspaper groups. In 1996 Vosloo was preparing for retirement, but insisted on Bekker as his successor. Bekker did not fit the succession planning and had left South Africa for the Netherlands where he had developed his own private film enterprise FilmNet. Bekker was offered to succeed Vosloo as CEO of *Nasionale Pers* in 1996. *Nasionale Pers* suffered declining market share and slumping profits. Bekker then offered his Dutch-based film company, FilmNet, to *Nasionale Pers* ‘at a price too high to decline’. An innovative entrepreneur grabbed the opportunity of the global slump in the printed media and the dire domestic situation of *Nasionale Pers,* to effect a fundamental overhaul in the local media house. Bekker and his entire team relocated to South Africa and started the digital revolution in media in South Africa.

Bekker transformed the newspaper and book print company into a multimedia company. At first the pay-television interests of NetHold were merged with pay-television interests of other international pay-television enterprises—Canal+ and Irdeto Access in France, 30.1% of UBC, the Thai pay-television company and

finally, as manager of NetHold Africa, Mediterranean and Middle East pay-television business. In 1997 Bekker listed MultiChoice Investment Holdings Ltd (MIH), the holding company of all the pay-television interests, on the NASDAQ. MIH Ltd then ventured into an Internet service provider MWEB and then went on a shopping spree of acquisitions in the instant messaging and Internet service sectors in China (Tencent in 2001—Tencent currently owns 51% of Naspers), in Brazil, in Russia (Mail.ru in 2007) and in other Eastern European countries. Naspers also acquired a controlling interest in, and media groups in, Brazil (Editora Abril in 2006), a 9.1% stake in the Chinese Beijing Media Company, in March 2008, the Tradus company (formerly QXL and listed on the London Stock Exchange), an online auction platform and Internet portals in Central and Eastern Europe. In 2008, Naspers also acquired a controlling stake in BuzzCity, a global mobile media company. In November 2009 Naspers bought Buscapé, a shopping system for more than 100 portals and websites in Latin America, including Microsoft, Globo and Abril. Soon the company expanded into eMAG, a major e-commerce portal in Romania, a 79% stake in Netretail in the Czech Republic in June 2012 and, in November 2012, a minority stake in Souq.com, a similar portal in Iran. In 2013, Naspers acquired a stake in Konga.com, the largest Nigerian online marketplace, and in 2013 RedBus, the largest Indian bus ticket portal. By 2016, Naspers operated in the electronic media, social media, the Internet and private television spaces. After making a loss of more than R37 million in its first year in 1984, M-Net expanded operations under the Naspers holding umbrella and posted profits since its third year in business. Naspers achieved market capitalisation exceeding US$75 billion in 2016, primarily driven by the expanding operations of Tencent in the Chinese market. The Naspers annual report claims, 'At the heart, we are entrepreneurs' (Naspers Annual Report 2012; Naspers Integrated Report 2016). Naspers owned innovative leadership, who engineered strategic global business repositioning. Bekker's MBA at Columbia University and his business venture in the Netherlands connected his entrepreneurial ambitions to the world of news, entertainment and digital communication. Since 2012, Naspers' revenue was generated primarily from Internet services and technology investments—'an internet company with good pay TV assets'. The appointment in 2015 of the Dutch citizen, Bob van Dijk, as the CEO succeeding Bekker, and Chinese representatives on the board of Naspers, signifies the global nature of this conglomerate from Africa into the emerging markets in Asia, Central and Eastern Europe, India, the Middle East and Latin America.

Naspers' entrepreneurs assessed the context of Africa expertly. Before the 1990 release of Nelson Mandela from prison, the former Afrikaans media bastion appointed Nolo Letele to bring pay television to Lesotho, then to Botswana, Namibia and then Ghana. This African footprint was of strategic significance when Naspers moved into mobile phones. In 1994 the first two licences were issued in South Africa. Naspers had a 9% stake in a consortium Mobile Telephone Network (MTN) that won the one licence. The other shareholders were the parastatal Transnet and BEE entities such as Johnnic. When Bekker wanted to move out of mobile phones in 1998, he swopped Naspers' stake in MTN for a

bigger stake in pay-television operations. MTN emerged as a controlled BEE enterprise and had captured 40 of the domestic market by 2001. By 2005 MTN was locked in a slow-growing South African cellular market with two competitors, Vodacom and Cell-C. A US shareholder opposed market expansion into Africa, but management understood the market and was confident about the opportunities in Africa. Within only 10 years, MTN expanded voice, data and digital services to 22 countries in Africa and the Middle East and enterprise solutions to corporates, SMEs and public sector enterprises. MTN first introduced GSM900 technology in mobile phone operations in Africa, which secured the company an undisputed market leadership position in Africa by 2010.

The MTN expansion strategy in Africa involved the use of local partners' branding, which effectively undermined the recognition of the MTN brand. Management embarked on a brand consolidation strategy to cut marketing costs and develop a global brand. To deliver a single quality global brand, a new logo was accepted as 'Y'ello'—the MTN logo on a bright yellow square. The company negotiated a single brand logo with all stakeholders in each of the countries where MTN operated. A new marketing concept 'glocalisation' was developed. This meant regional communication, which focussed on local needs and culture, but reflected the MTN global brand essence above all, the brand greeting, the brand personality and the band values (Singh 2008; Townsend et al. 2006: 306). The innovative brand marketing strategy as a FSA proved highly successful, both as a marketing strategy and a management tool. The South African management tightened control and a successful working relationship with the local partners in the different countries to cements its leadership in Africa. These successes afforded MTN a TNI of 31 and a ranking on the top 100 nonfinancial companies in the developing world of 31—the highest of all South African companies on the ranking list in 2013. In 2015 MTN was the fifth largest African corporation on the top 250 list of African corporations, one position behind its original parent Naspers, but the 2016 Forbes Global 2000 list placed the MTN Group at 523, ahead of Naspers at 680 (https://businesstech.co.za).

The successful globalising nonfinancial business of resources, beer, paper media and mobile telecommunication from South Africa occurred on the firm foundations of strong management, organisation sophistication, diversified capital adequate operations and the application of leading technology. The advanced nature of medical practice, research and health care presented entrepreneurial opportunity. The Mediclinic Group and Netcare private health-care groups globalised operations from firm-specific advantages of medical expertise and proprietary knowledge in medical practice and technology. In 1983 the private health-care group Mediclinic Southern Africa was formed, with a controlling shareholder, the Rupert company Remgro. In 1986 Medicare International was listed on the JSE and in 2016 on the London Stock Exchange. Remgro has a 42% stake in Mediclinic International. By 2012, Mediclinic was under the top ten global private hospital groups and by 2016 the sixth largest international private hospital group. Serious shortages in medical services and the rise of the middle class in Africa alerted medical profession to the opportunity of expansion into private health care outside South Africa. Mediclinic's

domestic operations soon spread to hospitals in Namibia, the Middle East and the UK. In 2007, Mediclinic acquires Hirslanden, the largest private hospital group in Switzerland. Operating in the higher end of the health-care market in the UK and the United Arab Emirates, Mediclinic International has its head office in London. In 2015, a reversed merger with the Al Noor hospitals in the UK created one of the largest private health-care providers in Europe (Kew & Connolly 2015). The business focus of the Mediclinic has become fully global. So have other corporations in the health-care and pharmaceutical industry. Aspen Pharmacare, a South African drug and wellness company, listed on the JSE, operating globally. The Ascendis Health Group acquired Spanish pharmaceutical company Farmalier S.A. (August 2015) and Cyprus-based Remedica Holdings Ltd and Scitec International (May 2016) in strategic globalisation operations (www.biznews.com/global-investing). The health-care industry in South Africa constitutes a non-typical emerging market industry, but entrepreneurial and corporate management capabilities facilitated the commercialisation of health care.

Rising living standards, per capita income, the mushrooming of the middle class, urbanisation and the construction of shopping malls in Africa gave rise to a growing demand for consumer goods. Retail entrepreneurs grabbed the opportunity as efficiency procurement and distribution systems enabled economies of scale and scope (Humphrey 2007; Tschirley 2010). This opportunity benefitted from increased intra-regional foreign direct investment, which is part of and follows trade liberalisation. Enterprises with existing branch network distribution and managerial capabilities could move into that market, provided the companies understood the market well. Consumer demand in Africa has a distinct cultural dimension. On the level of food and basic consumer goods, the South African Shoprite Group has developed an extensive footprint across both the rural and urban landscapes. By 2016, Forbes Global 2000 list included Shoprite Holdings at number 1497, and on the top 250 corporations, the group took the 19th position in 2015. Expansion by South African retail chain stores into the rest of Africa was a natural extension of their business models. The most successful group, the Shoprite Holdings Limited (SHL), exported its grocery store concept into Africa since the late 1990s to establish a presence in 15 African countries, including South Africa. The SHL has expanded from 704 stores in 2004 to 1855 in 2016. The stores serve the needs of different LSM segments (Living Standards Measures, LSM, 1–4 being low income, 4–7 middle income and 8–10 high income) and include food, furniture, liquor, pharmacies and financial services. By 2015, more than 10% of the group income is flowing from its operations in Africa outside of South Africa. The SHL started expanding into South Africa's immediate neighbouring countries in 2002 by opening stores resembling the South African store outlets. Market penetration was natural because of the regular movement of citizens from neighbouring countries into South African to buy bulk food and consumer supplies. The company sources supplies from the local markets. In Zambia more than 80% of goods in the SHL stores are sourced from the local market—in Nigeria this figure is almost 60%. The SHL group was the first South African retailer to open stores in the DRC, in Kinshasa. While entry barriers are high in African countries (familiarity with

products, knowledge of the supermarket concept, infrastructure to secure regular deliveries, security of money transfers, inadequate banking services, civil institutions, access to banking services to the ordinary population), the SHL business model offered solutions to many of these limitations. The innovation in food retailing that SHL introduced in Africa was access to mobile technology using the distribution network of the shops. Consumers can purchase mobile phones and services in store and link up to the mobile money transfer technology using the MTN or Vodacom networks. The SHL group developed a sophisticated central distribution system, with its own delivery fleet, operating supplies from centralised depots in Madagascar and Angola. The group employs more than 11,000 people from the local communities to serve the consumers in their own languages (SHL Integrated Report 2016; Das Nair and Chisoro 2016: 3, 5–7).

Other retail stores such as Pick n Pay has also expanded into neighbouring countries, but Shoprite has a strong market lead. The Botswana-based Choppies supermarket chain is competing in the same market. The Wayside Supermarket established in 1986 in Lobatse by the Chopdat family went through a fundamental managerial overhaul. As explained in the previous chapter, Choppies supermarkets expanded beyond the home market simply be assessing the demand for basic food and consumer goods in a highly segmented, but growing, consumer market. The supermarket chain finally listed in 2012, as are SHL and Pick n Pay. Listing allowed the investment flows necessary for geographical expansion (www.globeinvestment.com/list-of-exchanges.php).

Expanding nonfood retailing by Steinhoff International secured the conglomerate the third position on the Forbes Global 2000 in 2016, the 27th position amongst the top 250 African companies and 205th amongst the top 100 nonfinancial companies in developing regions. Steinhoff commenced a long history of retail expansion in 1964. Bruno Steinhoff established the company Bruno Steinhoff Möbelvertretungen und Vertrieb in Westerstede, Germany, but expanded through mergers and acquisitions outside Germany until the decision to list in South Africa. Steinhoff operated at the lower end of the market. Retail furniture operations expanded into Eastern Europe, Australia and South Africa. From a furniture manufacturer, the company diversified operations into logistics and raw material sourcing (wood for furniture manufacturing) and listed on the JSE in 1998. Since listing, the group actively engaged in market and asset-seeking mergers and acquisitions outside South Africa. By 2003, the group had already achieved R2.6 billion in market capitalisation and established Steinhoff Europe as a separate subsidiary. In Australia Steinhoff assisted the management buyout of the listed Freedom Group, delisted the group and managed the group separately in Australia. Rapid expansion in Germany, the UK and South-East Asia was built on using relatively affordable local labour and exporting from Africa (Hogg 2016). A decade after listing in 2008, Steinhoff International had a market capitalisation of R21.5 billion. The competitive advantage of the group was its managerial capabilities. The European retail interests were consolidated into European Retail Management (ERM) in 2008 and all the industrial assets into a separately listed entity KAP Group. Steinhoff International manages the global retail businesses. In December

2015, the latter listed on the Frankfurt Stock Exchange, while the head office moved from Stellenbosch to Amsterdam in order to benefit from the favourable double tax agreement between South Africa and the Netherlands (http://www.biznews.com). Earnings of Steinhoff International originate its 25% from Africa and 75% from outside Africa. The Steinhoff retail business focus has shifted from Europe to South Africa, and after strengthening the local comparative advantage, the focus shifted to an enhanced global position. The vision and strategic ambition of the CEO Markus Jooste, who has a legacy of 27 years at the company, was instrumental in building the global business in which the family of Bruno Steinhoff and of Christo Wiese has controlling interests. The families as long-term investors in Steinhoff want the business to grow. This was achieved by remaining close to its initial market focus, namely, the mass discount market where it serves the poor of Europe. Management's understanding of its niche market and sustained reliance on its competitive advantage in that market segment contribute to the success of the corporation. Steinhoff has the organisational sophistication, managerial expertise in the sector and global vision to identify market synergies.

The banking sector has shown remarkable development since economic liberalisation, since cross-border banking operations extended banking services from better banking endowed geographies to countries with less well-endowed banking infrastructure. The stronger economic growth is accompanied by access to financial services, especially commercial banks. Financial liberalisation, better regulatory and institutional capacity and cross-border banking activities by emerging Pan-African banking operations supported economic and business development. Africa delivered its own new financial entrepreneurs. In the formal financial environment of banking, insurance and related financial services sectors, South African institutions command a leading position. Amongst the top 50 companies in Africa, 15 companies operate in this sector and 9 are South African banks, insurance companies or asset managers. Two banks are Moroccan and three Nigerian in the top 50 companies in Africa. A well-developed financial services sector developed in South Africa on the back of a dominant role of British banks, a central bank since 1923 and statutory regulation of banks, building societies, insurance companies and other financial services institutions. The four big South African banking groups, Standard Bank Group, the FirstRand Group, ABSA and Nedcor, were all incorporated with local majority shareholding by the early 1980s. These institutions developed extensive branch networks, had expert management capabilities and maintained a healthy capital adequacy ratio under central bank supervision. These banks operated in an African environment servicing both big business and small savers. When Africa opened up for business during the late 1990s, the South African banks owned the knowledge, infrastructure and capital to extend services to the rest of the continent. Managerial exchanges between British and continental banks and the South African subsidiaries and later only stake investments ensured a seamless interface with global financial markets. The South African banks are all private institutions, but in the rest of African state, ownership remains prominent.

Since the beginning of 2000, the South African banks systematically adapted their strategic focus for growth into the African market. The largest banking group in Africa is the Standard Bank Investment Corporation (SBIC), with earnings distribution of 35% from South and Central Africa, 30% from East Africa and 35% from West Africa. The SBG focussed on transactional banking and liability gathering in Africa, primarily by means of its Finacle banking platform in use in Namibia, Nigeria, Uganda, Botswana, Tanzania and Ghana—where 2.5 million customers are operating on the platform. One strategy into Africa was by acquiring privatised state-owned banks, such as the acquisition by Standard Bank of the Uganda Commercial Bank in the early 1990s upon Ugandan privatisation of the banking sector (SBIC 2014). Other big South African banking groups followed. The FirstRand Group started its expansion into neighbouring African countries via investment banking services to Namibia in 2011 and a representative office in Kenya in 2012. Rand Merchant Bank (RMB) in the FirstRand Group (FRG) delivered the investment banking services, specifically for infrastructure and project finance, resource finance, debt financing, structured trade and fixed income, currency and commodity services (FRG, Media release 14/08/2011; 29/03/2012; 2/05/12). FRG commercial bank delivered the ordinary commercial banking services via its commercial bank First National Bank (FNB) into Zambia in 2009, Tanzania in 2011 and Nigeria in 2013, leading to full service branches with ATMs, tellers, customer sales and service consultants (FRG, Media release 2/04/2009; 27/07/2011). ABSA's Africa penetration was delayed by integration with Barclays after the latter's acquisition of a controlling equity stake in ABSA in 2005. By 2015 ABSA had a footprint in 12 African markets through Barclays Africa. South African banks followed different strategies into Africa. SBG engaged in acquisitions and partnerships with existing banks, while FRG preferred small greenfield operations rather than significant acquisitions. Growing competition in African financial services markets, rising costs because of new regulatory requirements and the high costs of building distribution and systems infrastructure are compounded by the inherent risks of doing business in Africa.

Morocco has moved forward as the 'new African ambition' and developed banks to facilitate the growth. Attijariwafa Bank was established in 2003 through the merger of the old 1904 Wafabank and the Banque Commerciale du Maroc (1911). Attijariwafa Bank is the leading African bank in the top 250 companies in Africa and the top banking group in the CFA franc zone by number of branches. The state retains a substantial stake in the bank through the National Investment Company (SNI is the royal holding company—therefore a SOE) holding a 47.7% stake in the bank. The SNI changed its focus from control to that of an investment fund since 2012. This development allows the management in companies under its control, professional and functional freedom. With branches in several European cities and London, the bank expanded its branch network across North African, to include operations in Tunisia and Egypt. The Banque Marocaine du Commerce Extérieur was established in 1959 and has now assumed the second position in Moroccan banking system. Together with new Nigerian banks such as Guaranty Bank Plc (GT Bank, established 1990), Zenith Bank International and First Bank Nigeria, all

of which are amongst the top 50 companies in Africa, these banks expanded operations across West Africa as privately listed entities operating independently from state control. GT Bank was the first sub-Saharan bank in 2007 to list on the LSE and Deutsche Börse. As a diversified financial institution doing business in eight African countries and the UK, GT Bank represents the emergence of innovative financial entrepreneurs in Africa supporting emerging local business. The entrepreneurs who established GT Bank were driven by the ambition to deliver an enhanced bank service to its customers and to rally the best minds in Nigeria to establish the bank, serve on the board and manage the actual operations. Fola Adeola and Tayo Aderinokun had a good school education in church schools in Lagos and both pursued professional careers in banking in Chase Merchant Bank (later renamed Continental Merchant Bank) in Nigeria. These young entrepreneurs selected Nigeria's intellectual capital to join as initial promoters, namely, legal and medical practitioners, bankers and entrepreneurs. Adeola and Aderinokun set out to establish a bank using the latest technology in bank services; they refused to appoint a retired militarist or politician as chairman of the board. Chief JK Agbaje, the first Nigerian to be appointed executive director of a bank in Nigeria (the Standard Bank later nationalised and then renamed as First Bank), was appointed as chairman of GT Bank. His standing as a retired banker suited the focus of the entrepreneurial founders. The founders committed themselves to support small- and medium-sized enterprises and establish branches in at least five federal states—Kano, Rivers, Anambra, Imu and Oyo. The risk of this enterprise was that it occurred in an unfree society, under nondemocratic military rule, which harboured the risk of dispossession and irrational regulatory constraints. After registration in 1990, Adeola and Aderinokun assumed the offices of managing director and deputy managing director, respectively. New appointees were highly qualified graduates and persons of integrity. The entire banking venture had an entrepreneurial character and no connection to the state. The bank established clear governance guidelines, open internal communication, informal interaction in the entire organisation and a strong emphasis on ethical conduct and service delivery. Within a decade the rating agency Fitch granted GT Bank an AA- rating in 2005, a first for a Nigerian bank (Maklan et al. 2014; Maklan and Knox 2009; Ogunbiyi 2010). The GT Bank accumulated assets of Naira of 10.9 billion by 1995 and has a market capitalisation in 2016 of Naira of 24 billion. The GT Bank displays the new generation banks in Nigeria after the era of state-owned banks.

The other Nigerian banks in the top 50 African companies are the Zenith Bank International and the First Bank of Nigeria. The Zenith Bank, established in 1990, listed on the Lagos Stock Exchange and LSE in 2004 and focussed its operations on Anglophone West Africa. First Bank of Nigeria developed out of the imperial bank. The Bank of British West Africa was established in 1894. BWA was nationalised after independence and finally privatised in 1990. The size of the Nigerian market and operational expansion into the region created a competitive environment for banks. South African banks have also expanded operations into West Africa, but they tend to operate more on the high end of the market. Africa entrepreneurs in the Federation of West African Chambers of Commerce and Industry, with the support

of ECOWAS, experienced frustration at the domination of the banking industry by either foreign or state-owned banks. They then formed a private public liability company as a bank holding company in 1985. The new company Ecobank Transnational Incorporated (ETI) wanted to enter the vacuum. Ecobank offers private, business and corporate banking facilities and by 2016 operated 1284 branches across all of sub-Saharan Africa as a diversified financial service bank. Incorporating in Togo as an international organisation with the rights and privileges of a regional institution, ETI is the first privately African-owned Pan-African bank of the new era of the African Renaissance. Ecobank employs more than 20,000 people and operates branches in 36 African countries and international representative offices in Paris, China, Dubai, Johannesburg, London and Luanda. In 2000 Nedbank, the fourth largest South African bank, entered into a strategic alliance with Ecobank. Nedbank's Africa strategy encompassed strategic and functional collaboration with African banking institutions, of which Ecobank was selected as the partner of choice. The Ecobank-Nedbank Alliance is the largest banking network in Africa, developing African financial entrepreneurship and expertise and benefitting from the Nedbank infrastructure and branch network. The ENI is listed on the Ghana Stock Exchange (GSX), the Nigerian Stock Exchange (NSX) and the BRVM stock exchange in Ibadan, Cote D'Ivoire. Ownership of Ecobank is distributed amongst other banks, institutional investors, insurance companies, the IFC and 'other investors' (Ecobank 2016). Ecobank is still only at number 105 of the top 250 African companies, but it is the leading PAB on cross-border expansion on the continent (Mecagni et al. 2015: 22–25). The significance of its establishment is that the concept of an international bank in and out of Africa represents the new generation Pan-African entrepreneurship.

A smaller, but successful, bank in Kenya, Equity Bank, emerged from a failed building society in the 1980s. The Equity Building Society was established in October 1984 to provide mortgage financing to customers in the low-income strata, especially in rural areas. Different financial services were added to the business of the building society, resulting in the organisation of operations under Equity Group Holdings Ltd (EGHL). EGHL developed a diversified suit of financial services, which by 2014 were delivered by subsidiaries in neighbouring countries, such as Uganda, Tanzania, South Sudan, Rwanda and the Democratic Republic of the Congo. James Mwangi is the CEO of EGHL. He was the person who turned a technically insolvent building society in 2004 around to one of the largest and most profitable companies in Kenya. In 2014, Mwangi restructured the Kenyan banking operations of the EGHL to incorporate Equity Bank Kenya Ltd (EBK) as a WOS of the EHGL. Operational constraints developed from EHGL being a listed entity conducting both banking and nonbanking financial services. The separation and separate listing of EBK allowed EGHL greater freedom to operate in various financial services functions, while EBK was the flagship bank extending banking service across Africa. Mwangi's strategic vision for the bank and the diversified financial service of EGHL improved functional focus in operations and opened the way towards functional specialisation in the different financial services offered by the group. EBK is the largest Kenyan bank, but the EGHL as a whole has a

customer base of more than 10 million and assets exceeding US$3.855 billion (Mecagni et al. 2015: 22–25). Mwangi is only one of a new generation African bankers responding to the capital needs of the growing African business environment. In Kenya Jimnah Mbaru acquired the Dyer & Blair Investment Bank from the Kenya Commercial Bank and issued the first ever corporate bond, the EADB Bond, in Kenya in 1996. Dyer & Blair Investment Bank started as a stockbroking firm in Nairobi, later changed to an investment bank and was acquired by the KCB in the 1970s. When KCB decided to dispose of its investment bank, Mbaru bought the bank and has become a leading investment banker in Kenya (https://www.howwemadeitinafrica.com). Africa has delivered a new generation of professionally trained bankers and financial services entrepreneurs who are contributing to the building of private business.

Despite improved banking penetration in Africa, the overall financial system remains shallower than in other parts of the world. Sub-Saharan middle-income countries' average M2-to-GDP ratio in 2014 was only 45%, compared to 65% in other middle-income countries (Mecagne et al. 2015: 7). One way of dealing with this structural void was the development of microfinance, which spreads across Africa to reach the unbanked and secure a livelihood to financial entrepreneurs. Improved regulation of the microfinance industry across Africa has stabilised the industry and set standards of good practice, which resulted in closer alignment with the formal banking sector. More and more big business operations in Africa engage in some form of credit or financial service provision to support the development of the corporation.

7.2 The New Global African Business: Entrepreneurs and Billionaires

African business entered the era of globalisation from two platforms. Corporate business from South Africa had proprietary knowledge, sophisticated management, established business networks and access to capital through a sophisticated financial system. These corporations dominate the UNCTAD list of 100 nonfinancial companies in the developing world (Table 7.4). Globalising big business from the rest of Africa (Table 7.5) occurred generally from a strong entrepreneurial and international orientation of the entrepreneur or family of businessmen and a business that has finally matured into expansion from the home market. While only Orascom from Egypt is included in the UNCTAD list, a number of emerging African multinational corporations are explored in Table 7.5. A growing number of small entrepreneurial start-ups or more focussed companies seeking to expand their markets enter global markets successfully. Relaxed state control facilitated an international entrepreneurial orientation in SOEs, by appointing professional people to the management of such corporations. Sonatrach from Algeria benefitted from more liberal market policies, which secured Sonatrach a growing global

Table 7.5 African firms approaching 'EMNC' status

Name	Ownership listing	Entry mode	Type of MNC geographical distribution	Timing of engagement with global markets	Global orientation motives	Depth of foreign engagement	Sector
Sonatrach	SOE	Export services; JV	Regional EMNC Algeria	Born local EMNC	Market seeking	Three countries	Petrochemical
Orascom	Family (ODH = 84.6%; free float 15.2%) Listed EGX 1999; Nasdaq Dubai 2015	Export construction services; JV; WOS	Regional EMNC Egypt	Born local EMNC	Market seeking	Eight countries	Construction real estate hotels
Mohan Plc	Family Plc	Export products WOS	Regional EMNC Ethiopia	Born local EMNC	Market seeking	None	Raw materials, footwear, plastics
MeTL Group	Family Tanzania	Exports, JV	Regional EMNC	Born local EMNC	Market seeking	8	General trading, agriculture, manufacturing, transport, finance, mobile technology
Craft Silicon	Founder EO IE Kenya	Export IT Services WOS	Regional EMNC	Born local /global EMNC	Market seeking	4	IT software solutions
Dangote Group	Public listing Nigeria Founder controlling stake	Export WOS through M&A JV	Regional EMNC	Born local	Market seeking	8	Diversified industrial conglomerate
Auldon Toys	Founder family Nigeria	Export	Regional EMNC	Born local EMNC	Market seeking	5	Toys manufacturer
Comcraft Kenya	Family Kenya	Export WOS M&A	Regional EMNC	Born local EMNC	Market seeking	50	Industrial conglomerate Steel, plastics, aluminium

Mansour Group	Family Egypt	Exports WOS M&A Licencing, franchising Strategic alliances	Global EMNC	Born local EMNC	Market seeking Asset seeking Resource seeking	120	Diversified conglomerate Services Real Estate
Comcraft Group	Family No listing	Exports	Regional EMNC	Born local EMNC	Market seeking	45	Steel, aluminium, plastics Manufacturing
Mara Group	Founder Uganda Listed some companies	Export services Export WOS JV	Global EMNC	Born local EMNC	Market seeking	22 HQ Dubai	IT Diversified conglomerate
Sameer Group	Family Kenya Listed Nairobi Stock exchange	Exports WOS M&A	Regional EMNC	Born local EMNC	Market seeking	3	Diversifies conglomerate, manufacturing, telecommunications

Source: author compiled

presence. Many African conglomerates evolved from small trading enterprises, but went through organisational and managerial transformation in the new millennium. These changes went hand in hand with a different business orientation of improved focus and seeking access to specialised global markets. Businesses started by exporting goods or services and subsequently diversified operations into aligned sectors, setting up WOS to replace the U-form of management with the M-form. Exceptional wealth was created for individuals in Africa. Their business acumen created African companies capable of extending into a global reach. A possession with control kept many African conglomerates under family control. In contrast to the South African globalising conglomerates seeking access to international capital and markets, African conglomerates were slow in listing and extending into markets distant from the home base. The globalisation of many African conglomerates evolves from markets they control, sometimes as monopolies, while management and ownership remain local.

Firms are considered multinational firms when they acquire a substantial controlling power in establishments located in at least two countries through OFDI (Markusen 1995; Caves 2007; Dunning and Lundan 2008; Buckley and Casson 2009; Guilén and Garcia-Canal 2009), while Spero and Hart (2009) consider firms multinational corporations when such enterprises maintain overseas direct investment in order to control or possess value-added assets in more than one country. These criteria formulated by UNCTAD and the OECD are based only on the ratio of foreign to total assets. Furthermore, UNCTAD considers a company to be multinational when its equity mode displays the global orientation of the firm (UNCTAD 2007, 2008, 2009). The IMF and the OECD (IMF 2008; OECD 2008) require a firm to invest at least 10% or more directly in ordinary shares or voting power of the enterprise it is investing in before the investing firm can be described as a MNC. The consensus thus excludes enterprises engaged only in export activities from the category of a MNC. The most prominent globalising African enterprises are based on the UNCTAD top 100 nonfinancial companies in developing countries, as well as companies owned by persons listed in the Forbes list of Africa's 50 richest men.

The Orascom Group is the only non-South African nonfinancial company on the UNCTAD list of top companies in the developing world. The Sawiris family established and controlled Orascom since its formation in 1950, despite listing on the Egyptian Stock Exchange in 1999 and one of its WOS on the Nasdaq in Dubai in 2015. The Sawiris family still holds 84.6% of equity in Orascom. The Orascom business was nationalised by the Nasser government in 1961, but after 1976 when Sadat rose to power, the family returned and received the business back, enabling diversification from construction into real estate, hotels and land sales in eight countries (http://www.orascom.com; UNCTAD 2006). The second-generation Sawiris, brothers Nassef and Naguib, diversified operations of the original construction company. Naguib steered the Orascom diversification into railway construction, as well as develop information technology and a telecommunications division. The operational diversification led to the split in 2015 of Orascom Holdings into different operational entities: Orascom Telecom Holdings, Orascom Construction Industries, Orascom Hotels and Development and Orascom

Technology Systems. Nassef is the CEO of Orascom Construction Industries, but he also established the Nile Holdings Investment. This investment fund focusses on investment in the health sector (Adly 2017: 7–9).

Family control characterises the other emerging conglomerates in Africa. In Ethiopia Mohan Plc was established three generations ago during the early twentieth century importing steel to Ethiopia and has developed into a diversified industrial conglomerate. After nationalisation in the 1960s, the Kothari family returned to the market by acquiring underperforming SOEs. The Kothari family developed a diversified industrial group. The Group CEO is the third-generation Kothari, Mayur Kothari. Ownership remains in the family (www.forbes.com/profile/mohammed-dewji; www.mohanplc.com; Sutton and Kellow 2010). The Dewji family in Tanzania built the MeTL Group (Mohammed Enterprise Limited) from a general trading company, established by Mohammed Dewji during the 1970s. After socialism the Dewji family acquired the loss-making manufacturing and textile SOEs. The group is also firmly under family control (Bijaou 2017: 59*;* www.metl.net). The Comcraft Group in Kenya was started in 1915 manufacturing aluminium cookware, but under third-generation Chandaria management, it has developed into a diversified industrial conglomerate operating in 50 countries. The growth of Comcraft into Tanzania and Uganda occurred as markets opened up towards the late 1990s, but the family remains in control. The family of about 65 Chandaria managers oversee their businesses in 50 countries, the majority in Africa (http://www.howwemadeititafrica.com). The Mansour family in Egypt also lost the cotton trading company started by Loutfy Mansour in 1948 to nationalisation under Nasser, but after the mid-1970s, the business was returned to the Mansour family. The Mansour family diversified business into automobile trade, retail, electronics property and finance—all through JVs with MNCs and WOS. Innovative management by Merali secured the listing of three of the Sameer Group's WOS on the Nairobi Stock Exchange, which facilitated international participation in their successful East African operations (http://ww.mansourgroup.com/About-us; http://www.odili.net). The Sameer Group in Kenya is also a family firm established by Naushad Merali, but the diversified Sameer Africa Group was listed, with the family retaining only a minority equity stake (http://www.buisnessdailyafrica.com). In terms of the international organisations' definitions of a MNC, the Sameer Group is the only entity of which the equity mode reflects a multinational character.

Family networks and the EO of the founding entrepreneur have been crucial in steering small businesses in Africa through periods of slow growth and political intervention in the markets. Nationalisation and expropriation inflicted serious damage to the development of businesses, but in other instances, political favouritism contributed to the establishment of business empires. Aliko Dangote's Dangote Group was close to the Nigerian state—the group obtained import licences for cement and other primary food such as rice, flour and sugar. He organised his businesses in 1981 in the Dangote Group. The dual advantage of the Nigerian context benefitted Dangote. On the one hand, endemic corruption silenced any questions about his access to cement importation licences. By 2000 Dangote owned six cement terminals where imported cement was bagged and distributed across the

country. On the other hand, the reputation of corruption in Nigeria discouraged foreign cement manufacturers to enter the Nigerian market. When World Bank structural adjustment was introduced in Nigeria during the latter half of the 1990s, Dangote's dominant position in cement and food import was entrenched. He stood to gain from a private sector friendly liberal market. Dangote financed the presidential election campaign of General Obasanjo in 1999 and again his re-election in 2003 (Iliffe 2011: 168). Dangote 'bought' licences to get into the highly lucrative cement industry (Ogbor 2009: 276), and his family 'already had good government connections' (http://www.celebritynetworth.com). Dangote admitted that, 'if you want to do business, you have to foster a relationship with the government of the day. If you don't how do you expect the government to listen to your complaints?' (Economist 23/06/2012). When the Nigerian state under economic restructuring pressures decided to encourage local cement production, Dangote was perfectly positioned to secure the licence (Economist 12/04/2014). Skilful engineering of his favourable positioning close to the state was also useful when market liberalisation favoured local entrepreneurs. Under Obasanjo the Backward Integration Policy (BIP) was introduced, which favoured existing entrepreneurs applying for licences to acquire new licences or assets. The BIP gave Dangote a priority position as established local cement distributor, since this policy meant in the cement industry that licences would only be issued to industrialists proving that they had constructed cement manufacturing plants in Nigeria. To encourage local production, VAT and customs duty for cement production and capital equipment importation was waived (Ohimain 2014: 71). In 1992 as market liberalisation was introduced, Aliko Dangote vowed to 'take on the middlemen'. The existing Dangote enterprises in local cement manufacturing were supplemented food processing plants, factories to produce pasta and to refine sugar, salt and flour. The manufacturing strategy dovetailed with the extensive import and distribution networks of the Dangote business interests. The Dangote Group imports 400,000 metric tonnes of sugar annually—that accounts for 70% of Nigerian consumption. The forward linkage is then as major supplier in Nigeria to Coca-Cola, Pepsi-Cola and 7 Up. The sugar refinery at Apapa Port, Lagos, is the largest sugar refinery in Africa with an annual capacity of 700,000 tonnes of refined sugar. Further imports are 200,000 million tonnes of rice and massive volumes of fertiliser and building materials. In the production of textiles, Dangote Textiles, and its acquisition Nigeria Textile Mills Plc, manufactures more than 120,000 metres of finished textiles daily. In the textile industry, the group has a ginnery in Kahkama, Katsina State, with a capacity of 30,000 metric tonnes of seeded cotton annually. In 2007 to commemorate the 50th anniversary of Dangote's company, he announced the construction of the largest cement plant in Africa, at Obajana. That plant produces 10.2 million metric tonnes of cement per annum (Akoma 2012; http://www.worldstagegroup.com). Dangote used his entrepreneurial capabilities to build the diversified conglomerate.

The international expansion of African business outside the home market generally occurred only in the second or third generation of family ownership. These enterprises generally expanded business activities incrementally as suggested by the Uppsala model, into neighbouring markets most familiar and similar to the

home market. In all instances, these firms had the O (ownership) and L (location) advantages (the L advantages were in the firms' proximity to the underdeveloped and undersupplied African markets, as well as knowledge of those markets), as suggested by the eclectic models of Dunning. Those firms lacked managerial expertise to venture outside Africa. It is only during the very recent decades that the Sawiris business was listed in Egypt, the Merali family's Sameer Group was listed in Kenya and the Mansour family listed some of its WOS in London. Listing only diluted family ownership (not in the case of Orascom). Listing also did not result in the appointment of professional managers from outside the family in leading positions. Given the low level of economic growth and net FDI outflows, these firms failed to engage effectively with global markets, as explained by the IDP model. Networks in and outside the firm were slow in developing. This also held back the full globalisation of the enterprises. Firms sought asset exploitation through the expansion of operations from the home market into regional markets through existing resources and markets they own and control and seeking efficiency enhancement through economies of scale. The advantage the successful firms described here enjoyed is the EO of the entrepreneurs, family networks and the ability to move quickly into relatively uncontested markets that opened up as Africa embraced liberal markets. These entrepreneurs were present in Africa, often for generations, which afforded them the competitive advantage of understanding the African environment, society and political leaders, and, as observed by Manu Chandaria, '..we have always managed to be on the right side of the government. . .whichever government comes in because we are not politicians; we are serving the people of this country' (http://www.howwemadeitinafrica.com).

The Comcraft Group of Kenya, an industrial conglomerate, is firmly in family control. It started in 1915 by the Chandaria parents who emigrated from India to settle in Kenya. The Chandaria patriarch established a provisions store in Nairobi, but soon diversified his business into Kaluworks, a small enterprise manufacturing aluminium cookware. In the 1950s, Manu Chandaria returned from graduating in the USA. Manu and brothers and cousins chose to remain in the small family business in Kenya, but after independence the father encouraged his sons to expand operations into neighbouring countries, because survival of the business could not depend on only one location. By 1965 aluminium manufacturing was extended into Uganda, Ethiopia, Zambia and Burundi. The family maintained good relations with all the governments where their business had taken them, but there was a realistic appreciation of the mounting instability in independent Africa. The Chandaria aluminium and later also steel and plastics manufacturing operations were spread into London, Geneva, Toronto Sydney and India. Manu Chandaria succeeded his father as CEO of the group of companies, which by 1985 had a presence in 30 countries. From manufacturing aluminium cookware, the group expanded into manufacturing of steel products for the building, housing and shelter industries, such as pipes, roofing materials and related products. The Chandaria Group had suffered losses during the early years of expansion, but realised that embeddedness in the society where the business makes profits is key to its sustained success. The Chandaria Group therefore established subsidiaries in the different countries of

operation. In Kenya the Mabati Rolling Mills and Kaluworks are the main operating companies; in Uganda it is Baati Mills and in Tanzania the Alaf Mills. In 1998 the Chandaria Group acquired the Shumuk Aluminium Industries Ltd (SAIL), a manufacturer of aluminium utensils for the mass market in Uganda, which strengthened the group's expansion into Uganda and Sudan. The Chandaria Group has a turnover exceeding US$5 billion and employs more than 800,000 people, but its equity is family based (Bijaou 2017: 59; Mulupi 2012, 2013; Oxford Business Group 2014: 174–175; Waithaka and Mdjeni 2011: 1–16).

This development path is shared by most of the firms listed in Table 7.4, except for the new start-ups, the Mara Group and Craft Silicon.

After nationalisation, Orascom was rebuilt after 1976 as Orascom Onsi Sawiris & Company. Under close family control, Orascom developed into the leading private sector building materials and construction contractor in Egypt. The Sawiris family collaborated with local and foreign partners to establish building materials outlets across Egypt. As the founder stepped down in 1995, the successor son, Nassef Sawiris, embarked on extensive diversification, a name change to Orascom Construction Industries (OCI S.A.) in 1998 and listing in 1999 (currently the Egyptian Stock Exchange). The second-generation Sawiris negotiated the diversification from construction to services, since opportunities in global services markets were abound. The equity mode of acquisition was used in 2004 when acquiring a 50% stake in the BESIX Group by a leveraged management buyout. Specialist engineering contracts were acquired, which is the first PPP in Egypt to build the New Cairo Waste Water Treatment plant in 2009. In 2011 OCI S.A. forms Orascom Saudi Ltd, a 60% JV with Saudi Arabia to construct infrastructure. Business expansion occurred according to the Uppsala model—into neighbouring ethnically similar countries. The acquisition of US construction companies followed (Watts Construction in 2013 and Weitz Company in 2012), and in 2015 OCI listed on the Nasdaq Dubai the EGX. OCI 's initial international expansion was aimed at escape from risks and limitations in the home market, but operational efficiency resulted in business expansion across North Africa as well as the Middle East, the UK and the USA. The market distortion in the home market served as a push towards internationalisation, but globalisation was only actively pursued from the beginning of the twenty-first century. The initial markets targeted were Tunisia, Algeria and Qatar. The OCI Group diversified into the chemical industry, fertiliser production, hotel industry, recreational facilities and financial services (mortgage lending, leasing and insurance). During the 2011 uprisings in the Arab north of Africa, the company listing was moved to Euronext in Amsterdam. The group operates in five core areas: construction, tourism and projects, hotel holdings, technology systems and telecommunications. The market distortion in the home market served as a push towards internationalisation, but globalisation was only actively pursued from the beginning of the twenty-first century. The globalisation strategy commenced through expansion into neighbouring markets and then the networks outside the family firm were mobilised for market and asset-seeking strategies of management—still firmly in the hands of the Sawiris brothers.

The MeTL Group in Tanzania, established in 1970 as a general trading enterprise, stepped in to acquire loss-making SOEs in textile and edible oils manufacturing. The group has expanded diverse operations over 25 enterprises in 11 sectors, as explained in the previous chapter. The second-generation Dewji, educated in the USA, took full advantage of the void left by Tanzanian 'ujamaa' socialism by rapid organic growth and exports into the region. Further M&A in Mozambique (acquiring the textile parastatal Nova Texmoque from the state in 2007) was facilitated by the scope of operations and the lack of entrepreneurial capacity in Tanzania (Bijaoui 2017: 59; http://www.africaview.com). The MeTL group has accumulated impressive wealth for the entrepreneurs. It's scope of operations is extensive, but the group has no competitive advantage in any international market and will therefore most probably remain a regional player. Great wealth is to be earned from organising local enterprises to supply in previously deprived domestic demand, but no innovation in technology, organisation or marketing is generated to sustain a leading position in Africa.

The two new start-ups, Craft Silicon and the Mara Group, are the brainchildren of young twenty-first-century entrepreneurs. Craft Silicon, one of Kenya's leading software exporters, was started by Kamal Budhabhatti, an Indian citizen. His father was a newspaper vendor in Jamnagar, a small town on the west coast of India. Budhabhatti studied physics at an Indian university, but could not find employment in India. He was alerted to a data entry job in Kenya for a polythene company. He soon wrote software for a local Kenyan bank, but was fired by the polythene company for doing that and deported back to India. Budhabhatti soon returned to Kenya because he could not resist the vast opportunities in Kenya. He finished the software for the bank and proceeded to write more software, known as Bankers Realm 2000, for the banking industry. In 1998 he established Craft Silicon writing software for the financial sector—formal, mobile banking, microfinance and insurance. Bankers Realm (BR) was followed by Bankers Realm Microfinance (BRMFO), the latter being the flagship export product to more than 44 countries, and Bankers Realm.Net, a web-based client solution to enhance easy connectivity and lower bandwidth utilisation and enable remote branches to connect with the minimum dial-up Internet connectivity. A development and research centre in Bangalore, India, provides operational support to the Nairobi head office. Craft Silicon's software solutions to the financial and insurance industry are 'bespoke, cutting-edge software'. By 2010 he won the Africa Rewards for Entrepreneurs (US $100,000) and by 2014 had more than 300 installations on its different products. Craft Silicon plans listing in Nairobi in 2017 (http://www.mixmarket.org, Accessed 4 Mar 2016; http://www.forbes.com). Kenya has been an environment conducive to IT innovation and development since the creation of the mobile money product M-Pesa in the late 1990s. Kenya has been labelled Silicon Savannah and an 'ICT hub' supporting a technology revolution in Africa. While the Kenyan Government encourages IT innovation and applications by establishing hubs, such as Nailab (a Nairobi-based business incubator that lowers entry barriers for young entrepreneurs to start and scale their ventures in Kenya) and US$10 billion Konza Technology City (to mirror Silicon Valley), Budhabhatti insists on intellectual

innovation to grow his enterprise. The opportunity of the relatively undeveloped Kenyan market for sophisticated financial sector software presented the opening for Budhabhatti, but his intellectual property and ability to stay abreast of financial market needs in Kenya secured the breakthrough. His mind is occupied by thoughts of 'how to stay ahead', and innovation, he believes, is fundamental thereto. The thought of getting rich quickly is a 'mentality' he rejects, because successful business development as he perceives is an inevitable 'long-term strategy' (Mulupi 2010). In 2014 the company's 'ELMA' mobile application allowing mobile banking linked to chat for banking improved access to banking services to clients in the comfort of their homes. This product won the Citi Mobile Challenge Award in 2014 (City Press release 28/05/2014). He aspires to grow the scale and scope of his enterprise, but first to list Craft Silicon. Listing will secure the capital for expansion. Craft Silicon opened offices in Kenya, Tanzania, India, Nigeria and Silicon Valley, Palo Alto, in the USA. By exposing his enterprise to the highly competitive Silicon Valley business environment, Budhabhatti displayed entrepreneurial innovation and risk taking outside the known home market. The business focus of Craft Silicon is global, and that impacts on product development, organisational structure and management. Kamal Budhabhatti has been entrepreneurial in both product innovations as location selection, since linking IT research in Bangalore to applications in Africa bridged the gap between intellectual property ownership and market needs. Craft Silicon has an annual turnover which exceeded US$50 million within 3 years in business. This billionaire set up the Craft Silicon Foundation to engage in social responsibility projects in Kenya. He considers employment creation and support, encouragement and nurturing of new entrepreneurs the core responsibility of his enterprise.

In a similar vein, Ashish Thakkar, a British-born entrepreneur, displayed entrepreneurial capabilities early on. His great-grandfather came from India in 1890 and settled in Uganda, where he started a general trading company selling agricultural and textile products. While at high school, Ashish sold computers to his school friends. His parents allowed him to leave school before completing year twelve, on condition he succeeded in his business—or return to school. The family had lost everything during the 1970s, when President Idi Amin expelled the Indian Ugandans from the country. The family settled in England, but returned to Africa, Rwanda, in 1993, but had to flee before the genocide in 1994. Back in Kampala, Uganda, Ashish set up his computer hardware business, but soon diversified into outsourcing, real estate, financial services and agriculture. With a US$5000 loan, his first enterprise in Kampala sold computer hardware he purchased in Dubai. Seeking credit lines in Dubai for his venture proved difficult, but Ashish met other African businessmen in Dubai also struggling to access credit in the Arab business hub. His entrepreneurial strategy was to extend credit to his fellow African businessmen. This venture worked well—no single borrower defaulted. Profits from his moneylending business then financed his IT distribution business in Kampala. From purchasing computer hardware in Dubai, Ashish set up the head office of his business in Dubai. The principle of business partnership and Pan-African business development emerged as core to his thoughts on the future of his businesses in

Africa. He envisioned businesses that could make visible social impact, so-called 'game-changing' enterprises, and he wanted to promote collaboration or Pan-African partnerships in business. From the initial IT business, Thakkar entered into a glass-manufacturing business in partnership with a Pakistani glass manufacturer. The Pakistani Ghani Group wanted to enter glass manufacturing in Nigeria, but lacked local knowledge. The Mara CEO was happy to combine his understanding of the African context with the Ghani expertise in glass manufacturing. The importance of the venture was that Thakkar had a good understanding of the Nigerian market and he had no intention to get involved in the oil industry or any extractive business. Furthermore, Nigeria had no single glass-manufacturing enterprise and imported all its glass needs. Those conditions suited the Mara business thinking—a 'game-changing' new business that could make a definite social impact by creating employment and incorporating the local Egi community in the plant development process. The glass-manufacturing enterprise combined Thakkar's business acumen with the industry-specific knowledge of the Ghani group and the goodwill of the Egi community in setting up a Pan-African venture. The next 'game-changing' manufacturing venture of the Mara Group was the establishment of the Riley Packaging business in Uganda. With a growing demand for Uganda's agricultural exports, the country had no local packaging manufacturer, thus mandating the import of expensive packaging material. Thakkar established Riley Industries in 2001 to manufacture packaging materials. The first step was the processing of imported paper using manual two-ply corrugation technology. The packaging operations required skilled labour, which did not exist in Uganda. Thakkar invested in the training of a suitable labour force. Regular improvement in technology led to enhanced quality of the boxes manufactured by Riley, as well as the ability to deliver timeously on orders. Growth opportunities developed in the packaging industry through a partnership with the Mukwano Group, a diversified conglomerate in Uganda with some packaging interests. The partnership opened a new US$13 million packaging plant in Mukono in 2007, leading to substantial savings for Uganda on packaging costs. The success of Riley Industries created a demand for its operations. During the Rwandese rebuilding programme after the civil war, Riley was invited to open a plant in Rwanda. Similar invitations came from Malawi with a view of manufacturing local packaging for tobacco exports from Malawi (Ventures, http://www.ventures-africa.com, Accessed 12 Jan 2014; Mugabe 2007; *All Africa* 8/5/2009).

The business development of the Mara Group diversified away from computer hardware, into manufacturing, real estate, communication technology, renewable energy, tourism and financial services. Thakkar established a JV with Bob Diamond, former CEO of Barclays Bank, to launch Atlas Mara Co-Nvest, which is an investment company acquiring significant interests in commercial banking institutions across Africa (http://www.forbes.com/sites/mfonobongnsehe). The Mara Group operates in 22 countries, having relocated its head office to Dubai. Both the Mara Group and Craft Silicon have invested in development foundations to assist young entrepreneurs acquiring the skills to succeed in business. Craft Silicon Foundation trains the less privileged members of society the technology, while the

Mara Group established the Mara Launchpad, the Base for Growing Businesses. This is a centre where younger entrepreneurs pay a small fee to access a professional office space and engage with a community of like-minded individuals. Thakkar lamented the lack of mentorship in his business career. The Mara Launchpad offers such mentorship. The Mara Launchpad Uganda offers venture capital to start-ups and growth-stage companies in Uganda and in 2014 also in Ghana.

The Mara Group and Craft Silicon are first-generation enterprises and have already succeeded in substantial international penetration, despite being born local as all the other companies identified as African EMNCs. The conducive policy environment of the Kenyan Government in establishing Konza City, the Kenyan 'Silicon Valley', and its openness to private enterprise, has contributed to the success of Craft Silicon. As the Kenyan economy showed improved growth, the Mara Group was able to capitalise on growing O and L advantages and expand in efficiency-seeking operations outside Kenya. Craft Silicon moved to Dubai with net OFDI, enabling extensive globalisation of operations through both O and L advantages.

The successful global operations of African corporations have two dimensions. The big South African conglomerates owned technology and managerial capability advantages, such as the mining companies, Sasol and Sappi, while superior market knowledge gave the telecoms and media corporations the edge to move into Africa. Mining corporation globalisation was primarily resources and efficiency-seeking driven. The media and mobile corporations' globalisation was market seeking and benefitted from local knowledge of the African market, the culture and languages and the political economy of the African context. These aspects also served as fundamental to the expansion of the businesses of Budhabhatti (Craft Silicon), Thakkar (Mara Group) and Chandaria (Comcraft). In the South African health-care sector, the superior proprietary knowledge of South African medical experts combined with market-seeking managerial capabilities of local entrepreneurs, such as Johann Rupert of Remgro. The health-care globalisation is also driven by the knowledge of socio-economic dynamics underpinning a rising demand for private health care. The expansion primarily into Africa, the Middle East and India by the African EMNCs is market seeking. Expansion outside the home markets by corporations such as Comcraft, Orascom, Sameer Group, MeTL Group, Mohan Group, Auldon Toys and Dangote is driven by market-seeking strategies, since no technological innovation drove expansion. The late opening of markets in Africa, the disincentives of nationalisation and state-owned enterprises had a distinct delaying impact on the ability of African corporations to enter global markets outside Africa. There was no shortage of entrepreneurial talent, but adverse state policies discouraging private enterprise undermined the development of multidivisional organisational forms and professional management. In the big corporations, family control remains strong as well as a fair degree of listing adversity.

A dynamism of new entrepreneurial talent can change the legacy of the firm family control. The encouraging economic performance of Africa, the return to relative stability in the Arab North African countries and growing democratisation of African polities have contributed to the emergence of a new generation of young

innovative African entrepreneurs. An example of democratisation and market liberalisation is Morocco, where the monarch allowed society to move into the modern global context of elected government and private enterprise. In 2004 the 'emergence plan' was the beginning of a modern private economy within the kingdom of Mohammed VI. With massive infrastructure investment, the building of 'national champions' or large enterprises for a growing economy, a context for entrepreneurial innovation, resulted in opportunities for entrepreneurs. The Moroccan king appointed Mounir El Majidi at the helm of the National Investment Company (SNI—in which the royal family is the major shareholder) to engineer the new market economy. Operating like an investment fund, the SNI injects capital in leading sectors of the economy. The successful Attijariwafa Bank, the Inwi telecommunication company, the Marjane retail supermarket enterprise and the Nareva renewable energy enterprise are all 'national champions' in an emerging Moroccan market. With big business still very closely linked to the state, entrepreneurial opportunities in agribusiness, food production, general trading, finance and engineering (automobiles and aeronautics) open up. The state-run phosphate producer *Chérifien des Phosphates (OCP)* runs the Entrepreneurship Network to encourage and support entrepreneurs in Morocco. Casablanca airport has become a regional trade hub and has stimulated related business and engineering opportunities (Coface 2015; Morocco: the challenge of becoming an emerging economy; https://www.entrepreneur.com). The WEF 2014/15 *Global Competitiveness Report* described Morocco as the fourth most competitive economy on the African continent. In a similar way have Egypt and other North African countries been re-discovered by foreign investors. A young entrepreneurial generation is taking advantage of this opening market. In 2016 Business Finder listed Egypt, Ethiopia, Kenya and Nigeria as amongst the ten emerging markets of the future.

7.3 Conclusion

The African business enterprise has evolved through the narrow trajectory of Arab invasions, European colonial markets and the interface with traditional production and exchange. In the twenty-first century, business in Africa has taken on the opportunities of the global markets. Enterprises from established market economies were better constituted to compete in global markets. The globalisation of big business from South Africa represents the most successful EMNCs from Africa. A growing number of African corporations with roots in the pre-independence era have followed the trend to expand outside the home market. As the history of the development of big business conglomerates in Africa has shown, the 'globalisation' of their business is primarily into the vast opportunities of the African continent and to a lesser degree into markets in the developed world or even other emerging markets in Latin America and Asia. The increasing activity in the African bourses contributes to the 'internationalisation' of African business. Investors access the business opportunities of the new era corporations through direct investment on

local stock exchanges. The number of listings on the stock exchanges provides an indication of the scale of private sector business operations in Africa. The Johannesburg Stock Exchange has the largest number of listings (410), followed by the Nigerian Stock Exchange with 228, the Casablanca Stock Exchange with 81, Tunisia Stock Exchange with 56, and the Botswana Stock Exchange with 44 listings. Nairobi Stock Exchange is with 50 listings. Much of the business development in East Africa is driven by investments on the local bourses, especially in stock exchanges of Kenya, Uganda and Rwanda. In North Africa, the Egyptian, Moroccan and Tunisian bourses and in West Africa the stock exchanges in Nigeria and Ghana are supporting capital flows into business. African entrepreneurs in the financial sector such as Ecobank, Equity Bank and various investment banks and insurance companies have contributed to the globalisation of their financial enterprise through listing. Unlisted conglomerates from Africa have much to gain from investments into their operations, but a hesitancy exists around the issue of control and management. A widened investor base through listing can impact on the nature and composition of management. Outside shareholder interest may demand independent professional management to replace family control. Sustained family ownership and control in many of the big African corporations, as described above, inhibits globalisation.

Business in Africa generally still suffers from the extended period of state control, SOE market domination and a lack of private sector development. The African business environment is still very much in transition from dominant state intervention, but the history of business in Africa shows a strong entrepreneurial culture and capacity to take advantage of the emerging liberal markets in Africa and the world. As the Global Competitiveness Report indicates, Africa is becoming more competitive as governments strengthen institutions, improve education and health services and implement probusiness macro-economic policies. This chapter describes the growth of big business from diverse roots into diversified conglomerates. It is significant that many billionaires heading up big corporations in Africa conduct their businesses in locations with lower competitiveness than the most competitive markets in Africa, Mauritius, South Africa and Rwanda. These conglomerates carved out undisputed market control and, in some instances, even monopolistic power. The diversified nature of the operations of some of the conglomerates in effect introduced a new form of market distortion. The large family enterprises relied on accumulated capital, family links to take advantage of failed SOEs or simply no competition in a particular market segment. Firmly centralised family control assisted in the expansion of the enterprise and the development of a diversified conglomerate, but it also constrained globalisation. New start-ups, such as the Mara Group or Craft Silicon, set out to operate on global markets and have been early international players. The strongest growth in African business is into the African market, where local entrepreneurs have the undisputed competitive advantage. This chapter has shown the diversity of manufacturing and tertiary sector enterprises from African countries that drive business development. Outside South Africa, the resource industry and utilities are primarily in state hands, but the tertiary sector has moved increasingly into private hands. It is in the leisure,

IT, telecommunication and financial services sectors that African business made significant progress. A significant proportion of business activity in Africa still occurs in the small and medium-sized enterprises. These businesses create many employment opportunities, but few succeed in growing into large companies or expand operations outside national borders. These small- and medium-sized enterprises do benefit from the growth of the big corporations, since they enter the supply chain of big business, but the sustainability of such enterprises remains at risk.

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Chapter 8
Conclusion: The Beginning of African Business History

Abstract Complexity of demography and markets characterise business in Africa. The sociocultural infusion of migrants forged the diverse African people engaged in emerging African business. A preoccupation with the political economy of colonial control and post-independence state capture and nepotism delayed market friendly business development. Africa entered the opportunity of the market only after destruction of assets through unwise economic policies and widespread nationalisation. This book offers an introduction into the emerging market-oriented enterprises across Africa, the general structure of business organisation and management and the early successes with globalisation of emerging market multinational corporations from Africa. The vast unexplored field of business in Africa is introduced with the explicit aim of introducing the *long dureé* of entrepreneurship from merchant origins through to modern capitalist enterprise in Africa. The call is now for systematic in-depth explorations into the new business environment of Africa.

The study of business in Africa presents researchers with a complex phenomenon. The people of the continent are not a single ethnic entity, nor do they share one culture, language or religion. It is widely generalising to refer to 'African business', since the only distinguishing aspect of commerce is that it occurs with people living in Africa, or exchange goods sourced from the continent. The history of Africa is the distinguishing characteristic of business development in and from Africa. The trade within the continent occurred within traditional social networks of authority. As Arab invasions extended Muslim trading networks, these new exchange relations were centralised by new agents. The trade with European merchants introduced the concept of a company, shareholders and private property. The business of exchange, trade and accumulate developed new dimensions, which were going to become more complex and reflect the growing complexity of the society in Africa. The penetration of the Arabs was the first introduction of people to Africa with a different culture, ethnicity, language and religion. The sociocultural infusion of new people to Africa was perhaps the most significant aspect of the development of business in Africa. The trade between autonomous societies, kingdoms and subjects to secure a livelihood as well as accumulate wealth soon led to well-travelled trade routes. Subsistence and accumulation soon developed beyond the privilege of the

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inherited family, or the religious leader, but wealth through the opportunity of the market opened up for the entrepreneurs. The opportunities of opening markets were the doors that opened up for individuals quipped to take on the challenges beyond the home market.

This book explains the hesitancy of historians to engage with business in Africa. Access to sources, the preservation of memory and transparency of public and private enterprise through the institutional landscape limit the choice of historians. Historians opt more easily for the well-preserved state and institutional archives. Business also fails to preserve their records and make them accessible to bona fide researchers. Very few corporations maintain their private records with a view to foster the history of the corporation's development. Even fewer make any accumulated set of primary documents available for research. In Chap. 2 the reasons behind the brief engagement with Africa's business development becomes clear. The total consumption with domination, specifically with European colonial control, prevents the study of what the people of Africa have actually done to develop the business of their exchange, trade and wealth accumulation. The study of European commercial activity from the perspective of the western enterprise highlights the diversity of the African continent and the lack of Africans' own systematic exploration of their business history. Nwokeji (2010) makes a scholarly contribution by engaging with the history of slave trade from Africa. Nwokeji shows the growing sophistication of the Aro merchants as a trading class, the superior organisation of their operations and the sociocultural perspectives of slavery in the Aro culture, which underpins the trade in people. The study of African engagement in slave trade underlines the deep-seated merchant capabilities in Africa. The important characteristic of African merchants is the sociocultural dimension that determined their operations. The Aro merchants established superior position in the Bight of Benin. They sourced the commodities for the slave trading operations and maintained an upper hand until the practice of slave trade was officially terminated.

Another aspect of significance that emerges from the literature on metropolitan business in Africa is that historians have yet to compare the nature, organisation and management of European business in Africa with post-liberal market African-owned business in the same industries. Some insights into the mining operations in Zambia under the ZCCM and in independent Congo seem to suggest the perpetuation of key aspects of business from the colonial era to business organisation in contemporary Africa. The structures of authority, remuneration packages and employment practices from colonial times to the post-independent Africa era suggest longevity rather than the introduction of a fundamentally different form. The study of business in Africa calls for this perspective from the enterprise to assist our understanding of the uniqueness, if at all, of business by Africans from business by the colonial owners.

The post-1945 tendency to afford blame for world destruction to one side incapacitated an honest observation of mutual fault, mutual responsibility and overall mutuality in destiny. Once the world was gradually experiencing the slow liberation from the ideological straightjacket of communism, individual opportunity could be grasped—with both hands or cautiously. The history of business in Africa shows the enterprising engagement since precolonial Arab invasions, of

extensive networks of trade and sociocultural exchange. The form of business activity only took the form of individual initiative during the nineteenth century. As Africa was decolonised, in some newly independent states, citizens got the political democratic freedoms that underpinned individual performance. Once markets opened towards the end of the twentieth century, individual entrepreneur entered business. As Chap. 2 illustrates, historians remained preoccupied with the metropolitan firms in Africa, except South African business. Historians were more concerned about the political economy of Africa during the Cold War period, than the African enterprise. As a result of the preoccupation with the political economy and the context of Africa's alignment to the non-aligned movement, the position of non-black Africans was highlighted. The rich history of business in Africa by persons who had migrated to Africa during earlier centuries has added an important dimension to the history of business in Africa. With the focus shifting to African nationalism and independence, much of the history on business in Africa was about the expatriate firms negotiating their presence in independent Africa, or the post-independence political economy of indigenisation. It is an inopportune focus of so-called non-Africans or persons of other ethnicities that are black indigenous African as non-African entrepreneurs. The polarisation between indigenous black Africans and other Africans, created ideologically motivated and not a principled division in African society. The legitimate citizenship of persons of Asian or European descent, who have been in Africa since the seventeenth century (Dutch settlers, French Hugenots) in southern Africa, were marginal to the newly independent African nations. The histories of the Afrikaners in the southern colonies and independent republics of nineteenth century southern Africa, the Indian Asians right across the east coast of Africa, the Jewish immigrants from Eastern Europe, Russia and the Baltic States and the Arab Muslims of North Africa were not considered part of the business history of Africa. Indeed, those communities established themselves in Africa as their new home and established enterprises from agricultural businesses, such as vegetable, wheat and maize, stock and sheep farmers and trading enterprises, mining companies and industrial enterprises. Towards the end of the book the history of business in Africa during the last decades of the twentieth century and the beginning of the new millennium shows how business in Africa is moving closer to continental inclusivity. Business in Africa has begun along a more inclusive trajectory, with market opportunities opening up for all.

Since the enterprise was not the focus of the initial business historians' attention in Africa, but the political economy, Chap. 3 explores the roots of African business in the densely woven networks of exchange. In these networks individual merchants emerged as the early commercial traders of agricultural commodities. The kinship basis of trade has remained an important dimension of modern African business. As is explained in Chaps. 6 and 7, many modern corporations in Africa are family owned and managed. The evolution of systems of managing the developing merchant operations depict the adaptive capacity of the African societies engaged in trade. The Asante's bureaucratic and formal hierarchical management system allowed for the development of a powerful kingdom. The decentralised business operations of the Niger Delta area gave greater opportunity to the development of individual entrepreneurs. The history of John Sarbah depicts the development of private entrepreneurship, a phenomenon nurtured by the decentralised house

system of management. This history tells of entrepreneurial talent and the infusion of traditional values with western acquired education in the making of a successful African businessman. The history of business in Africa underlines the gradual integration of indigenous culture, values and customs with western education, values and business culture in moulding business in Africa. The preoccupation in the historical literature with colonialism prevented more historians from conducting research on more similar entrepreneurs of the colonial era. The Sarbah businesses show the golden thread of African entrepreneurs' engagement with formal business despite colonial control. The explorations into the networks of exchange in Africa in Chap. 3 sets the background to the development of many other trading firms that later expanded operations outside of the original 'home' market. The roots of diversified business operations from the region later manifest in the Dantata business operations and subsequent diversified conglomerates in West Africa. The demise of many merchant families in the West Africa was different from the successful longevity of family firms in Indian Ocean East Africa.

An important manifestation of the multicultural nature of business in Africa is the business activities on the East African coast during the eighteenth and nineteenth centuries. The Mia, Dockrat, Patel, Madhavani, Chandaria and Kothari families, who settled in Africa during the late nineteenth centuries and never returned to India, laid the foundation of extensive retail and wholesale trade, industrial development and international trade with South Asia. In the modern development of Africa's business, these entrepreneurs are the founders of some of the most powerful corporations in Africa. It is necessary to conduct further investigations into the linkages that developed from the Indian businesses in the respective states of operation. Such research remains difficult to conduct, because of a complete lack of social responsibility by the families in control towards the wider community by allowing research into company records. The inclination to privacy and exclusivity still prevails. This does not deny the key contribution of the Indian business communities towards the establishment and development of the retail sector in Africa.

The golden thread of entrepreneurial activity despite the source of control, either Muslim Arabs, European colonisers or an inherited autocratic local king, is that the boundaries of business operations shifted to growing inclusivity. The chartered companies of the colonial era introduced monopoly control and nonparticipatory management. The close relationship between colonial state and the chartered companies made it possible to extract resources, which fed into extended foreign trade. The beginning of big corporate business was the chartered companies. The protection of eh business interests of the commercial interests of the chartered companies, and later private business in the colonies, undermined the autonomy of the Asante bureaucratic management system. As the colonial administration organised the bureaucratic system, the indigenous people participated in the administration as administrative officials of a low rank. They were not involved in decision-making or management. African enterprise suffered the competition from state-protected chartered enterprises, thus marginalising them from extensive trading networks to small localised trading operations. The state-business nexus established the notion that big business could rely on state intervention in the

market for survival. Chapter 4 shows that African farmers and other entrepreneurs adapted business operations to factor in the changed conditions, especially the state-business relationship. This ability to adapt to the changed context is important. The cocoa farmers bought into the new technology of the railways for the transportation of their produce where possible. The location of railway lines were not ideally placed to their needs, but they supplemented access through private transport. Local businessmen utilised the railway connections to grow their businesses, or diversify their operations to link up with the railways, as was done by Braimah Igbo in Nigeria. Once Igbo switched to railway transport, he distributed kola nuts beyond the confines of Yorubaland. As commercial activity became more concentrated under colonial rule, a new broker class emerged from the African cocoa growers' community to challenge the system of price-fixing. Again the adaptability of African entrepreneurs emerged, as the new African brokers used radio transmissions to get advance knowledge of cocoa prices on international markets. Furthermore, locally owned shipping lines displayed the smooth integration of new technology into the world of business to challenge competition.

An important development under colonial control was the development of a new group of small entrepreneurs or middle men, who facilitated the exchange between European merchants on the coastal belt and indigenous suppliers deep into the interior. The Dantata trading business started as such a middleman enterprise, but developed into big businesses that still have their footprint in West Africa. The entrepreneurial adaptability under colonial rule as displayed by Dantata by the Kikuyu traders in Kenya and the urban traders in South Africa since the 1930s constitutes the connection between precolonial indigenous businesses and those after independence. Very limited research on this period is available. This is an important nexus to understand, since the generation who pioneered those enterprises, has either passed on or are bound to. Some of those entrepreneurs are Richard Maponya from South Africa, or Manu Chandaria from Tanzania. These businessmen were positioned favourably to take over businesses of departing former colonial businessmen, or in South Africa, from companies divesting from the country as a result of international pressure, or acquire formerly nationalised SOEs. The managerial capabilities developed in small and diversified operations were transferred to larger enterprises and conglomerates. Market distortions remained even more prevalent in postcolonial Africa, but so did the entrepreneurial capabilities to deal with new market opportunities.

The game changer for business in Africa was independence. As many African leaders aligned their newly independent states with the socialist-oriented non--aligned movement, only a few went all out socialist, but also only a few went all out capitalist. The central role of the state with SOEs controlling the commanding heights of the new economies created a firm conviction that entrepreneurs did not have to take the risks of business, since the state took care of risks. The assumption was that the state secured access to markets, the state ensured access to inputs and resources. Wariboko explains that business after independence was not concerned about good management, because the conviction was: 'It is not necessary to be managerial to accumulate wealth, since at less risk and more speed one could

accumulate wealth using state power. What is significant and relevant is politics and access to state power which has become the veritable means of production in Africa'. (Wariboko 2002: 255). In the post-independence period of the 1960s to the 1990s African economies' poor performance and structural adjustment programmes, except in South Africa, private enterprise contracted significantly. Chapter 6 shows the challenging business environment in Ghana and Nigeria. Private family enterprises succeeded in conducting relatively small trading operations, agricultural businesses and services operations, but the resources and manufacturing enterprises were either SOEs or small private businesses. Only after the experimentation with indigenisation (nigerianisation) did governments look towards macro-economic policies allowing market forces to allocate resources, determine prices and demand leading production. African independence did not change the character of the state (Wariboko 2002: 262). The market distortion of the colonial era, exacerbated by postcolonial *statism,* left Africa with a weakened market and few experienced businessmen.

This book has argued throughout that a strong entrepreneurial culture existed in Africa since precolonial times. Even though there are a limited number of studies on African businesses and entrepreneurs, they do show an undisputed depth and scope of entrepreneurship in Africa. Racial segregation in South Africa did indeed cause market distortions, but private business nevertheless prospered. A combination of SOEs, family-owned enterprises and private companies, listed, joint-stock or small informal businesses built the most advanced economy on the continent. South African business had the advantage of a well-developed financial sector, since the capital-intensive mining sector needed strong banks to fund the expanding industry. Under racial segregation the South African state supported the development of private African entrepreneurs, though dedicated development funds were allocated according to ethnic African entity. African businessmen established a wide network of small businesses and as soon as the political system of segregation disintegrated, many black, Indian and coloured entrepreneurs were ready to compete in the open market. Just as family enterprises engaged in genera trading in Uganda, Tanzania, Ethiopia and Nigeria waited in the wings for privatisation, so did black business in South Africa wait for the opening of the market. It is on this level of growing black enterprise, owned and managed by black businessmen that convergence with businesses in the business sector outside the home market is occurring. In South Africa new black business owners entered markets, simultaneously with new owners in other African markets. The SOEs have, except for public utilities and a few oil companies, largely been acquired by private corporations. The new markets of the late twentieth and early twenty-first century are no longer protected by the state. Survival depends on efficiency and better performance than the competitor. In this period of African business development more attention is paid to the history of new and emerging market firm performance. This book discussed numerous cases of enterprises accepting the challenges of the market and growing the business both in scale and scope.

The history of business in Africa now has a greater overview of the range of businesses owned by all peoples of Africa. We know that multinational corporations

have returned to African markets during the post-structural adjustment phase, but that local entrepreneurs perform an active role in all sectors of the economy. The survey of new enterprises compiled by the International Growth Centre (Sutton et al.) underline the stable foundation provided by many family controlled general trading companies as the springboard to specialisation and diversification. The growth of these firms is dependent on scale and not on innovation or the introduction of new technology. The overwhelming majority of businesses in Africa remain in the field of exports of primary resources, resource processing or elementary processing or manufacturing. The rapidly growing consumer demand of the rising middle class allows the general trading firms to diversify into the supply of a wide range of consumer goods through the retail sector. Unfortunately, much of the consumer goods are imported and not manufactured locally. The growing OFDI trend displays African firms acquiring rival firms on the continent. Expansion outside the home market is still regional rather than continental.

The new phenomenon of independent Africa after structural adjustment is the rising of very wealthy businessmen. Forbes Global 2000 list of billionaires published the names of the super-rich of Africa since the early 1990s—Alikote Dangote was the first black African to achieve that accolade. In post-independence Africa, family conglomerate empires dominate big business: Dangote, Darko, Ibru, Chandaria, Patel, Sawiris, Dewji and Bakhresa are all the patriarchal founders of a family empire that succeeded in taking advantage of state policies, state favouritism and the growing African market to accumulate individual fortunes. In Kenya state control of the capitalist sector favoured the Kikuyu near to the new leadership after independence. These friends of the leading party secured 'Kenyan' control and sought to diminish Indian Asian influence in Kenyan business. The family and indigenous corporations indeed contribute to the economic development of their home countries, through employment creation, local production, downstream sourcing and tax. The operations of the highly diversified conglomerates under the control of these families have contributed to growing concentration in African economies. This phenomenon leaves the small and medium business sector behind.

Africa has also destroyed wealth during the post-independence period through active policies to exclude Indian Asian businesses from operating or expanding entrepreneurial activities, especially in Uganda, Kenya and Zambia. State intervention was nothing but market distortion, which was only gradually rectified with macro-economic restructuring. The survival of Indian Asian enterprises all benefitted from the centralised family control. In this way the context of the postcolonial political economy reinforced a more bureaucratic approach to management, rather than foster participatory management and delegation of authority on different levels of business operation. The need for central control tended to keep managerial expertise within the family. Few professional managers outside the family had the opportunity to acquire the skills in the family business. This outcome delayed the development of professional managers in Africa and impacted adversely on the ability to steer operations into global markets. In Botswana post-independence policies also sought to promote employment of Botswana citizens, but no ethnic prejudice marginalised businessmen from any ethnic origin. This policy contributed

to the stability of the business environment in Botswana and subsequent constructive co-operative relations between the state and business.

In the final instance, the test of business efficiency and competitiveness is to test that outside the domestic market. This book introduces the emerging globalisation of business from Africa. More scholars of international business and globalisation are investigating the phenomenon of emerging market multinational companies. The dominant emerging market multinational companies are those from South Korea, Taiwan and other South East Asian countries, benefitting from state policies to foster the internationalisation of business. In Africa state policies for internalisation and globalisation have been weak. In effect the delay in implementing market-oriented macro-economic policies, delayed the development of competitive enterprises able to take on the global market. As shown in Chap. 7, South African corporations were the most successful in combining advanced management, organisational efficiency, technological innovation and product development. Corporations from the rest of Africa are expanding into adjacent markets, in Africa and the Middle East. It is in this process of expansion that growing convergence with international organisational forms and management practices will occur and ultimately support globalisation. African businesses are still constrained by institutional voids, namely, a lack of governance, nonobservance of universal democratic rights, the rule of law, recognition of individual property rights, state capture and endemic corruption. The African Peer Review Mechanism (APRM), which was the instrument included in the Constitution of the African Union (AU) to ensure adherence by members to the principles of the AU, has become dormant. Only Ghana has linked its own governance reforms to the APRM. A fundamental distrust of the state remains in Africa, since many in the private sector, including MNCs, do not trust government to serve their interests. Governance is still personalised in Africa and therefore subject to 'capture' by competitors and policy makers. These voids perpetuate the state-client relationship between private enterprise and states in Africa. Innovation in manufacturing, mining, services and financial institutions in Africa, whereby global competiveness will be enhanced, remains undermined by institutional failure. The African Union fails to bring about the modernisation and development it has placed on its own agenda. The AU's 2063 goals include modernisation of agriculture and establishing agrobusinesses across the continent, but Africa still imports US$40 billion of processed food annually. Rural areas still lack access to basic water, sanitation, schools, which are the drivers of agricultural modernisation. The AU 2063 goals include stronger intra-African trade, but free trade areas in Africa are slow in emerging. Countries in Africa still harbour different priorities on continental trade, and therefore the level of regional integration varies widely in Africa. That is also part of the reason for insufficient infrastructure and institutional failure.

The globalisation of conglomerates out of Africa is no different from MNCs from developed countries expanding operations into developing regions. Listed corporations in the mining, financial services, retail chemical and paper industries, in telecommunications and media developed large-scale operations and diversified the scope of operations within the broad operational industry to justify expansion into global markets. Those corporations were seeking access to expanded international markets, but also a larger pool of capital for further innovation. Expanding

the scope of operations enhanced operational efficiency, which came under increasing pressure in the domestic market. Whereas the political economy of racial segregation placed market constraints on participation in the economy, the unintended consequences included the nurturing of strong national champions (such as Sasol, Sappi, AAC, Goldfields, Naspers, SAB, MediClinic) as well as encouraged black entrepreneurs (such as Richard Maponya, the Kunene Brother, Herman Mashaba, Habakuk Shikwane). A pro-market business environment in South Africa created big, well-managed and ably capitalised corporations able to enter the global market. State support for research and development through research laboratories at Sasol, at the Council for Scientific and Industrial Research and the various universities in South Africa placed leading technology in the hands of these corporations. Technological innovation presented a decisive competitive advantage to the South African EMNCs. The EMNCs other African countries are purely market-seeking enterprises and succeed in expanding their businesses into the relative under supplied markets in Africa and the Middle East. Future globalisation of business from Africa will depend on production efficiency, technological innovation and the quality of management.

The trend from African business, which is now no longer considered only to be the business owned by indigenous black Africans, is to enter into partnerships or joint ventures with leading enterprises, such as the South African banks and insurance companies, or the mobile telephone network MTN, or the mining industry. These joint ventures are building capacity in Africa and enhance corporate organisational structures. This strategy contributes to the building of 'African' enterprises, enterprises incorporated in different African countries but owned by shareholders from different African countries. The most remarkable example is Ecobank. Organised business from Africa is taking a stronger and more public stance against the institutional void and lack of governance, as is clearly witnessed in the business/state co-operation in Botswana. A growing number of foreign-trained business managers and professional are taking up positions in the African conglomerates. This tendency also enhances the 'African' characteristic of business in Africa. This book has sourced material on business in Africa widely, but the agenda for research is all by exhausted. It is hoped that the book will encourage corporations to preserve the primary documents about the development of the enterprise, its growth and change. With a repository of business archives, scholars can commence more systematic work on Africa's business history.

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