

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

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.

References

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