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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G. Verhoef, *The History of Business in Africa*, Studies in Economic History,
DOI 10.1007/978-3-319-62566-9_6

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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