Chapter 7
Into the Global

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

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

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

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

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

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

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

7.1 Big and Powerful

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

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

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

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

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

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

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

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

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

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

Source: WIR (2016: Web Table 8)

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

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

Source: WIR (2016: Annex Table 10)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7.2 The New Global African Business: Entrepreneurs and Billionaires

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

Table 7.5 African firms approaching 'EMNC' status

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

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

Source: author compiled

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7.3 Conclusion

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

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

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

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

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