SUSTAINABLE ENTREPRENEURSHIP
REGIONAL AND COUNTRY STUDIES

Africa

SUSTAINABLE ENTREPRENEURSHIP PROJECT

Dr. Alan S. Gutterman

Sustainable Entrepreneurship: Regional and Country Studies (Africa)

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About the Author

Dr. Alan S. Gutterman is the Founding Director of the Sustainable Entrepreneurship Project and the Founding Director of the Business Counselor Institute (www.businesscounselorinstitute.org), which distributes Dr. Gutterman's widely-recognized portfolio of timely and practical legal and business information for attorneys, other professionals and executives in the form of books, online content, webinars, videos, podcasts, newsletters and training programs. Dr. Gutterman has over three decades of experience as a partner and senior counsel with internationally recognized law firms counseling small and large business enterprises in the areas of general corporate and securities matters, venture capital, mergers and acquisitions, international law and transactions, strategic business alliances, technology transfers and intellectual property, and has also held senior management positions with several technology-based businesses including service as the chief legal officer of a leading international distributor of IT products headquartered in Silicon Valley and as the chief operating officer of an emerging broadband media company. He received his A.B., M.B.A., and J.D. from the University of California at Berkeley, a D.B.A. from Golden Gate University, and a Ph. D. from the University of Cambridge. For more information about Dr. Gutterman, his publications, the Sustainable Entrepreneurship Project or the Business Counselor Institute, please contact him directly at alangutterman@gmail.com

Sustainable Entrepreneurship: Regional and Country Studies

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Maintenance of Publication and Availability of Additional Information

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PART X
AFRICA

Preface

Researchers working on the Global Leadership and Organizational Behavior Effectiveness project, commonly referred to as "GLOBE" project[1], concluded that the respondents to their surveys could be classified into 62 "societal cultures". In order to facilitate meaningful interpretation of the results the researchers determined that the societal cultures they were investigating could be meaningfully placed into one of ten "societal clusters," sometimes simply referred to as clusters. The clusters were designed, defined and created before the research was conducted, not as a result of the findings reached once the data was collected and analyzed, and were based on a variety of factors including the results of previous empirical studies; other factors such as common language, geography and religion; and historical accounts.[2] Societal cultures in the Sub-Saharan Africa cluster include Namibia, Nigeria, South Africa (Black sample), Zambia and Zimbabwe. Societies in the Sub-Saharan Africa cluster were high on humane orientation meaning that persons in these societies tended to have higher levels of concern for family and others than for their own well-being and personal goals.[3]

The degree of similarity or dissimilarity between the Sub-Saharan Africa cluster and the other nine societal clusters with respect to the cultural dimensions measured during the GLOBE study was as follows[4]:

Correlation	Societal Clusters
Strong Similarity	Eastern Europe; Latin Europe
Mild Similarity	Middle East (Arab); Germanic Europe
Neutral	Confucian Asia; Anglo
Mild Dissimilarity	Southern Asia; Nordic Europe
Strong Dissimilarity	Latin America

Based on the information in the table above a manager from a society in the Sub-Saharan Africa cluster would expect to find familiar cultural values, although not precisely the same as in his or her own society, in the Eastern Europe and Latin Europe clusters but

[1] For detailed discussion of the GLOBE project, see "Globalization: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).
[2] For extensive discussion of the design of the societal cultures and the reasons for placement of societies within those clusters see Chapter 10 of R. House, P. Hanges, M. Javidan, P. Dorfman and V. Gupta (Eds), Culture, Leadership, and Organizations: The GLOBE Study of 62 Societies (Thousand Oaks CA: Sage, 2004), 536. See also V. Gupta, P. Hanges and P. Dorfman, "Culture clusters: Methodology and findings," Journal of World Business, 37(1) (2002), 11-15.
[3] P. Northouse, Leadership: Theory and Practice (4th Ed) (Thousand Oaks, CA: Sage, 2006), 313.
[4] Chapter 10 of R. House, P. Hanges, M. Javidan, P. Dorfman and V. Gupta (Eds), Culture, Leadership, and Organizations: The GLOBE Study of 62 Societies (Thousand Oaks CA: Sage, 2004).

would need to be especially careful and mindful of significant cultural differences in the Latin America cluster.

The following chart depicts the relative importance and intensity of endorsement of the six culturally endorsed leadership dimensions to the societies included in the Sub-Saharan Africa cluster:

Level of Importance/Endorsement	Leadership Dimension
High	Humane Oriented Leadership
Moderate	Charismatic/Value-Based Leadership
Moderate	Team Oriented Leadership
Moderate	Participative Leadership
Moderate	Self Protective Leadership
Low	Autonomous Leadership

Leaders in societies in the Sub-Saharan Africa cluster are most likely to be perceived as effective when they are patient, supportive and considerate and demonstrate compassion, generosity and concern for the well-being of others. Societies in the Sub-Saharan Africa cluster disapprove of leaders who are independent, individualistic and self-centric. The leadership profile of the Sub-Saharan Africa cluster is strongly similar to the profiles for the Nordic Europe and Anglo clusters and strongly different than the profiles for the Middle East and Eastern Europe clusters. Leaders from the US and other societies in the Anglo cluster can expect relatively small difficulties in deploying their preferred leadership styles in the Sub-Saharan Africa cluster due to the substantial similarity in the leadership profiles of the two clusters although the enthusiasm for charismatic/value-based and participative leadership techniques in the Sub-Saharan Africa cluster may not be as strong as in the Anglo cluster.

References and Resources

Additional information on studies and commentaries relating to various aspects of leadership and management styles and practices in Africa can be found in the Sustainable Entrepreneur's Libraries of Resources prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org) covering Leadership, Management, Organizational Design, Organizational Culture, Strategic Planning, Governance, Corporate Social Responsibility, Finance, Human Resources, Product Development, Technology Management, Globalization and Managing Growth and Change.

§1:1 Introduction

Africa is the second largest continent in the world and occupies about one-quarter of the total space on the planet. With approximately 1.1 billion people as of 2013 living in over 60 sovereign states or territories, Africa is the second most-populated continent behind Asia and is home to about 15% of the total population of the world. Clearly Africa contains a vast reservoir of human capital and is a large potential market for manufactured goods and services from around the world. In addition, sub-Saharan Africa contains enormous stores of valuable, and rare, natural resources. For example, it has been estimated that over half of the world supply of gold, cobalt, phosphates, manganese, cocoa, coffee and palm oil can be found in the region, and single countries like Angola can boast of more than 10% of the world's diamond reserves. Unfortunately, however, the recent political, social and economic history of Africa has been dismal, with overwhelming levels of poverty, religious and social conflict, civil war and ethnic rivalries, mass unemployment, and rapid flight of capital and knowledge to greener pastures overseas.

§1:2 Economic and social conditions

Economic performance in Africa, as measured by levels of annual income per capita, declined precipitously during the 1980s. In fact, from 1979 through 1993, only a handful of countries, including Chad, Rwanda, Ghana, Zimbabwe, and Cameroon, were able to achieve increases in their GNP per capita. During that same period, other countries suffered substantial erosion in their standard of living. For example, Nigeria's GNP per person fell from US$670 in 1979 to just US$300 by 1993. In addition to the internal management deficiencies, Africa found itself pummeled by various external factors, including foreign debt burdens and a global collapse of markets for the commodities that have been traditionally produced in Africa.

The United Nations Economic Commission for Africa ("UNECA"), in a paper published with the African Union Commission, reported that Africa appeared to have weathered the recent global economic crisis and sustained and strengthened its economic recovery in 2010 by achieving an average GDP growth rate of 4.7%, which compared to a 2.3% increase in 2009.[5] For the continent as a whole, real GDP per capita increased by 2.4% in 2010. While UNECA noted the general uptick in economic activity in 2010, notice should be taken of variations in the rate of recovery across countries and sub-regions, a subject covered in more detail below. For example, as has been the case for the last decade, oil-exporting countries experienced stronger growth than oil-importing countries (5.4% to 3.9%); however, UNECA pointed out that one significant development was the apparent growth of the non-oil sector in the oil-exporting countries, presumably an attempt by those countries to diversify their economies. UNECA suggested that if this trend were to continue and those countries were indeed able to achieve success in their non-oil and non-mineral sectors then Africa might be able to realize its potential for becoming the fastest-growing continent in the world from 2050 to the end of the current century. For the near-term, expectations were that African growth would continue in 2011 at an average rate of around 5%.[6]

UNECA highlighted several positive factors as provided the foundation for the economic recovery in Africa, including "the rebound of export demand and commodity prices; increased inflows of foreign direct investment especially in extractive industries and aid;

[5] The information in this section on economic and social conditions in Africa as of 2010 is based upon, and adapted from, United Nations Economic Commission for Africa, Overview of Economic and Social Conditions in Africa in 2010 (Addis Ababa, Ethiopia: United Nations Economic Commission for Africa and African Union Commission, 2011) ("UNECA 2010 Report").
[6] Id. at 2.

return of tourism; investment in infrastructure associated with countercyclical policies adopted by many African countries; increased activities in the service sector, particularly in telecommunications, higher consumer demand; and good harvests in some countries."[7] As noted above, progress varied across sub-regions and countries throughout Africa, confirming that it is impossible and unwise to generalize when discussing economic conditions and performance in Africa given that different factors are in play based on local conditions. UNECA reported that the best performing regions in 2010 were East Africa (6.8%) and West Africa (6%), followed by the main oil-producer North Africa (4.7%), Central Africa (4.3%) and Southern Africa (3.3%).[8] Specific comments on each of the regions are useful[9]:

- West African countries benefitted from high oil prices in 2010; however, revenues from non-oil activities also grew in several countries including Nigeria, Ghana (increased activity in the construction and services sector), Sierra Leone (strong performance in agricultural and mining sectors) and Liberia (increased earnings from rubber exports). However, other countries, such as Côte d'Ivoire, Guinea and Niger, experienced weak growth due to political disturbances, security issues and power shortages.
- A number of countries in East Africa, notably Ethiopia, Rwanda, Tanzania and Uganda, posted impressive growth figures for 2010 and UNECA took specific note of expansion of industrial services sectors, especially telecommunications and construction; increased agricultural output (Ethiopia); increased mining output (Tanzania) and continued robust investment in donor-funded infrastructure development (Ethiopia and Tanzania).
- Growth in the oil-producing region of North Africa was also supported by a variety of other factors, including increased government spending (Libya and Mauritania) and expansionary fiscal policies (Egypt), robust activity in non-oil sectors such as agriculture, construction, mining and services (Mauritania and Sudan) and rising industrial output and investment (Tunisia). Minor impediments to growth included economic problems being experienced by key trading partners in the European Union (Tunisia) and downturns in agricultural production (Morocco).
- Southern Africa experienced relatively strong growth for much of 2010; however, progress slowed substantially during the last quarter due to weakening of private consumption. While the region trailed the rest of the continent with respect to growth, countries such as Malawi, Mozambique and Zambia grew more than 6% and Botswana and Namibia recovered to pre-crisis levels. Factors contributing to growth included the investment and revenues associated with the FIFA World Cup in South Africa, increased export activities, expansion in the mining sector (Botswana, Malawi, Mozambique, Namibia and Zambia) and bumper harvests (Mozambique and Zambia). Zimbabwe benefitted from an improved macroeconomic environment, increased industrial capacity and manufacturing output and an upturn in tourism.
- Central African countries enjoyed only modest growth in 2010, continuing the trend established in 2009, and UNECA noted that all of the Central African countries,

[7] Id.
[8] Id. at 4.
[9] Id. at 5-6.

except Republic of the Congo, expanded by less than 5% due to lack of export diversification, political and security uncertainties (Central African Republic) and declining oil production (Equatorial Guinea, Gabon and Cameroon). UNECA did point out that there was evidence of strong expansion in the non-oil sector and increased mining activity in oil-producing countries such as Equatorial Guinea, Gabon and Cameroon; however, these developments were not sufficient to generate the extraordinary levels of growth seen in other parts of Africa.

Inflation rates generally declined in Africa during 2010, dropping from 8.3% in 2009 to 7.2% in 2010.[10] UNECA noted that this trend, which was expected to continue in 2011, could be attributed to increased supply of agricultural products in some countries, aided by good climatic conditions that contributed to large harvests, increased food supply and a corresponding decline in consumer prices in many countries; the strength and stability of some currencies; excess capacities and competitive pressures across the continent. The drop in inflation allowed most African countries to adopt monetary policies that were accommodative or neutral. Increases in budget deficits were observed due to implementation of expansionary fiscal policies to support recovery efforts and this eventually led some countries to tighten their fiscal policies and consolidate their budgets. There was a moderate widening of current account deficits across Africa in 2010 due to a variety of factors including robust import growth fuelled by large amounts of public investment, rising private demand and increasing food and energy prices.[11]

UNECA reported that the economic recovery had not, however, cured many of the economic and social problems that have haunted Africa for decades. For example, economic growth had not been accompanied by any meaningful reduction in unemployment, which remains high in general and is particularly acute among the youth and vulnerable groups. UNECA observed that the high level of unemployment in many parts of Africa is attributable to various factors, including education quality, the narrow-based economic structure of the African countries that depend on capital-intensive extractive sectors with few forward and backward linkages with the rest of the economy, rapid population growth and imperfections in the labor market.[12] UNECA noted that high unemployment and food prices, which remain high even though inflation has subsided a bit over the last few years, have fanned frustration among large segments of African society and contributed to the political and social unrest that has been erupting in many countries, particularly in North Africa. UNECA blames the lack of jobs and the resulting poor social outcomes on the failure of African economies to achieve meaningful economic diversification and reduce their heavy dependence of production of commodities and exports.[13]

[10] Id. at 8.
[11] Id. at 2.
[12] Id. at 6.
[13] Id. at 2.

One of the most important findings reported by UNECA was unsatisfactory progress toward the achievement of social development goals in Africa. UNECA provide a status report on the situation in a number of different areas, including the following[14]:

- Progress toward reduction of absolute poverty was slow during 2010 and UNECA reported that "[p]overty rates remained chronically high and the positive economic growth did not result in meaningful job creation and higher income for the poorest segments of the population". UNECA cautioned that unless strong economic growth can be translated into employment creation and benefit for the poorest sectors of African society, a substantial percentage of the working population in sub-Saharan Africa is in danger of falling below the extreme poverty line.
- Progress was reported with respect to eradication of extreme hunger and a number of African countries were able to reduce their levels of malnutrition during 2010; however, UNECA remained concerned about whether this trend could continue if international food prices continued to rise.
- Primary school enrollment, an important educational indicator, increased by 18% between 1999 and 2009; however, the quality of the education remains suspect and UNECA noted problematic completion rates of primary school and high pupil-to-teacher ratios. A related concern was that primary education was disproportionately emphasized at the expense of creating opportunities for development of the higher educational skills that are required in the job market, a situation that UNECA cites as one of the "major drivers of unemployment".
- UNECA did report improvements in women empowerment and gender equality in 2010, particularly with respect to access to primary school education. Some countries showed significant progress with respect to increasing the participation of women in decision-making (e.g., women in Parliament) and providing better access for women to higher education opportunities; however, UNECA noted that gender equality remained a concern in other areas such as employment and income.
- UNECA reported modest progress with respect to a range of health-related measures of development, including reduction in the under-five mortality rate, albeit not as fast as authorities had hoped; an overall decline in maternal mortality; significant improvements in coping with the HIV/AIDS pandemic; and progress with respect to access to safe drinking water and improved sanitation. However, progress was not uniform throughout Africa and, for example, several countries experienced increases in maternal mortality rates and there is evidence of inequities in access to safe drinking water based on income and geographic location (i.e., residents of urban areas are much more likely to have clean water than those living in rural areas).

UNECA concluded that although Africa has made important progress toward some key social development goals and has experience strong economic growth over the last few years, significant challenges remain and steps must be taken to address several key factors and issues. First of all, while economic growth has been achieved, it has yet to reach the level necessary for reaching various social development goals and the growth that has been achieved is too dependent on the primary commodity sector that has low

[14] Id. at 10-11.

employment elasticity. Second, UNECA urges African governments to place social development high on their agendas and to commit to investing in the resources necessary for the requisite level of economic growth, such as allocating sufficient resources to primary education. Third, initiatives for promotion of broad-based and shared growth must be launched to reduce poverty through creation of more employment opportunities. Finally, African governments and business organizations must cope with "inequality" on a number of levels. UNECA reported that "Africa is a highly unequal continent on many indicators, second only to Latin America. In addition to historically high inequality between rural and urban areas, the continent is characterized by high horizontal inequalities, reflected in the exclusion of many social groups from actively participating in the social, economic and political processes in many countries."[15]

African economies were expected to show continuing signs of strengthening and broadening in 2011, with GDP growth for the continent projected to increase to 5% and growth in a number of specific countries targeted to exceed 7% due to a variety of factors, including ongoing dynamism of the non-oil sector (Nigeria), commercial exploitation of oilfields (Ghana) and increased foreign direct investment in the mining sector (Liberia). West Africa (6.7%) and East Africa (6.3%) are expected to do the best among all of the regions with Central and Southern Africa lagging behind with projected growth rates just under 4%.[16] As noted above, these growth rates, while encouraging in the direction of the trend, are simply not sufficient when compared to emerging regions in other parts of the world such as Asia. At present, African countries and business organizations do not produce a sufficient amount of the knowledge-intensive products that are tradable in global markets. Accordingly, it is essential for African organizations to carefully review their existing technical skills to determine where they might have a competitive advantage and which areas need to be supplemented through technology transfer and training and development.

Vollmer relied on the emerging investment strategic of multinational companies to help identify the most promising "economic hotspots" in Africa as of 2014.[17] Vollmer noted that several global surveys had confirmed that interest in Africa as an investment destination had increased dramatically over the last few years and reported on data compiled by the United Nations Conference on Trade and Development showed that foreign direct investment into Africa had increased from $44 billion in 2010 to $56 billion in 2013 and that the largest shares of that investment had been going to Ghana and Nigeria in Western Africa; Kenya, Uganda, and Tanzania in Eastern Africa; and Zambia, Mozambique, and South Africa in Southern Africa. As for the sectors that appears to be of most interest to investors, Vollmer reported that extractive industries such as mining and oil, which had long been the focus for capital commitments from foreign investors in Africa, were becoming less attractive and that new capital was flowing toward prospective opportunities in financial services; technology, media, and communications

[15] Id. at 12-13.
[16] Id. at 13.
[17] S. Vollmer, Five steps to tackle Africa's economic hotspots, The Investment Climate Facility for Africa (June 19, 2014), http://www.icfafrica.org/news/five-steps-to-tackle-africa-s-economic-hotspots (accessed August 6, 2014).

and retail and consumer products. As for the places that global multinationals were selecting as hubs for the operations in Africa, Vollmer listed Nigeria, Kenya, South Africa and Côte D'Ivoire.

§1:3 Cultural factors

Africa is obviously not one country or society and it is easy to find substantial variations with respect to cultural elements as one travels around a vast continent with over 50 countries and a multitude of colonial backgrounds, economic systems and physical environments. In fact, Edoho has commented that Africa probably has a greater degree of ethnic, cultural, and linguistic pluralism than any other continent.[18] For example, a country, or sub-region thereof, may develop very different organizations and cultural characteristics based on its unique combination of exposures to cultural elements from local traditions, Islam, and Western civilizations. Also, the particular culture and language that a region may have absorbed from its colonial occupiers (e.g., English, French or Portugese) almost certain creates differences in attitudes and organizations, particularly the regulatory framework. Finally, religion is an important aspect of life throughout the African continent.[19] All this being understood, however, researchers have argued that there are similarities among African countries with respect to cultural values, beliefs and rituals at the societal level.[20]

Nnadozie provided a summary description of some of the common characteristics of societal culture in Africa in the context of providing advice on how to "manage" African business culture[21]:

High Power Distance. Africans tends to evidence high power distance and expect that authority will be allocated within society based on age and social status. Organizations have rigid hierarchical structures with decisions generally being made only by senior managers. Subordinates are highly dependent on their superiors and communications within the organizational hierarchies are almost exclusively downward.

Respect for Titles and Age. Titles and age are shown great respect in Africa. It is believed that age brings "wisdom" and thus it is expected that positions of authority will generally be reserved for elders regardless of the "knowledge" requirements associated

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[18] F. Edoho, "Management in Africa: The Quest for a Philosophical Framework", in F. Edoho, Management Challenges for Africa in the Twenty-First Century: Theoretical and Applied Perspectives (Westport, CT: Praeger, 2000), 73-90, 79.
[19] Id. at 59-60.
[20] Id. at 79.
[21] E. Nnadozie, "Managing African Business Culture", in F. Edoho, Management Challenges for Africa in the Twenty-First Century: Theoretical and Applied Perspectives (Westport, CT: Praeger, 2000), 51-62. Nnadozie's actual list of Africa's "Most Common Cultural Characteristics" included high social inequality; respect for hierarchies, title and age; importance of personal connections and relationships; the collectivist nature of African societies; male domination; the preference for harmony to conflict in dealing with uncertainty; time flexibility ("African Time"); emphasis on tradition and honor; increasing corruption in some African countries; disregard for the law in some societies due to lack of enforcement; and the positive work ethic that goes along with low productivity.

with the position.[22] Elders are also respected for the role that they play in preserving and passing on the cultural traditions, norms, and values that are considered to be fundamental to defining and maintaining a sense of African community.[23] Subordinates are expected to show appropriate respect in their relationships with titled or aged superiors and such relationships are typically characterized by strict protocol, formality and politeness.

Importance of Familial Networks. Extended familial networks are quite important in Africa and generally include a large number of individuals. Individuals are expected to show allegiance to their families, and persons often become dependent on their families for employment and other support. The extended family system also impacts the ownership and organization of business enterprises, as evidenced by a preference in many large African businesses for creating subsidiaries for each male child in the family.[24]

Importance of Personal Relationships. Personal relationships are also very important in Africa and are generally considered to be a condition to successful business arrangements. Evidence indicates that a great deal of time and effort is spent on building personal connections, trust and friendships.

Collectivist Nature of African Society. African society is more collectivist than individualistic. Greater importance is attached to the needs of various groups—family, clan, ethnic groups and organizations—than to those of individuals and members of society are expected to be absolutely loyal to their groups. As a result, individuals are conditioned to subordinate their own needs and work for the benefit of the larger group and, in turn, it is expected that the group will look after them. In many cases, group norms, such as those based on kinship, are more important than the national community and may become the basis for defining the rights of individuals and groups, inheritance and succession. Collectivism will also appear in the manner in which property rights are allocated. For example, the traditional custom in many parts of Africa is for property and land to be held in common with other family members.[25]

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[22] Edoho has emphasized the importance of distinctions between "knowledge" and "wisdom" in Africa and has explained that while knowledge is considered to be the skills and ideas that are learned through formal or organized programs, such as those conducted by schools, churches, or social clubs, wisdom cannot be obtained in the same way and instead comes from natural and inborn factors and the experiences that can only come with the aging process. Accordingly, while Africans acknowledge that highly educated people have a good deal of knowledge, education itself does not lead to the wisdom that is so valued and revered by Africans. See F. Edoho, "Management in Africa: The Quest for a Philosophical Framework", in F. Edoho, Management Challenges for Africa in the Twenty-First Century: Theoretical and Applied Perspectives (Westport, CT: Praeger, 2000), 73-90, 83.

[23] Id.

[24] C.B. Anyansi-Archibong, "Toward an African-Oriented Management Theory", in F. Edoho, Management Challenges for Africa in the Twenty-First Century: Theoretical and Applied Perspectives (Westport, CT: Praeger, 2000), 63-72, 70.

[25] F. Edoho, "Management in Africa: The Quest for a Philosophical Framework", in F. Edoho, Management Challenges for Africa in the Twenty-First Century: Theoretical and Applied Perspectives (Westport, CT: Praeger, 2000), 73-90, 80. Edoho also noted that the tendency toward collectivism in Africa impacted the use and distribution of wealth prior to the colonial period in that individuals who became wealthy were looked upon as trustees of their assets by other members of the group and expected to

Male-Domination. The general consensus is that African society is male-dominated, with gender roles being well-defined, and it is perceived that males have access to a much wider range of opportunities in Africa than females. "Macho" behavior is an important element of society in many African countries and such behavior by managers is generally accepted and understood. One byproduct of all this is that male managers, enjoying their power and authority, tend to adopt individualistic consultative styles with a preference for one-on-one meetings to discuss business matters as opposed to convening larger group sessions or forming committees. Another issue is the widespread discrimination against women with respect to hiring and promotion based, in part, on a perception that women are inferior to men.

Low Uncertainty Avoidance. Faced with uncertain or unknown situations, Africans tend to prefer harmony rather than conflict. In general, Africans are not highly threatened by uncertain or unknown situations and, in fact, tend to view such situations as "curious" rather than "dangerous."

Time Flexibility. Africans tend to have a more relaxed attitude about time than their counterparts from Western countries and their habit of seeing time as flexible, rather than firm, often leads to frustration in business relationships with persons from societies that have a different attitude on the matter.

Importance of Past, Present and Future. One area of striking cultural difference between Africans and Americans is in the way that they view the past, present and future. In general, Africans tend to live in the present, savor the past, and view the future as remote and out of their control. This approach is actually somewhat similar to attitudes seen among Europeans, who are known to be attached to the past and assign great value to related characteristics such as wisdom, stability, and convention. Americans, on the other hand, give relatively little weight to the past and typically focus on the present and future, which explains why Americans tend to value characteristics such as vitality, mobility, quality and organization.[26]

Importance of Tradition and Honor. Not surprisingly in light of some of the cultural characteristics described above, tradition and honor are quite important to Africans and they will often go to great lengths to save or protect "face" so as to not to cause a person to be dishonored.

Associative Thinking. African culture has been characterized as being more associative than abstract, which means that Africans tend to place significant emphasis on concrete symbols.[27] This means that knowledge is not necessarily valued in the abstract and only

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devote those assets to improving the welfare of the group and to refrain from acting selfishly and use their assets for oppressive purposes.

[26] F. Edoho, "Management in Africa: The Quest for a Philosophical Framework", in F. Edoho, Management Challenges for Africa in the Twenty-First Century: Theoretical and Applied Perspectives (Westport, CT: Praeger, 2000), 73-90, 85.

[27] The distinction between associative and abstract cultures has been explained as follows: "In associative cultures, people utilize associations among events that may have much logical basis, whereas in abstract

has meaning for Africans to the extent that it can be specifically related to some aspect of political, economic or social life. This also means that Africans have trouble encapsulating the somewhat abstract concepts of "democracy" and "capitalism" into symbols that they can readily understand within their unique cultural context.[28]

Using some of the information that has been collected with respect to African societies, the following observations are illustrative of the challenges that societal culture presents for managers of African organizations[29]:

- Organizational hierarchies must be identified and understood, particularly the persons with final responsibility for making decisions. The hierarchical and collectivist nature of African society can be advantageous in developing a focused and disciplined team of workers. The respect that Africans show for authority can be used to enhance the enforcement of rules and regulations. The downside, of course, is that individualistic innovation and entrepreneurship may be stifled in the organization.
- The importance of personal relationships, and the effect of time flexibility, means that managers should invest substantial time and attention in building relationships with workers at all levels in the organization and making sure that all parties clearly understand the goals and objectives of the organization as a whole and the particular activities carried out by each worker. This increases the level of trust and generates friendships and loyalties that enhance productivity and minimize the level of strife in the workplace. However, specific tasks assigned to each person should be carefully defined and follow up is important since firm deadlines are likely to be ignored given the lax attitude toward time among Africans.
- While the work ethic among African workers is generally positive, motivation and leadership are tremendously important in coaxing optimal performance and productivity. In many cases, workers may require basic training before beginning their tasks.
- Given the predisposition toward recruiting from extended family networks, care should always be taken to emphasize the need for special skills and experience when a sensitive position needs to be filled.
- Africans' flexible view of time may limit the ability of the organization to rapidly adapt to unforeseen changes in the environment. It has been observed that employees in Africa spend inordinate amounts of time on personal matters, such as conversations with colleagues, friends, and family, and reading newspapers, magazines, and novels.

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cultures, cause-effect relationships or rational Judeo-Christian types of thinking are dominant." B. Kedia and R. Bhagat, "Cultural constraints on transfer of technology across nations: implications for research in international and comparative management", Academy of Management Review, 13 (1988), 558-71, 566 (as cited in F. Edoho, "Management in Africa: The Quest for a Philosophical Framework", in F. Edoho, Management Challenges for Africa in the Twenty-First Century: Theoretical and Applied Perspectives (Westport, CT: Praeger, 2000), 73-90, 82).

[28] F. Edoho, "Management in Africa: The Quest for a Philosophical Framework", in F. Edoho, Management Challenges for Africa in the Twenty-First Century: Theoretical and Applied Perspectives (Westport, CT: Praeger, 2000), 73-90, 82.

[29] E. Nnadozie, "Managing African Business Culture", in F. Edoho, Management Challenges for Africa in the Twenty-First Century: Theoretical and Applied Perspectives (Westport, CT: Praeger, 2000), 51-62, 58-59 and 61.

Absenteeism is also high, with employees frequently away from the office on a regular basis, sometimes for hours or days. When employees are working, they often waste time due to lack of adequate and timely resources, leading to stress that further diminishes their productivity.

- Respect should be given to titles and age and special care should be taken to avoid unnecessarily causing someone to lose face. African reverence for tradition and honor can serve as the foundation for developing higher ideals for the organization and the quality of its products and services. It can also be used to build a sense of commitment to the organization.

While it is important for traditions and cultural norms to be understood and, as appropriate, incorporated into the process of creating effective indigenous management practices, it should also be recognized that there are some traditions that should be revisited in light of the contemporary environment. To survive, societies must be able to adapt to changing circumstances and alter their values and customs to become and remain competitive. For example, in Africa age, long embraced as an indicator of wisdom, must be supplemented by some measure of productivity in determining whether a person is making an appropriate contribution in an organizational environment that now places a higher premium on efficiency and performance. Also, Africans must abandon the belief that leaders are born, and not made, and recognize that formal training and education is an important aspect of leadership. There are several lessons here. First is the realization that leadership traits are not limited to specific clans or groups but can occur throughout the population. Second, it must be understood that the ability to lead can be gained through experience, dedication, and training. Finally, it must be accepted that even the natural leaders within the local community require formal education and practical skill development and training to be effective.[30]

§1:4 Role of the state

Central and regional governments have long played a dominant role in business and economic affairs in most parts of Africa. During colonial times, when the "State" consisted of officials appointed and controlled by foreign colonial powers, public business enterprises were the major forms of business organization. This approach was not surprising given the paternalistic-authoritarian cultural beliefs that were, and remain, prevalent in most parts of Africa and that predisposed people to accept direction and leadership in commerce and all other matters from a small and centralized group of elders, even persons designed by outsiders.

The common belief among developmental economists that the State should be assigned essential and central roles in overseeing and promoting economic development led to significance reliance by policymakers in Africa on the government as the dominant economic sector following the end of the colonial period and as African countries achieved their independence the State continued to exercise control in many countries

[30] F. Edoho, "Management in Africa: The Quest for a Philosophical Framework", in F. Edoho, Management Challenges for Africa in the Twenty-First Century: Theoretical and Applied Perspectives (Westport, CT: Praeger, 2000), 73-90, 86-87.

where the ruling elite pursued socialist development policies. For example, Sudan, Tanzania and Zambia embarked on nationalization policies on the premise that private businesses would jeopardize their socialist agenda. In other cases, the continuing influence of the State was a natural result of the lack of private investment capital in many African countries and even when funds from private sources were available the state intervened to control how they were used by adopting laws and regulations that allowed for government assumption of majority control over joint ventures and indigenous businesses.

The byproduct of these early governmental policies in Africa during the post-colonial period was that African governments were heavily involved in a wide variety of roles—investors, regulators, managers and controllers—in almost all of the most important, promising and productive areas of the economy, including development of the infrastructure, telecommunications and utilities. Unfortunately, researchers have generally concluded that this almost overbearing role of the State in African development efforts has been counterproductive, not only slowing progress of the projects but also severely undermining the ability of African countries to develop and maintain the strong and independent private sector necessary for sustainable growth and development.[31]

In many instances, African governments made formal announcements purporting to divest themselves of substantial authority in key economic areas but continued to stifle private initiatives through control over related resources and complex and burdensome regulatory restrictions. For example, Anyansi-Archibong and Anyansi-Archibong discussed the example of a Decree issued by the federal government in Nigeria calling for both privatization and commercialization of government enterprises, with commercialization defined as "the reorganization of enterprises wholly or partly owned by the Federal Military Government in which such commercialized enterprises shall operate as profit-making commercial ventures without subventions from the Federal Military Government."[32] While this sounded promising, the researchers reported that the State remained heavily involved in the operations of many key enterprises in Nigeria and provided an example of various ways that the Nigerian government was able to remain involved in the strategies and decisions of the Nigerian National Petroleum Corporation. First and foremost, control over natural resources in Nigeria remained with the government, which meant that the State had the authority to determine which parties could explore and exploit oil and gas in Nigeria. While decisions should be driven by purely economic and productive efficiencies, in fact they were often based on political considerations that would frequently lead to refineries being placed in remote areas even though the associated costs of transportation made it difficult, if not impossible, for the refinery to achieve profitability. The federal government also intervened through its power to set prices for gasoline rather than allowing this to be done in the "market".

[31] F. Edoho, "Managerialism: A Critical Analysis of the Issues, Contexts and Challenges", in F. Edoho, Management Challenges for Africa in the Twenty-First Century: Theoretical and Applied Perspectives (Westport, CT: Praeger, 2000), 31-50, 43.
[32] C. Anyansi-Archibong and V. Anyansi-Archibong. "Management and Economic Issues Facing the Newly Commercialized Nigerian National Petroleum Corporation", in F. Edoho, Management Challenges for Africa in the Twenty-First Century: Theoretical and Applied Perspectives (Westport, CT: Praeger, 2000), 147-158, 154.

Governmental price controls made it difficult for producers to recoup the costs associated with moving the gasoline to the consumers. Finally, the National Petroleum Corporation was not allowed to restructure, raise capital through the sale of shares, or increase prices without the consent of a board of political appointee assigned to oversee the operations of all public enterprises.[33]

The heavy involvement of the State in African economic affairs has been even more problematic due to the poor quality of managers working within public institutions in Africa, including the business enterprises owned and controlled by the State (the "parastatals"). A number of studies have found that parastatals suffer from a lack of professional management ethic and have been riddled with corruption, nepotism, and patronage.[34] In fact, one survey of public enterprises in twelve countries in West Africa disclosed that about two-thirds of the enterprises were operating at a loss and that a significant number had a negative net worth.[35] Another problem that has plagued businesses and governments throughout Africa has been the substantial incidence of corruption. For example, international surveys conducted in the 1990s indicated that Nigeria was one of the most corrupt countries in the world and that Nigerians had managed to move a significant amount of private savings out of the country. In fact, the amount of capital outside of Nigeria in relation to its overall level of foreign debt was so substantial, over 50%, that foreign governments and international assistance organizations such as the World Bank became unwilling to afford significant debt relief to the country.[36] Corruption in the public sector in Africa is just part of a systemic ineffectiveness of the government throughout the continent. In fact, it has been suggested that only a small minority of the African governments are able to retain an effective directive capacity, and that the aim of most public officials is self-aggrandizement.[37]

§1:5 Management systems

Leadership and management are critical issues for African economic and social development. It has been argued that managerial performance in Africa has been a dramatic failure, characterized by ineptitude and inefficiency, declines in labor productivity, poor or even non-existent planning, squandering of resources, irrational investment decisions, and often outright theft and corruption.[38] In addition, many have expressed concerns about the long-term impact that authoritarian management styles and

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[33] Id. at 154-155.
[34] F. Edoho, "Managerialism: A Critical Analysis of the Issues, Contexts and Challenges", in F. Edoho, Management Challenges for Africa in the Twenty-First Century: Theoretical and Applied Perspectives (Westport, CT: Praeger, 2000), 31-50, 34.
[35] Id. (citing H. Bienen and J. Waterbury, "The Political Economy Of Privatisation In Developing Countries" World Development, 17(5) (1989), 617-632)
[36] F. Edoho, "Management Challenges for Africa in the Twenty-First Century", in F. Edoho, Management Challenges for Africa in the Twenty-First Century: Theoretical and Applied Perspectives (Westport, CT: Praeger, 2000), 1-28, 22-23.
[37] Id. at 23 (citing R. Sandbrook, The Politics of Africa's Economic Stagnation (Cambridge, UK: Cambridge University Press, 1985)
[38] F. Edoho, "Management Challenges for Africa in the Twenty-First Century", in F. Edoho, Management Challenges for Africa in the Twenty-First Century: Theoretical and Applied Perspectives (Westport, CT: Praeger, 2000), 1-28, 4-5.

practices might have on development of the economy and business organizations in Africa. Kiggundu, confirming that the dominant management style in Africa is authoritarian, warned that the situation is "not conductive for management development and the emergence of new leadership. Entrepreneurial, creative, and development talents are suppressed in favor of bureaucratic risk-aversive administration based on absolute obedience".[39] Another concern is that new generations of managers, training in modern management techniques, may grow frustrated with their inability to contribute and that morale in business organizations will suffer accordingly. It is also feared that African firms will lose the benefits of accessing the creativity of junior managers and may find that they are unable to respond quickly to environmental challenges; however, it is suspected that the rigors of competition may eventually force entrepreneurs to pursue and accept input from subordinates as to how to enhance organizational performance.

Mvano provided a short list of some of the reasons why managers in Africa may have performed poorly including intolerance of opposing views, perhaps attributable to an "inferiority complex"; a tendency toward favoritism on the basis of kinship, ethnic background or cronyism; corruption and lack of transparency; and reliance on autocratic and heavy handed management style that was insensitive to subordinates and akin to a traditional "village chief" that chose to run the organization as a fiefdom.[40] For their part, subordinates in African organizations typically did not challenge the decisions or instructions that came from their managers and Mvano speculated that perhaps "subordinates tend to put too much faith in what their leader is capable of".[41] The end result of the interactions that often occurred between managers and subordinates in African firms was a dominant style of management that tended to be "more 'task oriented' and 'transactional' rather than 'people oriented' and 'transformational'" and a group of subordinates who understandably grew alienated and frustrated because of their inability to contribute their expertise and knowledge and engage in creative and innovative activities on behalf of their firms.[42]

Mvano did note that managers in the private sector in Africa did tend to perform better than their counterparts in the public sector. While private sector managers may have a more enlightened attitude toward interactions with their subordinates the improved performance can also be traced to such managers have more autonomy and authority with respect to strategic and operational issues that improved their own sense of motivation. Nonetheless, the challenges for private sector managers in Africa remain daunting and were described by Mvano as follows: "coping with the speed of changes taking place in the social, economic and technological environment, and overcoming resistance to change; institutionalizing good governance and eradicating corruption; building and motivating effective work teams, who are committed, trusted and loyal to the

[39] M. Kiggundu, "Africa", in R. Nath (ed.) Comparative Management: A Regional View (Cambridge, MA: Ballinger, 1988), 169-243, 226 (cited in T. Ndongko, "Management Leadership in Africa", in M. Mwaura, E. Tiagha and J. Waiguchu, Management of Organizations in Africa: A Handbook and Reference (Westport, CT: Praeger, 1999), 99-124, 110).
[40] V. Myano, The Challenges Facing Managers in Africa, http://web2.msm.nl/news/articles/050707papers/0202_Mvano.PDF, 7.
[41] Id.
[42] Id. at 8.

organization; effects of globalization, particularly worldwide competition; institutionalizing effective and equitable performance management systems; institutionalizing strategic thinking and long-term view of organizational performance; and putting into practice the relevant management theories and best practice".[43]

Nkomo conducted an extensive review of the organizational studies literature to explore how "African leadership and management" was portrayed and examine the possibilities for re-writing "African leadership and management" in organizational studies.[44] Nkomo first noted that the volume of texts, materials and references to Africa in organizational studies was relatively small and then went on to propose that the coverage that actually existed could be broken out into four broad categories: "African management development", which focused on the need for capable leadership and management in Africa in order to achieve economic and social goals; literature on national culture, which examine African leadership and management using one or more of the various cultural dimension models that have been developed and popularized by various researchers such as Gaart Hofstede; the representations of African leadership and management that appeared in management textbooks, which typically focus on how historical feats in Africa such as the building of the pyramids in Egypt fit into the progression toward the development of "classical" and "scientific" management theory; and a small but growing number of works defining the elements of indigenous "African management philosophy" and development and adoption of management practices that are congruent with African cultural values as opposed to ill-suited prescriptions from Western cultures that were introduced during the colonial period.

A number of books and articles have included extensive discussions of perceived deficiencies of African management development, including comments regarding "the inability of African nations to train capable managers for major institutions" and the loss of the "capacity to manage" in Africa.[45] Problems with management development and attainment of "high level" management skills, particularly "inadequate" management education, are routinely linked to the failure of African countries and territories to achieve economic and social development. Many scholars blame African management development problems on the legacy of the colonial period, during which little attention was paid to education and training of local managers, and the inappropriate fit between Western management theories and what Nkomo referred to as the "African reality (i.e., culture, limited resources, poverty and under education)"; however, in most cases these same scholars nonetheless propose that the solution for Africa is to embrace and pursue Western ideas of management, leadership and administration including the development

[43] Id. at 9.
[44] S. Nkomo, Images of 'African Leadership and Management' in Organisation Studies: Tensions, Contradictions and Re-visions, (Inaugural Lecture, University of South Africa, March 7, 2006).
[45] Quoted observations taken from F. Safavi, "A model of management education in Africa", Academy of Management Review, 6(2), (1981), 319-331, 319. This article also includes an extensive review and analysis of the shortcomings of management education in Africa at the time the article was written. With regard to alleged deficiencies of African leadership and management, see also M. Kiggundu, "The challenges of management development in sub-Saharan Africa", Journal of Management Development, 10(6) (1991), 32-47; and J. Waiguchu, E. Tiagha and M. Mwaura (Eds.), Management and Organizations in Africa: A Handbook and Reference (Westport, CT: Quorum Books, 1999).

of skills in strategic management, negotiation, resource development and utilization, operations management, production and administration and cross-cultural interactions and communications.[46]

Africa has also been included in what Nkomo referred to as the "leadership and management literature on national culture", which is frequently concerned with testing whether US theories of leadership and management can be effectively transferred and applied in other countries in light of differences in national culture. Nkomo is critical of how "Africa" has been depicted in these efforts noting, for example, that Hofstede referred to "West Africa" as a country in some of his works, thereby making the fundamental mistake of assuming that the cultural identity of just one country or a small group of countries is representative of a much larger region such as the entire African continent.[47] Similarly, while the GLOBE researchers offered a description and analysis of the cultural dimensions of "sub-Saharan Africa", their findings were based on a survey of just five countries[48], thereby causing Nkomo to raise concerns that even as the research models used in cross-cultural management studies become more sophisticated they still tend to "[overlook] the diversity of cultures within countries and across the [African] continent".[49] The current output from this literature, based on the GLOBE findings, is that the cultural dimensional profile of sub-Saharan Africa includes high power distance, collectivism, uncertainty avoidance and strong humane orientation. Hofstede's profile of "West Africa" is similar: high power distance, low individualism (high collectivism), medium masculinity and uncertainty avoidance and low long-term orientation.[50]

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[46] See, e.g., M. Kiggundu, "The challenges of management development in sub-Saharan Africa", Journal of Management Development, 10(6) (1991), 32.

[47] G. Hofstede, "Cultural constraints in management theories", Academy of Management Executive, 7(1) (1993), 81-94. The article included a summary comparison of the cultural dimension scores of "West Africa" to nine other countries, including the US, Germany, Japan, France, Netherlands, Honk Kong, Indonesia, Russia and China. In fairness to Hofstede, however, this same article included the following observation when discussing attempts by Westerners to package and transfer their management practices and techniques to developing countries: "Regions of the world with a history of large-scale political integration and civilization generally have done better than regions in which no large-scale political and cultural infrastructure existed, even if the old civilizations had decayed or been suppressed by colonizers. It has become painfully clear that development cannot be pressure-cooked; it presumes a cultural infrastructure that takes time to grow. Local management is part of this infrastructure; it cannot be imported in package form. Assuming that with so-called modern management techniques and theories outsiders can develop a country has proven a deplorable arrogance. At best, one can hope for a dialogue between equals with the locals, in which the Western partner acts as the expert in Western technology and the local partner as the expert in local culture, habits, and feelings." Id. at 87.

[48] R. House, P. Hanges, M. Javidan, P. Dorfman and V. Gupta (Eds), Culture, Leadership, and Organizations: The GLOBE Study of 62 Societies (Thousand Oaks CA: Sage, 2004). The five countries were Namibia, Nigeria, South Africa ("black sample"), Zambia, Zimbabwe. Egypt and Morocco were classified as Middle Eastern countries and a separate "white sample" for South Africa was included with countries classified as "Anglo". For further discussion of country clusters, see "Globalization: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

[49] S. Nkomo, Images of 'African Leadership and Management' in Organisation Studies: Tensions, Contradictions and Re-visions, (Inaugural Lecture, University of South Africa, March 7, 2006).

[50] G. Hofstede, "Cultural constraints in management theories", Academy of Management Executive, 7(1) (1993), 81-94, 91.

When African leadership and management are referenced in management textbooks it is usually part of a broader discussion of the development and history of management theory. In that context, the building of the great pyramids by the Egyptians is often cited as an example that "management" of some type did indeed exist thousands of years ago and, in fact, Nkomo provides the following illustrative quote from a major management treatise: "The practice of management can be traced back thousands of years. The Egyptians used the management functions of planning, organizing and controlling when they constructed the pyramids."[51] Nkomo criticizes the way that these textbooks appear to characterize these Egyptian management practices dismissively as "pre-scientific" and also notes that the textbooks generally focus only on Egypt and ignore other great civilizations in Africa, including Timbuktu, Songhai, Empire of Mali and Mapungubwe.[52]

What has been referred to as "African management philosophy" has arisen, in Nkomo's words, "in response to Africa's relegation to the margins of global considerations of leadership and management as well as practice".[53] The following definition of "African management philosophy" has been offered by Edoho: "The practical way of thinking about how to effectively run organisations--be they in the public or private sectors--on the basis of *African* ideas and in terms of how social and economic life is actually experienced in the region. Such thinking must be necessarily interwoven with the daily existence and experience in Africa and its contextual reality."[54] According to Nkomo, supporters of African management philosophy believe that economic and social development will not occur in post-colonial Africa unless and until African countries create and embrace indigenous approaches to management and leadership.[55] While much time is spent debating when and why best practices of African management disappeared, the general consensus seems to be that colonialism and the attempts to transfer and imbed

[51] R. Griffin, Management (Boston: Houghton-Mifflin, 2005), 42. See also C. George, The History of Management Thought (Englewood Cliffs, NJ: Prentice-Hall, 1968), 4-5.
[52] S. Nkomo, Images of 'African Leadership and Management' in Organisation Studies: Tensions, Contradictions and Re-visions, (Inaugural Lecture, University of South Africa, March 7, 2006). (referencing C. Diop, Pre-colonial black Africa (Westport, CT: Lawrence Hill & Company, 1987).
[53] S. Nkomo, Images of 'African Leadership and Management' in Organisation Studies: Tensions, Contradictions and Re-visions, (Inaugural Lecture, University of South Africa, March 7, 2006).
[54] F. Edoho, "Management in Africa: The Quest for a Philosophical Framework", in F. Edoho, Management Challenges for Africa in the Twenty-First Century: Theoretical and Applied Perspectives (Westport, CT: Praeger, 2000), 73-90, 74.
[55] See, e.g., C. Anyansi-Archibong, "Toward an African-oriented management theory", in F. Edoho, Management Challenges for Africa in the Twenty-First Century: Theoretical and Applied Perspectives (Westport, CT: Praeger, 2000), 63-72; P. Blunt and M. Jones, "Exploring the limits of western leadership theory in East Asia and Africa," Personnel Review, 26 (1997), 6-23; K. Kamoche, "Sociological Paradigms and Human Resources: An African context (Aldershot, UK: Ashgate, 2000); M. Mangaliso, "Building competitive advantage from ubuntu: Management lessons from South Africa," Academy of Management Executive, 15(3) (2001), 23-32; L. Mbigi, Ubuntu: The African Dream in Management (Pretoria: Knowledge Resources, 1997); L. Mbigi, The Spirit of African leadership (Johannesburg: Knowledge Resources, 2005); H. Ngambi, "African leadership: lessons from the chiefs", in T. Meyer and I. Boninelli (Eds), Conversations in leadership: South African perspectives (Johannesburg: Knowledge Resources, 2004), 107-132; F. Edoho, "Management in Africa: The Quest for a Philosophical Framework", in F. Edoho, Management Challenges for Africa in the Twenty-First Century: Theoretical and Applied Perspectives (Westport, CT: Praeger, 2000), 73-90.

Eurocentric leadership and management practices in Africa led to the current dismal state of management practices in many parts of Africa.[56]

Many have expressed concerns about the long-term impact that authoritarian management styles and practices might have on development of the economy and business organizations in Africa. Scholars argue that Western management theories and practices simply are inappropriate and ill-suited for the local cultural, political, economic and social environment in Africa and thus must be rejected or limited in favor of African-based philosophies and practices.[57] Kiggundu, confirming that the dominant management style in Africa is authoritarian, warned that the situation is "not conductive for management development and the emergence of new leadership. Entrepreneurial, creative, and development talents are suppressed in favor of bureaucratic risk-aversive administration based on absolute obedience".[58] Another concern is that new generations of managers, training in modern management techniques, may grow frustrated with their inability to contribute and that morale in business organizations will suffer accordingly. It is also feared that African firms will lose the benefits of accessing the creativity of junior managers and may find that they are unable to respond quickly to environmental challenges; however, it is suspected that the rigors of competition may eventually force entrepreneurs to pursue and accept input from subordinates as to how to enhance organizational performance.

Assuming that African management philosophy movement is viable, the next fundamental question, of course, is just what are the core dimensions and characteristics of "African" management? The movement to create generalized descriptions of "African" management is in itself somewhat problematic given that many scholars involved concede that there is substantial diversity throughout Africa such that some sort of universalist African theory may be just as inappropriate in a particular area as Eurocentric management systems and practices; however, not surprisingly, a number of scholars have attempted to answer this question based on a variety of sources, including African studies literature and the work of African historians.[59] Nkomo contrasted Western and African "management thought" as follows: "Whereas Western management thought is said to advocate Eurocentricism, individualism and modernity, 'African' management thought is said to emphasize traditionalism, communalism, co-operative teamwork, and

[56] F. Horwitz, "Whither South African management?", in M. Warner and P. Joynt (Eds), Managing Across Cultures (London: Thomson Learning, 2002), 215-220; and A. Thomas and J. Schonken, "Culture-specific management and the African management movement", South African Journal of Business Management, 29(2) (1998), 53-76.
[57] P. Blunt and M. Jones, "Exploring the limits of western leadership theory in East Asia and Africa," Personnel Review, 26 (1997), 6-23; and A. Jaeger, "The applicability of Western management techniques in developing countries: a cultural perspective", in A. Jaeger and R. Kanungo (Eds), Management in Developing Countries (London: Routledge, 1990), 131-145.
[58] M. Kiggundu, "Africa", in R. Nath (ed.) Comparative Management: A Regional View (Cambridge, MA: Ballinger, 1988), 169-243, 226 (cited in T. Ndongko, "Management Leadership in Africa", in M. Mwaura, E. Tiagha and J. Waiguchu, Management of Organizations in Africa: A Handbook and Reference (Westport, CT: Praeger, 1999), 99-124, 110).
[59] B. Davidson, African civilization revisited (Trenton, NJ: Africa World Press, 1991); and A. Mazrui, The Africans: A triple heritage (Boston: Little, Brown and Company, 1986).

mythology."[60] Nkomo went to explain that "traditionalism" with respect to African management thought "has to do with the adherence to accepted customs, beliefs and practices that determine accepted behaviour, morality and characteristics of individuals in African society."[61] Nkomo also emphasized that the basic unit of socialization in African societies is the "family" and that "[t]he family system is viewed as the basic building block of any organisation in African societies".[62] Communalism rejects individualism and focuses on the attachment that each individual has with his or her broader community. This leads to an emphasis on teamwork and the group, including the belief that organizational leaders, such as managers, should focus on the welfare of the entire group and not the individual. Other scholars have also emphasized community consciousness and group belongingness in describing African culture, including the capacity to share and care not just for immediate families but also for the members of extended families.[63]

Proponents of African management philosophy believe that African history and indigenous knowledge and management systems that existed during the pre-colonial period are key tools for success in the future[64]; however, they must overcome a variety of hurdles. For example, there remains a festering notion that Africa is "primitive" and that historical managerial practices from the pre-colonial period are of little value in modern times.[65] Another problem is that there are many who still do not accept and understand how and why scientific management and Western systems of administration and bureaucracy failed during the colonial period even though scholars have written extensively about instances of economic exploitation and social oppression by colonial powers that routinely dismantled local institutions, rejected and suppressed indigenous management practices and ignored development of higher-level management skills among Africans.[66] In addition, identifying those elements of African management

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[60] S. Nkomo, Images of 'African Leadership and Management' in Organisation Studies: Tensions, Contradictions and Re-visions, (Inaugural Lecture, University of South Africa, March 7, 2006).

[61] Id. Respect for traditionalism has also been extended to include strong beliefs regarding connections between the individual and ancestors. See, e.g., L. Mbigi, Ubuntu: The African Dream in Management (Pretoria: Knowledge Resources, 1997); and L. Mbigi, The Spirit of African leadership (Johannesburg: Knowledge Resources, 2005).

[62] S. Nkomo, Images of 'African Leadership and Management' in Organisation Studies: Tensions, Contradictions and Re-visions, (Inaugural Lecture, University of South Africa, March 7, 2006).

[63] Id. (referring to F. Edoho, "Management in Africa: The Quest for a Philosophical Framework", in F. Edoho, Management Challenges for Africa in the Twenty-First Century: Theoretical and Applied Perspectives (Westport, CT: Praeger, 2000), 73-90, 81).

[64] See, e.g., H. Ngambi, "African leadership: lessons from the chiefs", in T. Meyer and I. Boninelli (Eds), Conversations in leadership: South African perspectives (Johannesburg: Knowledge Resources, 2004), 107-132; F. Edoho, "Management in Africa: The Quest for a Philosophical Framework", in F. Edoho, Management Challenges for Africa in the Twenty-First Century: Theoretical and Applied Perspectives (Westport, CT: Praeger, 2000), 73-90; M. Kiggundu, "The challenges of management development in sub-Saharan Africa", Journal of Management Development, 10(6) (1991), 32-47; and C. Nzelibe, "The evolution of African management thought", International Studies of Management and Organization, 16(2) (1986), 6-16.

[65] M. Mangaliso, "Building competitive advantage from ubuntu: Management lessons from South Africa," Academy of Management Executive, 15(3) (2001), 23-32.

[66] See, e.g., M. Kiggundu, "The challenges of management development in sub-Saharan Africa", Journal of Management Development, 10(6) (1991), 32-47; C. Nzelibe, "The evolution of African management

philosophy that are embedded within successful management practices in the pre-colonial period is difficult given that there is little written record of the management systems that were used at that time. Notwithstanding all of these issues, the movement perseveres and, as Nkomo notes: "Beginning with the work of Nzelibe, a number of articles and books have been written arguing for a rejection and/or limitation of Western management thought and practice in Africa and the adoption and incorporation of African philosophy into management."[67]

Scholars arguing for the revival of a truly African management philosophy use history to demonstrate the existence of effective management and systems in African societies. The completion of significant large-scale projects, notably the pyramids in Egypt, is often mentioned along with the management systems established in other well-known ancient empires that had flourished in Africa.[68] A description of a typical African administrative system offered by Kiggundu argued that such systems tended to be relatively small in size, homogenous in terms of membership, reliant on local technology and indigenous knowledge systems and dedicated to harmonious co-existence with the external environment. Kiggundu characterized African leadership and management as authoritarian and noted that key decisions were controlled and made by the person at the top of the hierarchy although there was a tendency to permit delegation of routine decisions.[69] Blunt and Jones had a slightly different view of African leadership, which they described as authoritarian, paternalistic, conservative, and change resistant.[70] Pre-colonial political units in Africa tended to be smaller clans and kingdom that were centrally rule with power vested in one or more kinds and regional clan chiefs who were charged with listening to their subjects, acting in a manner that put the interests of the community above those of any one individual or smaller group, establishing harmony

thought", International Studies of Management and Organization, 16(2) (1986), 6-16; and W. Rodney, How Europe underdeveloped Africa (Great Britain: Bogle-L'Ouverture Publications, 1974).

[67] S. Nkomo, Images of 'African Leadership and Management' in Organisation Studies: Tensions, Contradictions and Re-visions, (Inaugural Lecture, University of South Africa, March 7, 2006) (citing C. Anyansi-Archibong, "Toward an African-oriented management theory", in F. Edoho, Management Challenges for Africa in the Twenty-First Century: Theoretical and Applied Perspectives (Westport, CT: Praeger, 2000), 63-72; L. Mbigi, Ubuntu: The African Dream in Management (Pretoria: Knowledge Resources, 1997); L. Mbigi, The Spirit of African leadership (Johannesburg: Knowledge Resources, 2005); H. Ngambi, "African leadership: lessons from the chiefs", in T. Meyer and I. Boninelli (Eds), Conversations in leadership: South African perspectives (Johannesburg: Knowledge Resources, 2004), 107-132; F. Edoho, "Management in Africa: The Quest for a Philosophical Framework", in F. Edoho, Management Challenges for Africa in the Twenty-First Century: Theoretical and Applied Perspectives (Westport, CT: Praeger, 2000), 73-90; C. Nzelibe, "The evolution of African management thought", International Studies of Management and Organization, 16(2) (1986), 6-16).

[68] Some researchers claim that historical analysis of management systems and work organization leads to the conclusion that ancient Egypt, and not classical management theory, was the birthplace of commonly accepted management principles such as division of labor, administration and accounting. See, e.g., M. Ezzamel, "Work organization in the Middle Kingdom, ancient Egypt", Organization, 11(4) (2004), 497-539.

[69] M. Kiggundu, "The challenges of management development in sub-Saharan Africa", Journal of Management Development, 10(6) (1991), 32-47.

[70] P. Blunt and M. Jones, "Exploring the limits of western leadership theory in East Asia and Africa," Personnel Review, 26 (1997), 6-23.

with their community and the environment and helping their subjects identify their position in the universal current of life.[71]

Not surprisingly, there is a clear difference of opinion among managers and employees in Africa regarding the optimal form of leadership style. In one survey of managers, it was found that they overwhelmingly favored a directive style of leadership, much in keeping with traditional practices. The comment was made that African workers were not ready for democracy in the workplace and managers felt that it would be abused if offered. In contrast, of course, were the responses that were received from employees for the same enterprise, many of which blamed organizational failures in Africa on leadership styles used by management and called for more "worker participation". In particular, criticism was levied at the habit of managers to ignore the opinions of employees and to formulate decisions without input from the workers that would be affected.[72]

In light of the dominant cultural beliefs and social practices in Africa, particularly the emphasis on age and the respect for wisdom that come through the aging process, it is not surprising that many have argued that "paternalism-authoritarian" is the dominant and traditional leadership and management style in Africa. As a result, subordinates, typically younger workers, are expected to submit to the will of their elders and this generally leads to a hierarchical management structure with authority solidly vested at the top of the pyramid. Researchers have observed that management authority in Africa typically resides with business owners and senior managers. Middle managers and other subordinates are generally not allowed to take any initiative and, in fact, it is commonly believed they lack the skills or will to exercise initiative. Authority is rarely delegated and subordinates are expected to be submissive and loyal to their superiors. In some cases, delegation is seen by managers a sign of indecisiveness. When delegation does occur, it generally is in favor of a small group of trusted managers who are typically related to the owner. As a general rule, African business owners remain distrustful of unrelated managers, believing that such outsiders will not protect their interests.

The authoritarianism, hierarchical structures and dependence of subordinates on superiors generally found in African business organizations follows naturally from other culturally-based institutional practices in Africa. In the words of Kanungo: ". . . authoritarian practices in the family, the educational system and religious institutions act to create a strong sense of dependence in children. This is reinforced by hierarchical authority structure in these institutions. Those who are in positions of authority tend to over-control their subordinates through the use of formal authority. Unconditional obedience by surrendering to authority is considered a virtue. Personal initiative, originality and independence in thinking and decision-making in every sphere of life meets with social disapproval. As a result, independent critical thinking and reasoning diminish."[73]

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[71] E. Mutabazi, "Preparing African leaders", in C. Derr, S. Roussillion and J. Boumais (Eds.), Cross-cultural approaches to leadership development (Westport, CT: Quorum Books, 2002).
[72] T. Ndongko, "Management Leadership in Africa", in M. Mwaura, E. Tiagha and J. Waiguchu, Management of Organizations in Africa: A Handbook and Reference (Westport, CT: Praeger, 1999), 99-124, 118.
[73] Id. at 111.

The paternalistic-autocratic management style can create communication problems within the organization. In general, communication, including orders and directive, flows downward from business owners and senior managers to subordinates following the organizational hierarchy of the firm. Little or no provision is made for feedback up the chain from employees or lower-level managers, who are expected to simply accept and carry out the instructions without question, thereby depriving the organization of opportunities to take advantage of some of the know-how that exists in parts of the firm other than at the very top of the organizational hierarchy. Further problems may be created by owners and senior managers who bypass middle managers to communicate directly with employees, either because they don't trust the middle managers or because they simply believe that they have the right to ignore formal communications patterns.

The organizational studies literature includes specific prescriptions for particularly African management systems and philosophies that are aligned with indigenous cultural values. For example, reference has been made to *Ubuntu,* which has been said to be inclusive of the beliefs, values, and behaviors of a large majority of the South African population and has been defined as: "humaneness--a pervasive spirit of caring and community, harmony and hospitality, respect and responsiveness--that individuals and groups display for one another. *Ubuntu* is the foundation for the basic values that manifest themselves in the ways African people think and behave towards each other and everyone else they encounter."[74] The same author goes on to argue that *Ubuntu* can be converted into a dynamic and effective system of management practices: "Incorporating *Ubuntu* principles in management hold the promise of superior approaches to managing organisations. Organisations infused with humaneness, a pervasive spirit of caring and community, harmony and hospitality, respect and responsiveness will enjoy more sustainable competitive advantage."[75] Nkomo summarizes the key elements of a management approach based on *Ubuntu* as an emphasis on teamwork, attention to relationships, mutual respect and empathy between leader and followers, and participative decision-making.[76] While this sounds appealing, *Ubuntu*, like so much of what has been written to date on African management philosophy, is largely prescriptive and has not been subjected to extensive research.

Development and implementation of indigenous management theories in Africa is clearly a subject that has attracted significant interest and resources in recent years; however, the challenges associated with such an undertaking are daunting—the cultural dimensions

[74] M. Mangaliso, "Building competitive advantage from ubuntu: Management lessons from South Africa", Academy of Management Executive, 15(3) (2001), 23-32, 24.
[75] Id. at 32.
[76] S. Nkomo, Images of 'African Leadership and Management' in Organisation Studies: Tensions, Contradictions and Re-visions, (Inaugural Lecture, University of South Africa, March 7, 2006). See also N. Poovan, M. du Toit and A. Engelbrecht, "The effect of social value of *Ubuntu* on team effectiveness", South African Journal of Business Management, 37(3) (2006), 219-233 (emphasizing specific characteristics of *Ubuntu* that would allow African managers to build and reinforce teamwork, including pooling resources for survival, engineering unified solutions through "group behaviors" designed to create a spirit of solidarity and enhancing social oneness and participation through gatherings and group activities and rituals).

used to analyze Western principals of societal culture may not be applicable to Africa; much of the work that has been done to date is static and undifferentiated and often expediently ignores that vast cultural diversity throughout the African continent; and globalization is a growing force in Africa, as it is all over the world, and promises to have a significant impact on "traditional values". Other issues that must be overcome in conducting scholarly work on African management include a lack of research facilities; the inability of African managers to document their experiences and their general lack of attention to the formal study of proper and adequate administrative systems and leadership styles; and the relative newness of management as a serious and formally recognized discipline in African educational institutions.[77] Finally, it has been suggested that African managers will need to learn a wide array of "new management techniques" in order to develop an African management philosophy that effectively and efficiently manages African resources, including taking steps to achieve the "self-confidence to reflect national and indigenous interest, rather than the management principles and practices of the multinational companies and western interests."[78]

If and when the traditional authoritarian structure gives way to allocation of responsibilities based on merit and training there will also need to be other significant changes in the mindsets of everyone working for the organization. For example, it has been reported that age is the primary factor for advancement in many African countries and, until recently, it has been uncommon to find younger people in senior management positions. If this trend is to be broken, younger managers will need to overcome the inevitable discomfort in attempting to deliver instructions and directives to older workers when custom demands that the manager show respect to his elders, regardless of their position in the firm, through bowing.

While much time and effort has been spent on identifying and analyzing "African" management styles, the reality is that Africa is not monolithic and each country must be assessed separately. For example, local Nigerian companies typically have a very hierarchical organizational structure that calls for the owner and senior managers to be treated with respect and deference. Status within Nigerian firms is generally given to the elders and it assumed that age brings the wisdom necessary to properly guide the firm. Decisions are made at the top of the organizational hierarchy, sometimes with consultation but often without, and the instructions issued by senior managers are expected to be carried out without question and in the manner specifically directed by the

[77] B. Inyang, "The Challenges of Evolving and Developing Indigenous Management Theories and Practices in Africa", International Journal of Business and Management, 3(12) (2008), 122-132.

[78] Id. A list of the needed "new management techniques" was proposed in N. Eze, Human resource management in Africa: problems and solutions (Lagos, Nigeria: Zomex Press, 1995). Among other things, Eze argued that African managers needed to develop a more positive attitude and willingness and determination to change and that steps needed to be taken to encourage managers to be accountable, use objective methods of appraisal and abandon autocratic tendencies by adopting management practices based on impartiality in personnel matters. African managers were also encouraged to become less risk averse and establish research and development capabilities for continuous innovations and transformations. Finally, Eze recommended a "human relationship-based management philosophy" that included patriotism, nationalism, equal participation, full delegation, human rights, belongingness, ownership, and humanness". Id. at 168-175.

managers. However, while Nigerian managers wield substantial authority it is expected that their management style will be paternalistic and that they will take an interest in the personal lives and problems of their subordinates. Relationships are strong in Nigeria and this provides a foundation for collaboration in a team environment; however, Nigerian managers must be mindful of potential conflicts due to differences among team members with respect to religious or tribal background and should be prepared to proactively lead the group and provide members with clear instructions regarding their roles and responsibilities.[79]

Hierarchy is also an important characteristic of organizational structures in South Africa and firms in that country tend to be more bureaucratic than in other parts of Africa. Hierarchy and bureaucracy are remnants of decades of state intervention in business activities and the consolidation of private sector influence in a handful of companies that collectively represented as much as 70% of the market capitalization of the Johannesburg Stock Market. However, it can be expected that changes will occur as more and more international investment enters the country and post-apartheid transitions create more opportunities for black South Africans to set up and manage their own businesses. For example, commentators have suggested that South Africa will eventually develop a class of professional middle managers who will be more involved in decision making, thus slowly eroding the hierarchical tendencies inherited from the past. South African managers must operate in an environment in which trade unions wield a significant amount of power and influence and in which the racial tensions from the past still remain raw. Moreover, South Africa is tremendously diverse: white South Africans are either English or Afrikaner and black South Africans can be broken out into a variety of diverse and distinct sub-cultures.[80]

§1:6 Human resources management

The colonial period also introduced a concept that was novel in Africa and decidedly foreign from the traditional practice of economic activities centered in the family unit: the concept of "wage employment". Before the Europeans arrived and brought their systems and requirements relating to commercial activities, external recruitment of labor was unnecessary and, as described by Inyang and Akpama, "[t]he only thing akin to recruitment was communal exchange of labour, and of course, there was no cash nexus involved, that is, economic relations were not moderated by exchange of labour for payment of monetary rewards".[81] Similarly, Eze described the situation during the pre-colonial era as one in which "there was no organizational paid work or employment under the modern organizational structural management; rather, there were family work, community work, and kingdom work".[82] In the view of Inyang, wage employment

[79] World Business Culture, http://www.worldbusinessculture.com/Business-in-Nigeria.html
[80] World Business Culture, http://www.worldbusinessculture.com/Business-in-South-Africa.html
[81] B. Inyang and A. Akpama, Personnel management practice in Nigeria (Calabar, Nigeria: Merb Business Centre, 2002), 15.
[82] N. Eze, Human resource management in Africa: problems and solutions (Lagos, Nigeria: Zomex Press, 1995), 134-135.

disrupted the communal life of Africans[83] and Ahiauzu commented "that wage employment in African communities did not evolve from the traditional mode of work organization, but was introduced to the Africans by the colonial administrators, in a manner that was uncomfortable to the early African workers, has created a dysfunctional impression towards wage-employment among average Africans".[84] The unfortunate result was that the lack of enthusiasm that African workers showed to this new and foreign work environment often led to unfair characterizations of Africans as lazy[85], poorly motivated[86], uncommitted and disloyal to their organizations[87]. Several scholars have criticized the way that African workers have been portrayed, noting that comparisons to workers in advanced industrialized countries fail to take into account the very different historical path followed in Africa and that depicting Africans as lazy and leisure-loving ignores the evidence of flourishing economic activities in agriculture, industry and other areas of commerce during the pre-colonial period.[88]

Several countries in Africa adhere to the International Labour Conventions relating to freedom of association and the right to engage in collective bargaining. However, many of the activities traditionally undertaken by labor unions are simply inconsistent with the dominant paternalistic-authoritarian management style that exists in Africa. In general, African managers are distrustful of the impact trade unions might have on their unfettered discretion with respect to managerial decisions and do not believe that trade unions can serve any useful purpose for the enterprise. As a result, while unions do exist, they lack support of management and are often impeded by restrictions imposed in government regulations and the limited number of wage-based positions in the local economies. Another impediment to the efforts of labor unions has been the intense loyalty that workers often show toward the owners and senior managers of their businesses, which creates reluctance among workers to embrace union activities that the owners and managers are clearly resisting. However, attitudes have slowly been changing as managers are beginning to gain a greater appreciation of the role the unions can play in improving firm performance. Moreover, the inevitability of some form of greater employee participation had begun to override traditional values.[89]

Personnel decisions, such as recruitment and hiring policies, in Africa are significantly influenced by personal relationships between managers and employees as well as family

[83] B. Inyang, "The Challenges of Evolving and Developing Indigenous Management Theories and Practices in Africa", International Journal of Business and Management, 3(12) (2008), 122-132.
[84] A. Ahiauzu, The African industrial man (Port Harcourt, Nigeria: CIMRAT Publications, 1999), 2.
[85] R. Dumont, False start in Africa (London: Andre Deutsh, 1960).
[86] M. Kiggundu, "Africa" in R. Nath (Ed.), Comparative management: a regional view (Cambridge, MA: Ballinger, 1988); and P. Blunt and M. Jones, "Exploring the limits of western leadership theory in East Asia and Africa," Personnel Review, 26 (1997), 6-23.
[87] M. Jones, "Management development: an African focus", Management Education and Development, 17(3) (1986), 302-316.
[88] See, e.g., A. Ahiauzu, The African industrial man (Port Harcourt, Nigeria: CIMRAT Publications, 1999), 2-3; and F. Abudu, "Work attitudes of Africans, with special reference to Nigeria", International Studies of Management and Organization, 16(2) (1986), 17-36.
[89] M. Mwaura, "Training and Development in Africa" in M. Waiguchu et al. (Eds.), Management of Organisations in Africa: A Handbook of Reference (Westport, CT: Quorum Books, 1999), 169-196, 172-173.

affiliation and friendships as opposed to any objective assessment of the skills and qualification of applicants.[90] For example, it has been reported that Nigerian firms tend to favor recruits that are either related or otherwise affiliated with current employees or who are part of the same tribe, village or region.[91] While this pattern is certainly consistent with the preference of business owners to surround themselves with people that they believe can be trusted, firms inevitably hire people who lack the qualifications necessary to fill positions and thus impair the performance of the company.[92] Another factor in promotion and recruitment practices is the dominant emphasis on the personality of the leader of the organization and, following the paternalistic-management style that prevails in Africa, business owners and top managers tend to exercise substantial control over appointments that might normally be made by a human resources department. Cynics have commented that many African managers, following appointment, are driven primarily to accumulate personal financial and material rewards and appoint other family members to positions of responsibility within the enterprise. Once again, this approach to management neglects the need to set and pursue organizational goals and objectives.[93]

One of the important elements of the paternalistic management style in Africa is the emphasis placed on the welfare of employees. It has been observed that, in general, managers in Africa evidence a sincere concern for the psychological and socials needs of their subordinates and an effort is typically made to provide employees with a range of extrinsic and intrinsic rewards and incentives. While there is always a certain amount of employee alienation and complaints, paternalism has tended to generate intense loyalty from workers toward owners and/or top managers and this has undermined the organizational efforts of trade unions in many instances.[94] Loyalty has not prevented workers from seeking higher paying jobs when opportunities for such position have appeared during good economic times; however, when business conditions have become more difficult the loyalty generated among workers has been an important tool in keeping troubled enterprises afloat.[95]

Planning and training activities within the human resources function are relatively immature in Africa and when such activities do occur they are rarely linked to the overall goals and objectives of the organization.[96] Africa, like most developing regions around the world, has suffered from shortcomings in the area of management development and training. Efforts to develop a unique and effective set of management principles for

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[90] Id.
[91] F. Edoho, "Challenges of Management Ethics for Africa in the Twenty-First Century", in F. Edoho, Management Challenges for Africa in the Twenty-First Century: Theoretical and Applied Perspectives (Westport, CT: Praeger, 2000), 203-224, 211.
[92] Id.
[93] T. Ndongko, "Management Leadership in Africa" in M. Waiguchu et al. (Eds.), Management of Organisations in Africa: A Handbook of Reference (Westport, CT: Quorum Books, 1999), 99-124, 114.
[94] M. Mwaura, "Training and Development in Africa" in M. Waiguchu et al. (Eds.), Management of Organisations in Africa: A Handbook of Reference (Westport, CT: Quorum Books, 1999), 169-196, 173.
[95] F. Edoho, "Challenges of Management Ethics for Africa in the Twenty-First Century", in F. Edoho, Management Challenges for Africa in the Twenty-First Century: Theoretical and Applied Perspectives (Westport, CT: Praeger, 2000), 203-224, 210-211.
[96] M. Mwaura, "Training and Development in Africa" in M. Waiguchu et al. (Eds.), Management of Organisations in Africa: A Handbook of Reference (Westport, CT: Quorum Books, 1999), 169-196, 172.

Africa have often been hampered by misconceptions about the region. For example, it has often been assumed, even in the face of extensive anthropological evidence to the contrary, that the traditional ideas, institutions and beliefs that existed in Africa prior to colonization were little more than primitive. Acting as if African history did not begin until the colonies were established, those seeking to assist Africa in its development efforts have often ignored the deep-rooted social and cultural traditions and norms that have existed in Africa for centuries, as well as the unique ways that the community organized economic and political activities.[97] Another issue, of course, is the paternalistic emphasis on age that prevails among African organizations and which has clearly impeded the development of management development and training programs. Traditionally, senior managers in Africa moved to their positions "through the ranks" largely based on tenure as opposed to training and education. As a result, organizations generally saw little reason to devote resources to training younger workers in management techniques when it would be years before they reached a level where they would be exercising managerial authority and it was assumed that by that time they would have learned all they needed to know through the aging process and observation of their elders. Finally, until recently there have been relatively few undergraduate or graduate business programs in business administration in Africa and only a small percentage of the graduates of Africa universities have chosen to specialize in business-related fields.[98]

One of the most significant issues for Africa has been the lack of the managerial experience and technical skills necessary for successful development and operation of the industrial systems and various political and economic institutions that are required to support growth. In fact, a World Bank study released in 1989 confirmed that the most important factor in explaining the poor economic performance in sub-Saharan Africa up to that time was the dearth of managerial, entrepreneurial, and technical skills in the region.[99] Others have noted that the weaknesses in managerial capacities have prevented Africa from developing the indigenous capabilities to launch and manage their own commercial ventures and perpetuated over-dependence on foreign assistance and expatriate advisors.[100] The failure to develop indigenous management techniques has left Africa dependent on management technology and principles developed and used in industrialized countries. Not only are these methods inappropriate for many issues that arise in Africa, it is generally impossible for African managers to keep pace with the rapid changes in management science that have occurred in order to keep pace with

[97] F. Edoho, "Management in Africa: The Quest for a Philosophical Framework", in F. Edoho, Management Challenges for Africa in the Twenty-First Century: Theoretical and Applied Perspectives (Westport, CT: Praeger, 2000), 73-90, 77-78.
[98] F. Edoho, "Challenges of Management Ethics for Africa in the Twenty-First Century", in F. Edoho, Management Challenges for Africa in the Twenty-First Century: Theoretical and Applied Perspectives (Westport, CT: Praeger, 2000), 203-224, 209 (only about 10% of the graduates of Nigerian universities during the 1990s specialized in business administration).
[99] F. Edoho, "Managerialism: A Critical Analysis of the Issues, Contexts and Challenges", in F. Edoho, Management Challenges for Africa in the Twenty-First Century: Theoretical and Applied Perspectives (Westport, CT: Praeger, 2000), 31-50, 33.
[100] Id. (citing F. Stewart, S. Lall and S.M. Wangwe, Alternative Development Strategies in sub-Saharan Africa (Basingstoke: Macmillan, 1992))

technological advances and globalization. In addition, as African managers struggle to develop the basic stock of managerial knowledge, the nature and scope of managerial duties continues to transform, constantly redefining the skills necessary for managers to perform effectively. Another byproduct of the lack of management skills has been an inability to effectively adapt and exploit technology that has been transferred to parts of Africa from industrialized countries, a situation that has impaired the potentially positive impact of direct foreign investment.

As in other parts of the developing world, multilateral and bilateral development agencies, as well as other donors of significant financial support for public agencies and enterprises, have had significant input into the creation and implementation of training programs for public sector managers in Africa. This has been particularly true in the case of the parastatals that were established in Africa to take on and complete the large and complex infrastructure projects, particularly transportation services, which were considered to be fundamental to economic growth and development. For example, several fledgling national airlines in Africa entered into management contracts with airlines in the US and Europe to manage company operations and provide technical and managerial training to local staff in Africa. In addition, multilateral and bilateral development agencies established management institutes to provide training and consultation to public enterprises in Africa, including development of new teaching materials and case studies adapted to local business conditions, and worked with local business colleges to strengthen their curriculum.[101] While some of these initiatives, notably those undertaken in the airline industry, were relatively successful, one assessment concluded that the initial management development initiatives in Africa suffered from "weak autonomy, poor funding, inept staffing, and inappropriate incentives."[102]

Large multi-national firms doing business in Africa have tended to rely primarily on their own international training and developing departments. In those cases where multi-nationals have launched local management development initiatives in countries with a colonial history, there has been a tendency to rely upon management development initiatives on practices used in the former colonial parent. For example, Wallace and

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[101] J. Wallace and A. Mitiku, "Management Development: A Solution for Africa?", in F. Edoho, Management Challenges for Africa in the Twenty-First Century: Theoretical and Applied Perspectives (Westport, CT: Praeger, 2000), 243-258, 246-247.

[102] Id. at 248 (citing A. Roberts, Contemporary Perspective on Crisis Intervention and Prevention (Englewood Cliffs, NJ: Prentice-Hall, 1991)). Wallace and Mitiku have identified a handful of African management development programs which they believe were efficient and effective because they focused on problems of specific interest to trainees in their jobs and the transfer of skills to local workers carrying out their jobs, were conducted with the support and involvement of senior managers and incorporated some form of follow-up program to evaluate how well the ideas disseminated through the training were being implement; however, they reported that such programs were often relatively short-lived or clearly underutilized and that sponsoring agencies either preferred to concentrate on shorter courses for large number of managers that lacked consultative and skill transfer features or changed the direction of their curriculum when leadership changes occurred, something that happens quite frequently in Africa where the average tenure of senior managers of development programs is no more than three years. For further discussion, see "Human Resources: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

Mitiku have reported that it was common to find that firms in former British colonies in Africa combined their efforts and resources to launch and maintain national versions of the British Institute of Management and other larger associations of employers. These organizations provided short courses on relatively general topics, typically taught by outside experts recruited from international accounting firms and private consultants; however, training was only one of the goals established by the members and the organizations also played an important part in the development of common positions on labor and government issues.[103]

In Africa, as in most countries and regions of the world, SBEs are the predominant form of business enterprise and management development programs for SBEs are crucial to development and generation of wealth in Africa. Unfortunately, however, Wallace and Mitiku have noted a variety of social and political hurdles that must be overcome in implementing management development programs for African SBEs. For example, many governments have failed to appreciate the potential importance of SBEs to job creation and economic development and, in fact, small businesses have often been discouraged in African countries that have followed socialist growth policies as governments in those countries have often formed large public enterprises to provide the same services typically taken on by smaller firms. In those countries where small businesses were permitted, government policies have often forced non-citizens and citizens of Asian descent to divest ownership to black African citizens, even though the purchasers lacked the necessary management skills. In addition, small business owners in Africa are generally short of funds and there often is simply no budget for investment in management development and training, particularly when it would mean making payments to outside consultants. Finally, many of the persons who have acted as trainers and consultants to SBEs in Africa were previously civil servants and lacked credibility with business owners. In turn, the civil servants were often unsympathetic to entrepreneurs, viewing them as exploiters, and thus tended to schedule training courses at times and places that were not convenient for the owners.[104]

In an effort to overcome some of these problems, donors have attempted to partner with non-governmental agencies to provide assistance to African SBEs. For example, a large number of "private voluntary or nongovernmental organizations" have provided small loans to micro-enterprises in Africa, often coupled with training to improve management skills. In addition, efforts have been made to work with local vocational schools and craft organizations to provide training for persons interested in becoming self-employed. Unfortunately, while development agencies continue to support training programs, technology transfer initiatives and informational services for small firms in Africa, progress has been slow. Moreover, Wallace and Mitiku have cautioned that the outlook for the future is not bright, as governments have continued to fail to develop comprehensive reform programs for support of small- and medium-sized enterprises and

[103] J. Wallace and A. Mitiku, "Management Development: A Solution for Africa?", in F. Edoho, Management Challenges for Africa in the Twenty-First Century: Theoretical and Applied Perspectives (Westport, CT: Praeger, 2000), 243-258, 245.
[104] Id. at 248-249.

depressed household incomes in Africa reduce the demand for products and services typically associated with firms of that size.[105]

With respect to skills and talent, Omidyar Network noted that there was a good deal of "informal entrepreneurism" in Africa due to the pervasive nature of the informal sector across the continent and that this situation has contributing to SMEs have difficulty professionalizing and scaling their operations.[106] There are African entrepreneurs with technical backgrounds in areas such as information technology and engineering; however, many of them lack training in business and management skills and this prevents them from building their businesses unless and until they are able to identify and recruit experience managers who can complement the company's technical talent. It was clear from the Monitor Survey that high-growth entrepreneurship in Africa was being held back by the lack of entrepreneurship training in the education system. In addition, Omidyar Network argued that African entrepreneurs needed to be prepared to invest time and effort to overcome a lack of basic business culture among employees of SMEs, which Omidyar Network claimed was evidenced by common traits such as procrastination, poor client management and missing deadlines. Entrepreneurs needed to be ready to commit to training and building their available workforce.

Recommendations from Omidyar Network regarding improvement of skills and talent for entrepreneurial ventures in Africa included incorporating entrepreneurial and vocational training in the education system in Africa so that learners were exposed to entrepreneurship from a young age; leveraging Internet-based solutions that offered training in business skills and entrepreneurial management to provide assistance to entrepreneurs that was scalable and available at relatively low costs; establishing communications and career counselling programs that encouraged and guided young people towards the creation of entrepreneurial ventures; instituting secondment, mentorship and networking programs where seasoned executives (previously or currently employed) would support SMEs for limited periods by working alongside and training SME staff on key projects; and offering incentives (e.g., subsidies, tax advantages) to entrepreneurs who offered strong employee value propositions to prospective professional staff, such as stock option programs or specialized training.[107]

The role of women is one of the most important and compelling issue in African societies. The traditional perception has been that women are considered to be inferior to men and this had led to widespread discrimination against women in African businesses with respect to recruitment and promotion. In certain areas, such as parts of Nigeria, religious discrimination severely limits the ability of women to gain access to the training and formal education necessary for them to enter the workplace.

South Africa, which had a population of 48,810,427 as of July 2012, which made it the 26th largest in the world, provides an interesting illustration of human resources

[105] Id. at 249-250.
[106] Omidyar Network, Accelerating Entrepreneurship in Africa: Understanding Africa's Challenges to Creating Opportunity-Driven Entrepreneurship (2013), 8-9.
[107] Id. at 10.

management practices and issues in Africa. The heterogeneous ethnicity of South Africa is well known and according to the 2001 census 79% of the population was black African composed of Nguni (Zulu, Swazi, Xhosa, Ndebele), Sotho-Tswana, Venda, Tsonga-Shangaan and Khoi-San; 9.6% was white composed of Afrikaners, British and other Europeans; and 11.4% were Asians and others.[108] Just under 50% of South Africa's population was 24 years of age or younger and the percentage of the population that was 54 years of age or younger was 87.3%.[109] While portions of South African society have become quite affluent a telling statistic is that life expectancy in the country was just 49.41 years, which ranked 220th in the world.[110] As of 2010 approximately 62% of the population lived in urban areas.[111]

As of 2012, South Africa's labor force was approximately 17.89 million, which ranked as the 35th largest in the world.[112] Employment at that time was allocated among manufacturing (16.6%), agriculture (12.2%), commerce and trade (11%), domestic service (8.5%), education (7.8%), mining (6.9%). Quite importantly from an HR perspective unemployment in 2012 was running at a staggeringly high rate of 24.4% and persistent wage disparities among racial groups could be observed, especially in the manufacturing sector.[113]

As South Africa turned to industrialization as a means for economic development the prospect for employment for many South Africans dimmed as it became apparent that they had only minimal educational credentials, or none at all, and the government realized that steps needed to be taken to remedy a situation in which job openings for highly skilled workers and managers far outpaced the number of qualified applicants. Unfortunately, the legacies of apartheid, which included decades of insufficient education for the majority of the South African population, and a backlog of deficiencies in the school system has made it difficult for South Africa to improve the quality and competitiveness of its human capital. South Africa spends a considerable share of its resources on education, which received 21% of the country's national budget in 2011; however, the results to date have been disappointing. Enrollment rates have gone up but graduation rates remain low, there is widespread skepticism regarding the quality of education provided by many public schools due to an ongoing shortage of qualified teachers and the general conclusion seems to be that the education system in South Africa is underperforming.[114]

Since the beginning of the post-apartheid period the government has taken a series of steps to reform South African labor legislation in a manner that recognizes and promotes employment security, reasonable wages and decent working conditions and creates and

[108] South Africa, Country Studies, Library of Congress, http://lcweb2.loc.gov/frd/cs/zatoc.html.
[109] South Africa, The World FactBook, US Central Intelligence Agency, https://www.cia.gov/library/publications/the-world-factbook/geos/sf.html.
[110] Id.
[111] Id.
[112] South Africa, Background Notes, US Department of State, http://www.state.gov/outofdate/bgn/southafrica/194939.htm.
[113] South Africa, Country Studies, Library of Congress, http://lcweb2.loc.gov/frd/cs/zatoc.html.
[114] Id.

supports worker rights and collective bargaining.[115] In addition, attempts have been made to recognize and reconcile the differences between Eurocentric and Afrocentric approaches to HRM.[116] One interesting step was the formation of the National Economic, Development and Labor Council ("Nedlac") in 1995 as a forum for social dialogue between the representatives of the major stakeholders and role players, namely labor, business, government and the socially excluded (such as unemployed) on all socio-economic and labor matters.[117] The discussions within Nedlac were intended to reach a consensus on proposals regarding labor market policy and labor legislation before any of these were introduced in Parliament and provide a more influence to the Afrocentric approach to HRM in South Africa.

The main laws governing the employment relationship in South Africa are the Labour Relations Act 66 of 1995, which governs protections for employees against unfair dismissal and unfair labor practices in employment, and regulates the resolution of disputes between employers and employees, as well as strikes, lockouts and the relationship between employers and trade unions; and the Basic Conditions of Employment Act 75 of 1997 ("BCEA"), which sets out certain minimum conditions of employment for employees with respect to matters such as working hours, overtime pay, annual leaves and notice of termination and includes requirements imposed on employers with respect to information they must supply to employees when they start work. In addition, under the Occupational Health and Safety Act 85 of 1993 employers are obligated to provide and maintain a safe working environment and eliminate or mitigate hazards or potential hazards to employees' health and safety and are subjected to inspection by the Department of Labour.[118] Notice should also be taken of provisions in the South African Constitution and the Employment Equity Act 55 of 1998 which provide employees (and applicants for employment) with protections against unfair discrimination in the employment relationship and requires large- and medium-sized companies to prepare affirmative action plans to ensure that black South Africans, women and disabled persons are adequately represented in the workforce. The Skills Development Act of 1998 imposes levy on employers equal to one percent of the payroll that is to be used for training programs devised by industry-specific training authorities.[119]

Ndletyana observed that in the early 2000s South Africa was "in the midst of a transformation process after three centuries of British colonialism and about five decades of White Afrikaans-minority apartheid rule . . . [that] [o]rganizations [were] marked by

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[115] South Africa, Country Commercial Guides, US Commercial Service, http://export.gov/southafrica/build/groups/public/@bg_za/documents/webcontent/bg_za_034197.pdf.
[116] B. Erasmus and H. Schenk, South African Human Resources Management: Theory and Practice (2008), 45-48.
[117] Act 35 of 1994.
[118] Additional health and safety rules may apply to specific industries such as Mine, Health and Safety Act, which authorizes the Inspector of Mines to provide regulatory oversight for the mining industry.
[119] South Africa, Country Commercial Guides, US Commercial Service, http://export.gov/southafrica/build/groups/public/@bg_za/documents/webcontent/bg_za_034197.pdf. See also Edward Nathan Sonnenbergs, General Corporate Information for Foreign Clients: Establishing a Business in South Africa (June 2013).

huge disparities among the races . . . [and] . . . Apartheid policies, legally enforced and perpetuated by mainly Afrikaans-speaking White South Africans, [had] denied black South Africans access to skilled, managerial, and leadership positions in the workplace".[120] At that time the majority of management and leadership positions in South Africa were held by white males; however, since more and more South African blacks were entering the workforce it was clear that steps needed to be taken to cope with growing diversity in the workplace. Ndletyana pointed out that the earlier studies of societal culture in South Africa, a topic certainly relevant to HRM in that country, were limited to samples of mostly English-speaking white males during periods in which apartheid practices were quite strong. As a result, the values of the black population in South Africa were not taken into account and commentators claiming that "individualism" was high in South Africa, a finding that was certainly true of white males, failed to take into account the significant influence of the collectivist, group-oriented culture that was familiar and comfortable to black South Africans. Ndletyana emphasized the need to recognize that the cultural values of black South Africans are very different from those of whites in that country. Ndletyana also cautioned that among black South Africans themselves there is noticeable diversity among numerous ethnic groups; however, one constant that must be factored in when establishing HR policies among black South Africans is the concept of African humanism referred to as *Ubuntu,* which celebrates and honors the significance of group solidarity.[121]

Abbott conducted a comprehensive survey and analysis of the relationship between the work of HR practitioners in South Africa and the socio-economic context in which their organizations operated and concluded that the work of those practitioners was significantly impacted by a variety of social and economic factors that were external to the workplace and that their responses were probably not as appropriate as they could or should be.[122] As part of her presentation Abbott provided a useful summary of the development of HRM in South Africa since the 1980s, noting in particular that the path of development was strongly influenced by economic and political factors[123]:

- The influence and strategic role of HR in South Africa expanded substantially during the 1980s, particularly in the larger domestic companies and in multinational enterprises operating in South Africa, due to labor relations and other socio-political development associated with the transition to democracy. The 1980s saw high political unrest and trade unions assumed a strong political role in opposing apartheid, a situation which turned the workplace into one of the main battlegrounds for power and forced employers, through their HR departments, to develop sophisticated conflict resolution mechanisms in order to create and maintain peace in the workplace and the surrounding communities.

[120] D. Ndletyana, "The Impact of Culture on Team Learning in a South African Context", Advances in Developing Human Resources, 5(1) (February 2003), 84, 85.
[121] Id. at 90.
[122] P. Abbott, Human Resources Management in the South African Socio-Economic Context (2011).
[123] The following summary of development of HRM in South Africa is adapted from P. Abbott, Human Resources Management in the South African Socio-Economic Context (2011), 173-175. For further discussion on the historical development of HRM in South Africa, see also B. Swanepoel, B. Erasmus and M. Van Wyk, South African Human Resource Management: Theory and Practice (2013).

- During the 1990s the primary role of the HR department in South Africa shifted from strategic to compliance as the new government implemented comprehensive legislative reforms that impacted the employment relationship. HR activities focused on affirmative action rather than on transforming all of the "people practices" within the organization and top management of South African firms were fully occupied with competitive and technology issues that emerged as global competition entered South Africa once international sanctions had been lifted.
- The 2000s and 2010s brought a heightened recognition that "people engagement" was essential to competitiveness and that HR functions needed to become more strategic; however, at the same time compliance requirements continued unabated and organizations experienced difficulties in finding experienced HR executives and managers. Developments in the area of corporate governance in the 2010s created additional pressures on HR practices.

As noted above, Abbott concluded that the contextual influences on HRM practices in South Africa were significant.[124] Legislation was one of the two most commonly mentioned contextual influences among HR executives, professionals and managers and it was noted that the legislative environment drove the allocation of time and resources within the HR function and that companies often struggled with excessive and complex laws and regulations. The second most commonly mentioned contextual influence was broadly described as "skills development and education" and respondents suggested a variety of issues and challenges including criticism of the country's education system; inadequate literacy standards; difficulties in finding workers with necessary skills and talents, particularly in technical areas; and the failure of students to be exposed to practical requirements of the business world. HR professionals also commonly expressed concerns regarding employment equity and diversity issues and noted that many industries and sectors have a long history of dominance by white males and that this complicated efforts to make changes to address racial and gender imbalances. Social/family problems and personal debt/financial issues were also mentioned and notice was taken of high absenteeism, the challenges of dealing with a very young workforce and problems caused by employees having trouble with their personal finances that often leads to theft and other misconduct in the workplace. Other contextual influences mentioned included politics and the impact of strikes, general economic conditions, crime and challenges in recruiting qualified foreigners to work in South Africa.

Having identified important contextual influences on HRM in South African and some of the problems they created for HR professionals Abbott then asked respondents for their ideas regarding HR practices that would be most appropriate for coping with the context in which they were working. Some of the main suggestions included[125]:

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[124] The summary of contextual influences in this paragraph is adapted from P. Abbott, Human Resources Management in the South African Socio-Economic Context (2011), 129-133. For further discussion of human resources management in Africa generally, see the section on Africa elsewhere in this chapter.

[125] The following list of suggestions for appropriate HR practices in South Africa is adapted from P. Abbott, Human Resources Management in the South African Socio-Economic Context (2011), 143-145.

- Clarifying company priorities and agreeing on a developmental agenda including reviewing staffing models to bring temporary workers on to permanent staff, ensure benefits and work patterns are aligned;
- Cooperation and leadership within the HR community including setting codes of conduct for suppliers and ensuring ethical conduct, sharing information with other companies regarding worthwhile government programs and cooperating on a local basis with other companies to invest in local communities;
- Leadership within organizations including establishing high targets for equity recruiting and internal promotions, establishing and maintaining high profile ethics education campaigns and assuming accountability for ensuring female-friendly work environments.
- Involvement with the country's education system including hands-on partnerships with schools to improve facilities, mentoring programs and specific focus on improving education in rural areas; and
- Engagement with the skills development system including active participation in training programs and initiatives to increase the pool of artisans, technicians and engineers, support for upgrading faculty skills and participation in efforts to boost financial support for students to pursue their training programs.

Respondents had a number of suggestions with regard to ways in which the HR profession could engage with the South African labor market in a "socially impactful way".[126] Respondents noted a need for very stringent selection procedures with a focus on job readiness and trainability as opposed to existing qualifications of candidates. In order for this approach to be effective HR professionals needed to use different assessment tools to identify raw potential and review existing minimum education requirements for positions to assess whether they were really necessary or simply served as barriers to hiring people who could do the jobs with the appropriate support. Respondents also indicated that companies needed to be mindful that many of their recruits may have been unemployed for a long time or had never worked and that patience was in order during the early stages of the employment relationship. They recommended extension of induction periods and a strong focus on initial training that was linked to on-the-job observation by the trainer, feedback, support and encouragement.

Finally, the respondents in the Abbott survey emphasized the need for increasing the use of career development strategies with employees. For example, respondents urged that organizations develop five year career plans for all of their employees, including those toiling on the shop floor, that would be broken down into one or two year increments and accompanied by support and encouragement. In addition to career development planning organizations were challenged to find opportunities to engage employees in corporate social responsibility initiatives (e.g., volunteering). Respondents also emphasized the importance of offering services to ensure the health and wellness of their employees and their families including access to health professionals, financial and debt counseling on

[126] The summary of suggestions for socially impactful engagement in the South African labor market in this paragraph is adapted from P. Abbott, Human Resources Management in the South African Socio-Economic Context (2011), 144.

site at the employer's facilities and access to "life skills education programs" that would incorporate training in financial management.[127]

The importance of HR to development in South Africa has been evidenced by the continuing efforts to formalize standards for the HR profession in the country, a process that began in earnest in 1982 with the establishment of the South African Board for Personnel Practice, now referred to as South African Board for People Practices ("SABPP").[128] The SABPP has emerged as the leading South African HR quality assurance and professional body and during the 2010s began working with HR directors from leading South African companies to develop and popularize formal HR standards for South Africa. It is anticipated that the standards will address 13 key areas and topics including strategic HRM, talent management, HR risk management, workforce planning, learning and development, performance management, rewards, wellness, employment relations management, organizational development, HR service delivery, HR technology and HR measurement.[129] The SABPP has indicated that it hopes that the process of developing HR standards, which are intended to cover all essential HR functions, will facilitate and support the design of professional development systems and support tools to build the capacities of South African HR professionals and the creation of metrics to measure the key HR-related performance areas that impact business goals.[130]

Endeavor South Africa emphasized the importance of South African entrepreneurs understanding the country's labor legislation and the rights that they have as employers with respect to managing their workforce and disciplining and dismissing under-performing employees.[131] Endeavor South Africa also recommended that labor legislation be reviewed and, as necessary, amended to be more accommodating to small businesses and relieve them from some of the onerous and costly rules and regulations that are more appropriate for larger companies. As for specific human resources practices that would be useful to South African entrepreneurs, Endeavor South Africa urged them to focus on creating a work environment in which ideas could be freely exchanged and individual achievements are recognized and celebrated; allowing greater worker participation and rotation of employees among different roles and responsibilities; developing an entrepreneurial skills base—creativity, innovation, risk taking and opportunity finding; exercising flexibility in designing and administering salary and benefits programs; establishing and maintaining a professional recruiting process based on transparency, fairness and improving the overall reputation of the company; and making sure that middle managers received adequate mentoring and coaching in important areas that are

[127] P. Abbott, Human Resources Management in the South African Socio-Economic Context (2011), 144-145.
[128] For detailed discussion of the evolution of HRM as a profession in South Africa, see A.H. Janse van Rensburg, Human Resource Management as a Profession in South Africa (March 2009).
[129] South African Board for People Practices, National HR Standards Roll Out.
[130] L. Marus, The Process of Putting HR Standards Together is Forging Ahead (June 19, 2013), http://www.hrpulse.co.za/news/229768-the-process-of-putting-hr-standards-together-is-forging-ahead
[131] The Entrepreneurial Dialogues: State of Entrepreneurship in South Africa, Endeavor South Africa (2010), 27.

not adequately addressed in the formal education system such as independent problem solving and developing an action orientation.[132]

§1:7 Strategic planning

Strategic or corporate planning is largely underdeveloped and poorly utilized in many parts of Africa. Researchers have found that only larger African organizations actually use their corporate planning departments to develop goals and objectives for the firm and operational plans to achieve those goals. In Nigeria, for example, the best examples of comprehensive planning activities have been found in the subsidiaries of foreign enterprises and in the largest indigenous holding companies. In most cases, the activities of corporate planning departments are limited to collecting statistics. The planning function is afforded relatively low status in many organizations and planning departments generally lack the human resources to provide expert advice on finance, operations, organizational development and corporate strategy. The planning that does exist is confined to establishment of general and department goals by senior management, with little discretion for middle managers and infrequent support from an actual strategic plan for pursuit and achievement of these goals. The lack of emphasis on planning is consistent with the observed culture-based preference of African managers to dwell on administering the present as opposed to planning for a future that they believe is largely unpredictable and out of their hands. For example, researchers have found that managers in Africa spent their time on internal administration and allocation of present resources rather than formal planning to pursue long-term organizational objectives and, as a result, administrative reforms in the African organization are rarely undertaken and are perceived as being too risky to be worth the effort.[133]

Olson carried out an extensive study and analysis of corporate strategic planning processes in non-listed companies based in Gauteng, South Africa and identified several characteristics of those processes consistently applied among the respondents.[134] First of all, a majority of the companies reported that they believed that they had developed, implemented and managed their businesses through formalized business plans and associated strategies that covered both short-term objectives and long-term strategies. Second, a majority of the companies had established processes to support implementation and control of their strategic planning programs including efforts to prioritize and review goals and objectives and communicate with, and motivate, employees. Third, a majority of the companies reported that they had selected and implemented a specific strategic planning framework with the most common approach including a strategic vision, a mission, measurable objectives, measurable performance targets, plans and programs, implementation and review of new developments and opportunities, and corrective adjustments to the strategy in order to achieve maximum results. Fourth, a majority of

[132] Id. at 28-29.
[133] T. Ndongko, "Management Leadership in Africa", in M. Mwaura, E. Tiagha and J. Waiguchu, Management of Organizations in Africa: A Handbook and Reference (Westport, CT: Praeger, 1999), 99-124, 112-113.
[134] The discussion in this paragraph is adapted from W. Olsen, The Strategic Planning Process in Non-Listed Companies Based in Gauteng South Africa, https://ujdigispace.uj.ac.za/handle/10210/7731.

the companies had integrated improvement programs into their strategic planning including customer focused programs, employee empowerment, lean productivity, total quality management ("TCM"), reengineering, just-in-time ("JIT"), six sigma and e-business programs. Finally, a majority of the companies had incorporated performance measures—financial, customer, product/service and employee—into their planning processes in order to manage and control the implementation of their strategies.

Odame carried out a study of the relevance of strategic planning for entrepreneurial businesses in South Africa using data collected from a sample of 300 small businesses identified by reference to various business directories.[135] Odame defined strategic planning as the process of formulating broad and flexible long-term plans that give an organization a direction toward its envisioned future and concluded that there was a "higher prevalence of emergent strategies than prescriptive strategies among South Africa's small businesses" and that the "strategic planning process of these businesses is a continuum of emergent strategies to prescriptive strategies with varying levels of use of strategic planning tools and techniques".[136] Odame identified the existence of a business plan as an indicator of the formality of the strategic planning process and commented that those businesses that did have a business plan tended to use it as management tool. Other findings from the Odame study included confirmation of a positive relationship between formal strategic planning and growth and a positive relationship between the level of education of the entrepreneur/owner and the degree of formality of the strategic planning tools that were deployed. In general, the owners of the surveyed businesses were not averse to using formal strategic planning processes, although it was noted that formality would slow down decision making, and most recognized that at a minimum it was important for them to gather industry and competitor information.

It has been observed that few African firms maintain adequate records, which leads to difficulties in tracking operations and determining if the business is profitable. [137] In one survey, 21% of the African firms studied had no records at all and that when records were kept they were usually incomplete and inaccurate.[138] Gray suggested that one of the reasons for the poor performance of African entrepreneurs with respect to recordkeeping might be that traditional African culture relies on memory and the oral transmission of knowledge, as opposed to written records similar to those generally associated with modern business practices.[139]

§1:8 Entrepreneurship

[135] A. Odame, The Relevance of Strategic Planning for Entrepreneurial Businesses in South Africa (2009).
[136] A. Odame, The Relevance of Strategic Planning for Entrepreneurial Businesses in South Africa (2009), 71-72. Prescriptive strategies are more formal while emergent strategies, as the name implies, "emerge" in a piecemeal fashion without a precise knowledge of outcomes or objectives. Id. at 2.
[137] K. Gray, "Small Business Management in Africa: Prospects for Future Development", in F. Edoho, Management Challenges for Africa in the Twenty-First Century: Theoretical and Applied Perspectives (Westport, CT: Praeger, 2000), 259-276, 264.
[138] Id.
[139] Id. at 263.

Goedhuys and Sleuwaegen studied the growth performance of a large set of entrepreneurial firms in ten manufacturing sectors of eleven Sub-Saharan African countries—eight countries classified by the United Nations as "least developed countries" (Angola, Burundi, Rwanda, Congo, D. R., The Gambia, Guinea-Bissau, Guinea and Tanzania) and three other developing countries (Swaziland, Botswana and Namibia)—and found that the highest growth rates occurred among those firms that had engaged in product innovation (i.e., introducing new products or significantly improving existing products); had their own transport means, thus enabling them to widen their markets and reach more customers; and were connected to the Internet through their own website, which enable them to create and maintain links with clients.[140] The researchers found that certain firm-specific human capital variables such as higher education of the manager and training of the labor force did not, in and of themselves, push firms into the high growth category; however, those variables were important factors in improving the situation of a "typical firm" in the overall survey group.

In 2012 Omidyar Network undertook an extensive study of the state of entrepreneurship in Africa that began with a survey of 582 entrepreneurs in six Sub-Saharan African countries--Ethiopia, Ghana, Kenya, Nigeria, South Africa and Tanzania—and then continued with in-depth follow up interviews with 72 of the participants in the survey.[141] One of the main goals of the survey, which was carried out by the Monitor Group, was to benchmark the African countries against 19 global peers on what the Omidyar Network considered to be the four critical aspects of the entrepreneurial environment: entrepreneurship assets (i.e., financing, skills and talent, and infrastructure); business support (i.e., government programs and incubation); policy accelerators (i.e. legislation and administrative burdens) and motivations and mindset (i.e., legitimacy, attitudes, and culture). The results of what was referred to as the Monitor Survey were then the subject of discussion and debate at a summit of business, government and thought leaders convened by Omidyar Network in Ghana in October 2012 that led to a number of recommendations on steps that could and should be taken to foster "high-impact entrepreneurship" throughout Africa.

Omidyar Network observed that much of the entrepreneurship that was occurring in Africa as of the early 2010s was "necessity-driven", meaning that most of the entrepreneurs around the continent started their own businesses in order to survive economically as opposed to passionately pursuing an opportunity or aspiration that had caught their eye.[142] However, Omidyar Network also cited results from a Monitor Group survey on entrepreneurs, academics and policymakers that showed that general views of entrepreneurship were improving in Africa and that while Africans continued to place great value on formal employment "opportunity-driven" entrepreneurship was becoming more respectable. According to comments by Mike Herrington, the executive director of

[140] M. Goedhuys and L. Sleuwaegen, High-Growth Entrepreneurial Firms in Africa: A Quantile Regression Approach, United Nations University-World Institute for Development Economics Research: Research Paper No. 2009/11 (March 2009).
[141] Omidyar Network, Accelerating Entrepreneurship in Africa: Understanding Africa's Challenges to Creating Opportunity-Driven Entrepreneurship (2013).
[142] Id. at 18-19.

Global Entrepreneurship Monitor and a professor at the University of Cape Town in South Africa, which were quoted in CNN's African Start-Up in May of 2014: "The entrepreneurial landscape in sub-Saharan Africa is absolutely excellent . . . [and] [i]t's on the increase because Africa, at last, has been emerging and the economies are booming -- several countries are starting to really increase entrepreneurial activity and move to opportunity entrepreneurship, rather than necessity entrepreneurship".[143]

The Global Entrepreneurship Monitor (GEM) 2013 Annual Report indicated that sub-Saharan Africa had the higher number of people involved in early-stage entrepreneurial activity (i.e., adults who were either starting a business or had run a new business for less than three and one-half years) among all of the regions in the world and that two African countries, Zambia and Nigeria, led the world rankings and Malawi, Ghana and Uganda were among the top ten countries in the world. The GEM team found that Africa was the world leader with respect to the number of women involved in starting new businesses, with almost equal levels of male and female entrepreneurs across the continent and women outnumbering men in several rapidly emerging countries such as Ghana, Nigeria and Zambia. In fact, proportion of female entrepreneurs in Nigeria and Zambia (both 40.7%) was stunningly higher than in developed countries such as the US (10.4%), the UK (5.5%) and France (3.1%) and Mike Herrington, the executive director of GEM and a professor at the University of Cape Town in South Africa, explained that African women were highly motivated and incentivized to pursue entrepreneurship because they "need to earn an extra income" in order pay for educating their children.[144]

While Kermeliotis and Veselinovic acknowledged that the GEM data supported the premise that there was a strong entrepreneurial spirit in many parts of Africa, they cautioned against assuming that entrepreneurship on the continent was on its way to creating the critical mass of growing businesses needed to provide employment to a youngish population and improve the overall standard of living.[145] For example, they noted that most of the countries in Africa were "factor-driven economies", which GEM described as being based mainly on low-skilled labor and national resources, and that those economies generally have higher numbers of early-stage entrepreneurs than owner-managers who have been in a business for a significant period of time (i.e., more than three and one-half years using GEM criteria) and thus could be described as "established". While this situation leads to an impressive overall entrepreneurship rate, it does not mean that the entrepreneurial ventures have matured to the point where they are creating a large number of sustainable jobs. In fact, the GEM researchers have consistently found that the rate of business discontinuance among entrepreneurs in factor-driven economies is generally quite high, which means that fledgling entrepreneurs in those economies are quick to shut their doors for a number of reasons including, according to Mike Herrington, the executive director of GEM in Africa, ". . . the lack of

[143] T. Kermeliotis and M. Veselinovic, The numbers that show Africa is buzzing with entrepreneurial spirit, CNN (June 10, 2014), http://edition.cnn.com/2014/05/13/business/numbers-showing-africa-entrepreneurial-spirit/ (accessed August 6, 2014).
[144] Id.
[145] Id.

education, market research and access to funding".[146] Other challenges for entrepreneurs throughout Africa include a lack of governmental support and stifling bureaucracies.

Kermeliotis and Veselinovic noted that the GEM researchers had found that African entrepreneurs had the lowest levels of "fear of failure" in the world: in countries such as Zambia, Uganda and Malawi just 15% of those surveyed said that fear of failing would prevent them from pursuing new business opportunities while comparable percentages in the UK and US were 36.4% and 31%, respectively.[147] Another indicator of the apparent confidence among African entrepreneurs was that sub-Saharan African countries were ranked first through fifth among all of the GEM countries around the world with respect to seeing good opportunities for starting a new business and generally feeling positive about entrepreneurship.

§1:9 Barriers to entrepreneurship

According to KPMG Africa some of the key barriers to entrepreneurship in Africa cited by the African Economic Outlook in January 2014 included lack of basic formal education, particularly literacy and numeracy; lack of skills relevant to current labor market demands; lack of opportunity to acquire lifelong learning skills which equip individuals to respond to an increasingly fluid and dynamic labor market; and unrealistic wage expectations; and limited access to on-the-job training.[148] KPMG Africa also noted that the African Entrepreneur Collective had argued that African entrepreneurship was being adversely impacted a lack of mentorship, business education, technical support and access to capital. KPMG Africa itself added a lack of infrastructure as an impediment to entrepreneurship including poor and underdeveloped transportation, communications and financial services networks. As for what should be done to create a stronger environment for entrepreneurial activities in Africa, KPMG Africa recommended changing individual mindsets from those of job seekers to job creators; upgrading and expanding infrastructure in strategic areas; improving the quality of basic education and working business and life skills into the educational curriculum; seeking out opportunities where budding entrepreneurs can be mentored; and enacting legislation and governmental programs that facilitate entrepreneurship (e.g., tax breaks, grants and other incentives).

Goedhuys and Sleuwaegen cited research by Eifert et al. to the effect that companies in Africa, when compared to those in Asia, were greatly disadvantaged by high indirect costs that reduced their productivity including costs for transport, logistics, telecom, water, electricity, land and buildings, marketing, accounting, security and bribes.[149] Given that their own research had highlighted the positive relationship between control

[146] Id.
[147] Id.
[148] KPMG Africa, Growing Entrepreneurship in Africa (January 6, 2014), http://www.blog.kpmgafrica.com/growing-entrepreneurship-in-africa/ (accessed August 6, 2014).
[149] M. Goedhuys and L. Sleuwaegen, High-Growth Entrepreneurial Firms in Africa: A Quantile Regression Approach, United Nations University-World Institute for Development Economics Research: Research Paper No. 2009/11 (March 2009), 19 (citing B. Eifert, A. Gelb and V. Ramachandran, Business Environment and Comparative Advantage in Africa: Evidence from the Investment Climate Data, Center for Global Development Working Paper 56 (2005)).

over transport means and high growth rates among African firms, Goedhuys and Sleuwaegen advised policymakers to focus on improving the ease of access to infrastructure as a strategy for stimulating high growth entrepreneurship in Africa. Omidyar Network similarly reported that the poor state of infrastructure across Sub-Saharan Africa was a significant obstacle for growth among entrepreneurial enterprises with adverse influences on costs, market access and efficiencies.[150] Specific issues included unreliable electricity supply, poor quality and limited breadth of road and rail networks, and poor communications infrastructure. Among the recommendations made by Omidyar Network with respect to infrastructure were deploying and upgrading first in selected productive areas where there are substantial business activity and strategically important local industries and favoring public-private partnerships in the execution of infrastructure projects.

Omidyar Network recommended that several steps should be taken to change stereotypical views of business success in Africa, where successful businesspersons have typically been celebrated for their wealth and lifestyle rather than their business acumen and entrepreneurial flair. Among the ideas was the establishment of governmental programs and media initiatives that celebrated the successes of entrepreneurs and honored their journeys along the path of starting and growing new businesses. Omidyar Network also emphasized the need to acknowledge that entrepreneurship is a risky—failure is always a high possibility—and that entrepreneurs should not be ostracized if their first ventures do not turn out well and should be encouraged to learn from their mistakes and take another shot at launching a new startup. Governments were challenged to remove some of the potential pain of entrepreneurial failure by making changes to tax laws and bankruptcy codes and introducing income-insurance schemes for selected types of African entrepreneurs.

§1:10 Incubators

With regard to the state and effectiveness of new business incubators in South Africa as of early 2010 Endeavor South Africa commented: "If you see incubation as a need to provide some form of support to early stage businesses and encourage entrepreneurship, then South African incubators are providing some benefits to the community. If you see incubators as enablers for the creation of hundreds of South African 'Googles', then incubation in South Africa is not working."[151] At that time the country's Small Enterprise Development Agency (SEDA) was supporting 27 incubators and Endeavor South Africa noted that while these incubators had achieved success in the pursuit of the stated objectives—ensuring growth, creating equity in the economy and supporting employment creation—they were expensive to operate because they required allocation of large amounts of resources to support a relatively small group of promising entrepreneurs. Graduates of SEDA incubator programs enjoyed high survival rates and performed strongly in terms of wealth creation due, at least in part, to concerted efforts

[150] Omidyar Network, Accelerating Entrepreneurship in Africa: Understanding Africa's Challenges to Creating Opportunity-Driven Entrepreneurship (2013), 11.
[151] The Entrepreneurial Dialogues: State of Entrepreneurship in South Africa, Endeavor South Africa (2010), 23.

by the SEDA to assist companies from the incubators in landing government business. Endeavor South Africa recommended that some of the expense associated with the incubation system might be covered by contributions from high-potential, high-growth small- and medium-sized enterprises since they presumably had some ability to pay and thus ensure that the system could be sustained and available to subsequent waves of entrepreneurs. Another strategy for containing the costs of incubation would be to focus on increasing the efficiency of the delivery of services by making sure that entrepreneurs had a better understanding of what incubators had to offer and came to the incubators with a good idea of just what types of services were particularly crucial for them and their businesses. In that same vein, Endeavor South Africa stressed that the country's education system needed to do a better job of preparing entrepreneurs for incubation by providing training in basic business skills. As for improvements in the services offered by incubators, Endeavor South Africa suggested expanding access to skilled mentors and coaches and developing and offering programs to address a "lack of self-confidence" among entrepreneurs; however, it was noted that mentoring and coaching services might place further stress on already challenged incubator budgets.

Endeavor South Africa noted that SEDA had a broad mandate and thus could not be overly selective about the entrepreneurs and companies that it chose to support.[152] As a result, each of its incubators typically provided services to 40 to 60 companies a year, it was generally not able to focus too much of its resources on identifying, selecting and nurturing high-growth, high-potential businesses and Endeavor South Africa explained that this was one of the reasons why its incubator program had failed to produce large number of companies that grew to the point where they were able to successfully complete an initial public offering. According to Endeavor South Africa, a majority of the incubators operating in South Africa as of the end of 2009 were focusing on specific sectors such as ICT, stainless steel and biotechnology.

§1:11 Business support services

Omidyar Network reported that African entrepreneurs frequently encounter difficulties in accessing the knowledge, tools and professional business support services—lawyers, accountants and consultants—that are required to formalize and sustain their businesses.[153] The services that are available are typically located in urban centers, putting them far out of reach for thousands of local entrepreneurs struggling to launch companies in rural areas or smaller towns and cities. Further complicating the situation is that the quality of the available business support services varies substantially and the cost of obtaining the services can be prohibitive. As a result many entrepreneurs are unable to conduct the rigorous analysis of their business model that is required before preparing and presenting applications for funding to prospective investors. In addition, the inability to obtain legal and accounting advice drives African entrepreneurs into the informal sector where governmental regulations pertaining to licenses, taxes and staffing are ignored. While entrepreneurs in the informal sector may enjoy short-term cost savings

[152] Id.
[153] Omidyar Network, Accelerating Entrepreneurship in Africa: Understanding Africa's Challenges to Creating Opportunity-Driven Entrepreneurship (2013), 13.

and relief from the time-consuming burdens of complying with governmental directives their businesses are effectively disqualified from receiving funding from banks and professional investors.

Omidyar Network criticized the viability of large government-assistance programs for African entrepreneurs on two grounds.[154] First, it was argued that the programs were designed and offered on a "mass scale, 'factory-like'" basis that simply did not work because "one size does *not* fit all" and the available assistance simply could not take into account the variables that distinguish startup businesses such as industry, stage of development and the level of management experience and expertise. Second, Omidyar Network asserted that most of the government personnel involved in the assistance programs did not have the requisite motivation and skills to provide meaningful support and information to entrepreneurs. While a number of African governments have increased support and assistance for entrepreneurs in their countries, results from a survey of entrepreneurs around the continent by the Monitor Group showed that the entrepreneurs did not feel that government assistant programs were effective in terms of supply, accessibility and coordination. The same survey also highlighted the dissatisfaction among African entrepreneurs with respect to the number of incubators and accelerators offering training and tools relevant to starting their businesses.

Omidyar Network provided several recommendations for improving business support services for African entrepreneurs including creating networks of support services where local business professionals were identified, documented, mobilized and incentivized through tax and other benefits to provide mentoring and/or technical support to local entrepreneurs; establishing one-stop-shop set-up and regulatory compliance agencies for SMEs including dedicated centers for particular groups such as women entrepreneurs; providing incentives to corporate entities and to individuals working at those corporate entities for establishing employee-created businesses and/or division spin-outs; developing networking programs/platforms for young entrepreneurs where they can have access to work spaces, mentoring from experienced business owners and training from larger firms and university and business school networks; providing incentives and subsidies for private sector organizations offering business development services to set up business support services companies; making vouchers and discounts available for SMEs in order for them to be able to access valuable professional advisory services available from lawyers and accountants; and using widespread government offices, such as post offices and city halls, as outlets for business support services and information, thus reducing the capital costs of providing support services.[155]

Omidyar Network reported that in some African countries, particularly South Africa, legislation that must be taken into account by entrepreneurs is extremely complex and that penalties for non-compliance can be quite harsh.[156] In other countries, however, laws pertaining to starting and operating businesses are poorly enforced and often ignored by entrepreneurs since attempts to comply would be time consuming and costly. As a result,

[154] Id.
[155] Id. at 15.
[156] Id. at 16-17.

many entrepreneurs operate without required licenses or permits, a situation that makes it difficult for them to expand their businesses so that they can trade with business partners in other countries and enter new markets.

§1:12 Entrepreneurial training and development

Endeavor Global, which is a well-known non-profit organization established in 1997 to provide assistance to carefully-selected entrepreneurs in emerging markets, launched its South African program—Endeavor South Africa—in 2003 and began selecting and supporting a small number, generally five or six, of the country's entrepreneurs each year to receive customized advisory services including business plan and strategy development, training, introductions to capital sources, networking opportunities and assistance from MBAs students at leading graduate business schools around the world. An external evaluation of the Endeavor South Africa program completed in March 2007 and reported on by the International Finance Corporation revealed that while participating entrepreneurs did benefit from participation, and had performed better on average than entrepreneurs who had applied for the program but had not been selected, outreach and program utilization had been limited. For example, while 80% of the "Endeavor Entrepreneurs" took advantage of badly needed mentoring services, interest in other assistance—training courses, networking events, fundraising events and conferences—was far less than expected. The IFC was also surprised to find that only 50 or so firms a year bothered applying to Endeavor South Africa and urged Endeavor to take steps to increase awareness of the program and ensure that the criteria for admission to the program are clear and well understood. In addition, the IFC stressed the need for Endeavor to do a better job of reaching out to Black entrepreneurs and invite experts in Black entrepreneurship to join the Endeavor South Africa board.[157]

In a report prepared during the mid-2000s the International Finance Corporation identified several business development services that were then available to provide support for South African entrepreneurs including the Industrial Development Corporation (IDC), the Innovation Hub, Enablis, Business Partners, the National Empowerment Fund (NEF), Khula Enterprises, the Umsobomvu Youth Fund and Endeavor South Africa.[158] In addition to these organizations, support for South African entrepreneurs was available from national and provincial governments and international donor agencies including the country's Small Enterprise Development Agency (SEDA), part of the Department of Trade and Industry of South Africa, and the Southern Africa Enterprise Development Fund organized and administered by the United States Agency for International Development.

McDade and Spring interviewed 57 men and women from ten African countries who they classified as "new generation" entrepreneurs who had organized a system of business

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[157] International Finance Corporation, Do Programs Supporting High Growth Entrepreneurs work?: Evaluating the Endeavor-South Africa Project, http://www.ifc.org/wps/wcm/connect/56f787804aaaac8980fdd29e0dc67fc6/Endevr.pdf?MOD=AJPERES (accessed August 12, 2014).
[158] Id.

enterprise network consisting of national, regional and pan-African organizations and found that the defining characteristics of the interviewees included interactive social and business relationships, use of modern management methods and information technology, employee hiring based on skills and experience rather than on kinship, trust among fellow members, transparent business practices, willingness to share information, advocacy on behalf of the private sector, and commitment to increasing intra-African commerce.[159]

§1:13 Finance

South Africa's well-developed banking system resembles Britain's system rather than that of the US and consists of three key elements[160]: South African Reserve Bank (the country's central bank); private sector banks (commercial banks, merchant banks, and general banks); and mutual banks. The heart of the banking system is the South African Reserve Bank, which is the primary monetary authority and custodian of the country's gold and foreign exchange reserves. The Reserve Bank is managed by a board of fourteen directors, seven representing major commercial and financial institutions, industry and agriculture, and seven appointed by the government. Of the latter, one serves as governor, and three serve as deputy governors of the Reserve Bank.[161] The Reserve Bank's primary functions are to protect the value of the Rand and to control inflation. The Reserve Bank regulates the money supply by influencing its cost, i.e., interest charged on loans to other institutions. It is technically independent of government control, but in practice it works closely with the Treasury and helps to formulate and to implement macroeconomic policy. The Reserve Bank uses monetary policy to control inflation, primarily by adjusting the liquid-asset requirements of private banking institutions and by restricting bank credit in order to control consumer demand.

South African banks hold the first six places among the top 100 banks on the continent of Africa and four of those banks dominate the South African banking landscape by collectively accounting for around 85% of banking services throughout South Africa. In total, there are approximately 70 foreign banks operating in South Africa, either via representative offices, branches, subsidiaries or joint ventures with local companies. International banks in the country have focused on offshore lending where they have a competitive advantage as a result of their low overhead and their ability to raise funds at comparatively favorable rates, as well as treasury activities for corporate and clients and government. All banks offer a comprehensive range of products and services through extensive branch and electronic banking infrastructures, serve a wide customer base and have the characteristics of universal banks.

Based on population numbers, South Africa does not appear to be over-banked, as one branch exists for approximately every 9,500 persons. However, a large portion of the

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[159] B. McDade and A. Spring, "The New Generation of African Entrepreneurs: Networking to Change the Climate for Business and Private Sector-Led Development", Entrepreneurship and Regional Development, 17 (January 2005), 17.

[160] South Africa, Country Commercial Guides, US Commercial Service, http://export.gov/southafrica/build/groups/public/@bg_za/documents/webcontent/bg_za_034197.pdf.

[161] South Africa, Country Studies, Library of Congress, http://lcweb2.loc.gov/frd/cs/zatoc.html.

population does not have access to normal banking services and uses only a few products. Many black South Africans tend to save outside the formal banking sectors, and choose to save in cooperative savings institutions called stokvels. Excluding the non-banked segment of the population, it is estimated that there is one branch for every 3,200 persons. South African banks have gradually extended their business to the townships and included more and more South Africans in the modern sector. A banking culture has, however, not really been established among the majority of South Africans, as exemplified by the country's generally low savings rate. This is due to high levels of poverty, but also high banking costs, particularly for those in the working- and lower-middle-class. As a result, new banks such as Capitec, which has been the country's fastest growing financial institution, focus on this niche market with great success.[162]

E-commerce financial services (i.e., banking and share dealing online) are doing well in the local market, and it is projected that this segment will continue to rise. Although the services sector has, in the past, focused on the mid- to high-income population, government pressure, through the Financial Services Charter, as well as demand from the lower-income population, has pushed banks to join smaller micro-lenders. As a result, banks are incorporating the lower end of the market into their strategies, as well as developing Broad-based Black Economic Empowerment (BEE) strategies into their business development plans.

Despite the global turmoil in the banking sector, the South African banking system remained relatively stable and the South African Reserve Bank reported that banks were adequately capitalized, particularly compared to their international counterparts. This is due, in part, to the government's prudent measures and retention of exchange control. Overall, local banks are viewed to be relatively stable and are unlikely to default any time soon. If any South African bank was to default, it is likely that the government would intervene to help protect depositors. The country is an active member of the Basel Committee on Banking Supervision. Currently, the South African Reserve Bank and the government are working on new supervision standards according to the Basel principles. South Africa will implement the Basel III standards.[163]

The Financial Services Board ("FSB") governs South Africa's non-bank financial services industry.[164] The FSB regulates insurance companies, pension funds, unit trusts (i.e., mutual funds), participation bond schemes, portfolio management, and the financial markets.[165] The JSE Securities Exchange SA (JSE) is the fourteenth largest exchange measured by market capitalization in the world. Market capitalization stood at US$675,849 (million) in May 2010 with over 406 firms listed in June 2010. The Bond Exchange of South Africa (BESA) is licensed under the Financial Markets Control Act. Membership includes banks, insurers, investors, stockbrokers and independent

[162] Bertelsmann Stiftung, BTI 2012—South Africa Country Report (2012).
[163] Bertelsmann Stiftung, BTI 2012—South Africa Country Report (2012).
[164] Financial Services Board, http://www.fsb.co.za/.
[165] South Africa, Country Commercial Guides, US Commercial Service, http://export.gov/southafrica/build/groups/public/@bg_za/documents/webcontent/bg_za_034197.pdf.

intermediaries. The exchange consists principally of bonds issued by government, state-owned enterprises and private corporations. The JSE acquired BESA in June 2009.[166]

Since the 2007-9 global recession, many small businesses in South Africa liquidated, while many large corporations downscaled their staff to the minimal. As a result, many skilled employees ventured to their own small businesses. Since banks have been accumulating cash reserves and not easily offering loans after the recession, it is becoming more difficult for businesses to secure finance.[167] Business finance in South Africa, as in many other parts of the world, has become increasingly sought after but scarce. As a result, many businesses in South Africa seeking finance have turned to business angels and venture capital firms and, in fact, angel investing and venture capital investing have become more popular in South Africa during the past decade. Contrary to media reports about the lack of accessibility to private investors and their inability to fund new businesses, South African investors are bringing more business into South Africa.

Omidyar Network believed that the greatest challenge facing African entrepreneurs was the state of entrepreneurial assets. [168] With respect to financing, estimates published by the International Finance Corporation indicated that up to 84% of Africa's small and medium-sized enterprises (SMEs) were un-served or underserved and Omidyar Network noted that the cost of funding for the SMEs was prohibitive. For example, entrepreneurs reported that banks sometimes required 150% of the borrowed amount as collateral, a condition that automatically disqualified many applicants, and that government funding was virtually impossible to secure in many cases due to bureaucracy and nepotism. Lack of access to financing was a common complaint among African entrepreneurs; however, capital providers countered that many projects that were brought to them were not fundable. The byproduct of this situation was that the main sources of capital for African SMEs were retained earnings, credit cards, loan associations and investments from family and friends. Venture capital and other types of equity funding remained relatively scarce in Africa and the report pointed out that in order for venture capital to be successful in Africa local entrepreneurs would need to demonstrate that they were motivated to building profitable businesses that would generate sufficient returns for investors to justify the risk that they would be taking in providing capital. However, as noted above, investors found most of the proposals from African entrepreneurs to be flawed and complained that the entrepreneurs failed to demonstrate that they were capable of engaging in rigorous business or that they understood the target market well enough to identify and develop a high quality and realistic business idea.

Omidyar Network made the interesting point that many African entrepreneurs run into difficulties in raising funds to grow their businesses because they have problems accessing new markets for their products and services.[169] Before investors decide to

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[166] Id.
[167] Corporate finance, Investors Network, http://www.investorsnetwork.co.za/component/content/article/117-business-finance-in-south-africa.
[168] Omidyar Network, Accelerating Entrepreneurship in Africa: Understanding Africa's Challenges to Creating Opportunity-Driven Entrepreneurship (2013), 4-11.
[169] Id. at 6.

provide capital to support growth they need to be sure that the entrepreneur will be able to increase revenues and profits by successfully identifying and developing multiple product distribution channels. Another problem for entrepreneurs during the capital raising process is their failure to completely understand the requirements of potential funders and their inability to effectively communicate the value and potential of their business ideas in the documents and reports they provide to funders. Omidyar Network suggested that funders need to explain their requirements more fully to entrepreneurs and entrepreneurs needed easier access to service providers who could assist them in packaging their documentation and improving their "financial pitch". Finally, the lack of viable exit opportunities for investors in African SMEs is a significant issue that makes it difficult for entrepreneurs to sell their business ideas; however, Onidyar Network pointed out that African business owners could address concerns of investors by being more open to potential buyouts by multinational corporations or private equity funds.

Omidyar Network argued that seed financing and angel networks needed to be more formalized in Africa and that efforts should be made to professionalize seed financing in order to make investment in startups more efficient and cost effective.[170] Omidyar Network also made a number of recommendations for improving financing for growth-oriented entrepreneurship in Africa[171]:

"Early-stage enterprise financing in Africa:

• Reduce bureaucracy for early-stage companies to access government funding in order to provide 'softer' sources of financing for less-experienced entrepreneurs.
• Expand or initiate local angel investing ecosystems to ensure the availability of the most appropriate type of funding for start-ups, especially for entrepreneurs who lack the network of friends and family that traditionally play this role.
• Provide tax and other incentives to formal, as well as informal (e.g., family and friends), angel investors to make it easier for people who have extra cash to invest in start-up businesses and reduce their risk.
• Provide tax and other incentives for large clients of early-stage ventures to provide supplier credit to incentivize and reduce the risks suppliers take when providing generous payment terms and/or stock to new ventures.
• Educate entrepreneurs about possible sources of funding outside banking systems.
• Train and assist early-stage entrepreneurs in the intricacies of capital-raising and, when necessary, extend the training to general business management so that fund seekers understand the 'language' and requirements of fund providers and become better prepared for their fundraising searches.
• Train the local financial community to evaluate investment opportunities on the basis of future prospects rather than historical cash flows.

Mid-sized enterprise financing in Africa:

[170] Id.
[171] Id.

• Leverage indirect personal sources of funding, such as pension funds to fund SMEs, so that more resources are available to fund more-established enterprises where the risks are lower.
• Expand or initiate local venture capital investing ecosystems to ensure that the most appropriate source of funding is available for companies at the mid-level stage of development.
• Use local banking systems to disburse donor or government lines of credit to SMEs to reduce prohibitive interest rates and collateral requirements.
• Provide incentives and support to mid-sized SMEs to practice sound financial management and maintain adequate records, including audited statements.

Later-stage enterprise financing in Africa:

• Create capital-raising engagement programs with leaders of well-established private African enterprises to inform entrepreneurs about the benefits of private equity funding, as well as the benefits of listing at local stock exchanges.
• Create continent-wide 'regional champions' programs to facilitate access to capital (both debt and equity) for independently vetted pan-African companies that are expanding across the continent."

Endeavor Insight highlighted the following quote from a 2013 African Development Bank report that described some of the challenges that African entrepreneurs must overcome in obtaining financing for their new ventures: "Using one-year growth rates in employment as a measure of firm growth shows that about 15% of SMEs in both Africa and other developing countries are high-growth firms (i.e., with one-year growth in employment greater or equal to 20% (OECD, 2008)). However, there are important differences in the sources of financing used to finance this growth: In Africa, 84% of investments of SMEs are financed through internal funds compared with 70% in other developing economies. The share of bank financing in Africa is 8% (compared to an average of 11% in other developing countries) while the share of equity financing in Africa is less than 2%, as compared to about 8% in other developing economies."[172]

§1:14 Human resources skills and talents for entrepreneurial ventures

One of the most significant issues for Africa has been the lack of the managerial experience and technical skills necessary for successful development and operation of the industrial systems and various political and economic institutions that are required to support growth. In fact, a World Bank study released in 1989 confirmed that the most important factor in explaining the poor economic performance in sub-Saharan Africa up to that time was the dearth of managerial, entrepreneurial, and technical skills in the

[172] T. Triki and I. Faye (Eds.), Financial Inclusion in Africa, African Development Bank (2013), 54 (as reported in African Firms Have Great Difficulty Accessing Capital, Endeavor Insight (December 18, 2013), http://www.ecosysteminsights.org/african-firms-have-greater-difficulty-accessing-capital/ (accessed August 8, 2014)).

region.[173] Others have noted that the weaknesses in managerial capacities have prevented Africa from developing the indigenous capabilities to launch and manage their own commercial ventures and perpetuated over-dependence on foreign assistance and expatriate advisors.[174] The failure to develop indigenous management techniques has left Africa dependent on management technology and principles developed and used in industrialized countries. Not only are these methods inappropriate for many issues that arise in Africa, it is generally impossible for African managers to keep pace with the rapid changes in management science that have occurred in order to keep pace with technological advances and globalization. In addition, as African managers struggle to develop the basic stock of managerial knowledge, the nature and scope of managerial duties continues to transform, constantly redefining the skills necessary for managers to perform effectively. Another byproduct of the lack of management skills has been an inability to effectively adapt and exploit technology that has been transferred to parts of Africa from industrialized countries, a situation that has impaired the potentially positive impact of direct foreign investment.

Endeavor South Africa emphasized the importance of South African entrepreneurs understand the country's labor legislation and the rights that they have as employers with respect to managing their workforce and disciplining and dismissing under-performing employees.[175] Endeavor South Africa also recommended that labor legislation be reviewed and, as necessary, amended to be more accommodating to small businesses and relieve them from some of the onerous and costly rules and regulations that are more appropriate for larger companies. As for specific human resources practices that would be useful to South African entrepreneurs, Endeavor South Africa urged them to focus on creating a work environment in which ideas could be freely exchanged and individual achievements are recognized and celebrated; allowing greater worker participation and rotation of employees among different roles and responsibilities; developing an entrepreneurial skills base—creativity, innovation, risk taking and opportunity finding; exercising flexibility in designing and administering salary and benefits programs; establishing and maintaining a professional recruiting process based on transparency, fairness and improving the overall reputation of the company; and making sure that middle managers received adequate mentoring and coaching in important areas that are not adequately addressed in the formal education system such as independent problem solving and developing an action orientation.[176]

With respect to skills and talent Omidyar Network noted that there was a good deal of "informal entrepreneurism" in Africa due to the pervasive nature of the informal sector across the continent and that this situation has contributing to SMEs have difficulty

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[173] F. Edoho, "Managerialism: A Critical Analysis of the Issues, Contexts and Challenges", in F. Edoho, Management Challenges for Africa in the Twenty-First Century: Theoretical and Applied Perspectives (Westport, CT: Praeger, 2000), 31-50, 33.
[174] Id. (citing F. Stewart, S. Lall and S.M. Wangwe, Alternative Development Strategies in sub-Saharan Africa (Basingstoke: Macmillan, 1992))
[175] The Entrepreneurial Dialogues: State of Entrepreneurship in South Africa, Endeavor South Africa (2010), 27.
[176] Id. at 28-29.

professionalizing and scaling their operations. [177] There are African entrepreneurs with technical backgrounds in areas such as information technology and engineering; however, many of them lack training in business and management skills and this prevents them from building their businesses unless and until they are able to identify and recruit experience managers who can complement the company's technical talent. It was clear from the Monitor Survey that high-growth entrepreneurship in Africa was being held back by the lack of entrepreneurship training in the education system. In addition, Omidyar Network argued that African entrepreneurs needed to be prepared to invest time and effort to overcome a lack of basic business culture among employees of SMEs, which Omidyar Network claimed was evidenced by common traits such as procrastination, poor client management and missing deadlines. Entrepreneurs needed to be ready to commit to training and building their available workforce.

Recommendations from Omidyar Network regarding improvement of skills and talent for entrepreneurial ventures in Africa included incorporating entrepreneurial and vocational training in the education system in Africa so that learners were exposed to entrepreneurship from a young age; leveraging Internet-based solutions that offered training in business skills and entrepreneurial management to provide assistance to entrepreneurs that was scalable and available at relatively low costs; establishomg communications and career counselling programs that encouraged and guided young people towards the creation of entrepreneurial ventures; instituting secondment, mentorship and networking programs where seasoned executives (previously or currently employed) would support SMEs for limited periods by working alongside and training SME staff on key projects; and offering incentives (e.g., subsidies, tax advantages) to entrepreneurs who offered strong employee value propositions to prospective professional staff, such as stock option programs or specialized training.[178]

The role of women is one of the most important and compelling issue in African societies. The traditional perception has been that women are considered to be inferior to men and this had led to widespread discrimination against women in African businesses with respect to recruitment and promotion. In certain areas, such as parts of Nigeria, religious discrimination severely limits the ability of women to gain access to the training and formal education necessary for them to enter the workplace.

§1:15 Entrepreneurship in South Africa

Endeavor South Africa published a comprehensive description and analysis of issues and ideas raised and discussed during a conference on "State of Entrepreneurship on South Africa" that was held in November 2009 and brought together a wide range of stakeholders in the country's entrepreneurial ecosystem including entrepreneurs, policy makers, academics and potential capital providers.[179] The report began by noting that

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[177] Omidyar Network, Accelerating Entrepreneurship in Africa: Understanding Africa's Challenges to Creating Opportunity-Driven Entrepreneurship (2013), 8-9.
[178] Id. at 10.
[179] The Entrepreneurial Dialogues: State of Entrepreneurship in South Africa, Endeavor South Africa (2010). While emphasis has been placed on understanding and supporting black entrepreneurs in South

aspirant and existing entrepreneurs in South Africa faced huge challenges and frustrations and listed and described several of them including a financial and operating environment that was not supportive of entrepreneurs, particularly with respect to regulations, policies and access to capital, and a lack of entrepreneurial skills, which was attributed to the failure of South Africa's formal and informal education systems to impart knowledge and training specifically tailored to entrepreneurship. The report criticized the lack of alternative financing sources for South African entrepreneurs, noting that banks remained the main source of capital for starting and growing businesses in South Africa and that the country had failed to develop the different financial structures that were become increasingly important to supporting entrepreneurship in other emerging markets.[180] The report went on to suggest that South African entrepreneurs lacked the passion and drive to be "disruptive" and were held back by a propensity to imitate—a "me too" mentality—rather than taking the risks associated with being innovative.[181] Endeavor South Africa also pointed out that entrepreneurs fail to command respect in the country and South Africans generally have not endorsed and recognized the contribution of entrepreneurs to the economic and social progress in the country.

Results relating to South Africa in the 2008 Global Entrepreneurship Monitor (GEM) indicated that while entrepreneurial activity in the country, as reflected by the percentage of the active population between ages 25 and 64 who were entrepreneurs, had increased since 2006 it was still significantly lower than the levels of activity found in other emerging markets such as India, Brazil, Columbia and Mexico.[182] The most entrepreneurs came from Indians and whites and entrepreneurship levels were distressingly low among black South Africans. Women were also poorly represented among South African entrepreneurs and Endeavor South Africa noted that this situation was commonly attributed to "women's propensities to: want to spend more time with their families, want to avoid the stress of employing too many people, have less education, and experience more difficulty accessing capital due to marriage contract formulations."[183]

While South African corporations have been required to spend at least 3% of their annual profits on support for the development of black-owned enterprises, Endeavor South Africa reported that corporations have been slow to act for a variety of reasons.[184] For example, many corporations perceive enterprise development as a social objective rather

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Africa in recent years, white South African entrepreneurs sampled in the GLOBE study were placed into the GLOBE researchers' Anglo cluster with Australia, Canada (English-speaking), England, Ireland, New Zealand and the US. For further information on this cluster, see N. Ashkansasy, E. Trevor-Roberts and L. Earnshaw, "The Anglo cluster: Legacy of the British empire," Journal of World Business, 37(1) (2002), 28-39. Societies in the Anglo cluster were high in performance orientation and low in in-group collectivism meaning that they tended to competitive and result-oriented and less attached to families, organizations and other groups than other societies. See P. Northouse, Leadership: Theory and Practice (4th Ed) (Thousand Oaks, CA: Sage, 2006), 310.

[180] The Entrepreneurial Dialogues: State of Entrepreneurship in South Africa, Endeavor South Africa (2010), 7.

[181] Id.

[182] Id. at 6.

[183] Id. at 9.

[184] Id. at 18-19.

than a business opportunity that can be mutually beneficial to both parties and corporations thus believe that black enterprise development is simply inconsistent with maximization of profits. As a result, senior executives of the corporations are slow to endorse, and allocate internal resources to, black enterprise development initiatives, often assigning the entire project to human resource and/or finance departments that lack the technical skills to administer the funds that have been set aside by the corporations.

On the demand side of these programs, Endeavor South Africa observed that there was an under-supply of suitably qualified and skilled black entrepreneurs in South Africa and that the most attractive candidates for entrepreneurship would likely be pulled into corporate jobs with attractive salary packages by corporations looking to meet their quota under the country's Black Economic Empowerment Codes. Endeavor South Africa argued that South Africa's black enterprise development initiative should not focus solely on funding but should also address the shortcomings in business skills among potential black entrepreneurs by providing business training and support. Endeavor South Africa also argued that governmental bodies, universities and private organizations in South Africa needed to do a better job of coordinating their efforts to support entrepreneurship and that greater emphasis should be placed on identifying and assisting "high impact, high-growth entrepreneurs" who can use available resources effectively and become role models for prospective entrepreneurs.[185]

Endeavor South Africa observed that a culture of co-ownership was often lacking in South African startups and that lead entrepreneurs needed to understand the importance of sharing the potential rewards of building a successful business among all members of the founding group who committed to taking on and overcoming the risks associated with launching a new venture.[186] One section of the report released by Endeavor South Africa focused on the development of a culture of entrepreneurship in South Africa and included an acknowledgement that the country had a base of potential "high impact" entrepreneurs but noted that their development was being impeded by various cultural challenges to increasing the level of entrepreneurial activities in the country.[187] The report argued that there was a low tolerance for entrepreneurial failure in South African society that increased the risks of entrepreneurship well beyond the prospect of losing capital. Entrepreneurs overseeing businesses that had run into trouble often found themselves dissociated by family, friends and colleagues and demonized in the press and could expect that banks would move aggressively to shut down their businesses rather than engaging in patient dialogue and collaboration to help them get through rough times. The possibility that entrepreneurs might "learn from their mistakes" and apply their experiences to do a better job with their next new venture was not part of the way of thinking in South Africa and "second chances" were not given in the same way that they were in Silicon Valley, where venture capitalists often took great pride in supporting entrepreneurs who had failed in the past.

[185] Id. at 6.
[186] Id. at 8.
[187] Id. at 10-13.

The report also argued that South Africa needed to develop of culture of entrepreneurship that was unique to the country's pre-existing values rather than based on emulating foreign experiences. This might mean avoiding the "rock star" worship of successful entrepreneurs that so often occurs in the US and other developed countries and focusing on building companies based on the communal values that have traditionally been an important part of daily life in South Africa. Other cultural factors mentioned in the report as significant impediments to entrepreneurship in South Africa included a general perception within South African society that corporate careers are more desirable, a sub-optimal transport infrastructure that confines the physical movements of citizens and thus makes it difficult for them to use travel as a means for accessing new opportunities and simply gain exposure to new concepts and ideas and the need to inject element of "entrepreneurial culture" into schools and universities including training on how to integrate entrepreneurship with science-related fields.

Endeavor South Africa has argued that there is not necessarily a shortage of funding available for entrepreneurship in South Africa but that the real problem for entrepreneurs is understanding how to access the capital they require to launch and growth their businesses.[188] For example, the report noted that entrepreneurs needed to go through stringent and lengthy processes to access funding and that the experience was made even more difficult by a general lack of awareness among entrepreneurs about the procedures and strategies relating to obtaining equity funding. Many entrepreneurs were unaware of the requirements of prospective investors, often approaching investors without the business size and sophistication that investors looked for in assessing risky propositions, and unprepared for the rigors of due diligence leading up to an investment decision. The aforementioned problems were particularly acute when floating applications to large professional venture capitalists and Endeavor South Africa pointed out that entrepreneurs that did not approach the capital raising process with realistic expectations about the difficulties they might encounter and the amount of required time and effort often became frustrated and disappointed. The report did mention, however, that venture capitalists could perhaps do a better job of communicating their requirements to entrepreneurs in simpler terms so that they might have a better chance of producing business plans that are more closely aligned with expectations and conditions of the investors. The report also criticized South African entrepreneurs for not taking advantage of alternative sources for seed capital that could be used to scale their businesses to the point where venture capitalists would be interested and willing to devote time to serious assessing the application for funding.

Endeavor South Africa noted that entrepreneurs in South Africa often created their own difficulties in obtaining funding for their new ventures by floating proposals for companies that would be operating in highly saturated markets and industries.[189] In these situations, investors are asked to review business plans and models that typically are difficult to distinguish as unique and thus are likely to be challenged by intense competition that reduces the likelihood that investor will be able to achieve the returns they require in order to justify the risk of supporting an untested firms and their founders.

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[188] Id. at 14-17.
[189] Id. at 15.

Endeavor South Africa did point out, however, that South African investors could do a better job of getting involved in their target industries to understand what drives competition and innovative and then incorporate that knowledge into their funding instruments and the support they make available to prospective entrepreneurs.

Endeavor South Africa made several important recommendations to entrepreneurs with respect to how they approach the capital raising process including an admonishment to be proactive in terms of conducting research in advance of formalizing the business plans they present to potential investors.[190] Entrepreneurs were cautioned to meticulous in their preparations and tap into the comprehensive amount of information that is now readily available through the Internet and mass media. Endeavor South Africa was critical of the approach taken by some entrepreneurs who rely on outside consultants to prepare a business plan, often resulting in a document that is misunderstood by everyone involved: the preparer, the entrepreneur and investors asked to read and assess the plan. Full understanding of investor requirements is not only necessary for describing the particular business opportunity but also for describing to investors what changes in operations would be implemented if and when funding is provided and the firm shifts into the next stage of development.

South Africa provides an interesting example of cultural diversity and it is not surprising to find elements of several very different management styles in that country. It has been suggested that there are at least three prevalent approaches to management in South Africa.[191] The first is referred to as the "Eurocentric approach" passed on from colonial times and based on Western values of individualism. The second is referred to as the "Afrocentric approach" based on the indigenous Ubuntu value system that stresses a sense of community and strong relationships among members of the community. Managers operating in such a system cultivate an aura of approachability and an informal atmosphere in which information flows freely and everyone has a sense of belonging and knows his or her place and role. The third approach, referred to "Synergistic Inspirational", is an attempt to "integrate . . . African practices, values and philosophies with Western management styles".[192] Given the historical context this is a challenging undertaking and requires significant effort to build trust and respect for the different values and from a managerial perspective this means moving from a directive posture commonly associated with Eurocentric management toward the collaboration and participation that is so important in the Afrocentric approach.

Societal culture in South Africa is an interesting mix that creates challenges for managers in designing their organizational structure.[193] South Africans are generally accepting of some form of hierarchical order and the level of power distance in the country falls in the upper range among societies around the world. Organizational structures in South Africa

[190] Id. at 16-17.
[191] "Management Styles: International Management Styles", http://www.amasuweb.com/files/ob.ppt [accessed January 10, 2012].
[192] Id.
[193] The discussion of elements of South African societal culture in this paragraph is based on The Hofstede Centre, What About South Africa? (2013). An extensive analysis and assessment of societal culture in South Africa can be found in P. van den Bergh, South Africa: A Study in Conflict (1967).

are typically hierarchical and feature centralization and oversight by a strong leader acting as a benevolent autocrat. Benevolent autocracy is accompanied by formal rules relating to behavior consistent with a relatively high level of uncertainty avoidance in South Africa. Little tolerance is shown for unorthodox behavior and ideas, innovation is often resisted and security is emphasized. At the same time, however, South Africans are prone toward individualism and this means that decisions regarding hiring, promotion and rewards are expected to take into account the specific skills and achievement of workers. South Africa is also characterized as a masculine society, which means that managers are expected to be decisive and assertive and that an emphasis is placed on equity competition and performance. As with many African cultures, South African firms often evidence a preference for some form of the "family model" suggested by Schneider and Barsoux, which is based on a hierarchical structure with specific characteristics that include centralized; paternalistic leadership style; strong role of "generalists"; strong social versus task roles; importance of loyalty and personal relationships; and social control.[194]

The challenges presented by societal culture in South Africa can be traced to historical factors. The influence of colonialism is significant in South Africa, most notably the enduring impact of the British on South African cultural heritage and formal legal systems (e.g., South Africa has a well-developed and formally regulated company law regime which is based on English company law). In addition, economic relations between South Africa and American, Dutch and German traders have impacted the ways in which economic enterprises and governmental units are organized and operated. As a result, it is easy and commonplace to study South African organizations from a perspective that is largely Western; however, such an approach is severely flawed in that it generally ignores the fact that the workforce is still, and will remain, largely African and that most of the employees in these organizations have little or no understanding of European or American managerial values and customs and thus have trouble identifying with organizational systems, structure and processes that have their roots in the West. The realities of the composition of the workforce also play havoc with the societal culture profile discussed above. For example, while expatriates from Britain and other European countries have brought individualistic tendencies with them their African co-workers are generally believed to prefer a more humanistic approach and to be more comfortable with collectivist practices.

Beakman reminded that decisions regarding organizational structure among South African enterprises must be made with an understanding appreciation of significant differences between Anglo-European and African cultural values and norms.[195] Specifically, Africans among the South African workforce are used to living in a "communalistic" culture, as opposed to the individualism so often found in the West, and their beliefs are based on the notion that "the community comes before the individual".[196] Key characteristics of the communalistic culture likely to influence preferences regarding

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[194] S. Schneider and J.-L. Barsoux, Managing Across Cultures (2nd Ed.) (2002).
[195] T.L. Beukman, Culture, Values and Work-Related Values (2005).
[196] Id. at 59 (citing and quoting from B.J. Van der Walt, Afrocentric or Eurocentric: Our Task in a Multicultural South Africa (1997)).

organizational structure include interdependency, survival of the group, group security, group satisfaction, cooperation and harmony, affiliation and common duties. While some have argued that a strong tilt toward Afrocentrism is necessary for organizational effectiveness in South Africa the consensus seems to be that "going back to the past" is not the solution for a country that is now firmly involved in a modern world and inextricably tied to the Western economy and culture. The solution likely likes in achieving the appropriate mix of "old" and "new". An example is the recommendations made by the Department of Public Service and Administration of the Government of the Republic of South Africa for shifts in the organizational design and structure of public sector organizations in South Africa: recognition of teams as the basic unit with the organization, with team roles being fluid and based on multi-skilled individuals; horizontal and vertical information flows; decentralization of decision-making to levels where appropriate information reside; flatter organizational hierarchies; and flexibility.[197] Outside of the public sector there is a slow but discernible shift away from autocratic leadership toward increasing collaboration and organizational designs are changing to take advantage of the cultural predisposition toward collaboration and teamwork.[198]

Beukman observed that one of the most significant challenges confronting South African managers is the tremendous ethnic diversity found throughout the country.[199] He noted that South Africa was a country with seemingly opposing cultural identities: Europeans reflected specific interaction, rules, neutrality, drive for achievement and control while Africans reflected more interaction, connectedness and flexibility. South Africa obviously has a long history of undernourished and undereducated, albeit majority, groups that have been kept outside power channels of institutions for political reasons, thus breeding a culture of inequality that leads to reliance on hierarchical structures with unequal distribution of authority and a tendency toward obedience. The apparent Western orientation of South African culture based on decades of British occupation and control masks an underlying collectivism. In South Africa one finds a division of labor based on sex and stereotyping of jobs based on masculinity and femininity.

According to Lessem, organizational culture in South Africa has been strongly influenced by both "Western Empiricism" and "Northern Rationalism" due to its British cultural heritage and the continuous presence of American, Dutch and German merchants; however, recognized that the African population within South Africa also strongly preferred a "humanistic" approach to management and collectivist values and practices in the workplace.[200] Beukman reported that Van der Walt had observed that South African organizations are conceptualized and structured in a largely Western mold and cautioned

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[197] Department of Public Service and Administration/Republic of South Africa, Guide and Toolkit on Organizational Design.

[198] See also, e.g., D. Ndletyana, The Impact of Culture on Team Learning in a South African Context, 5(1) Advances in Developing Human Resources 84 (2003) (arguing that teams can be used in South African organizations to build on the tradition of *Ubuntu* to establish a balance between dialogue and discussion and focus on participation as form of power redistribution and giving voice).

[199] T. Beukman, Culture, Values and Work-Related Values—A Theoretical Overview (2005).

[200] Id. at 46. For detailed discussion of the sources and evolution of management practices in South Africa, see R. Lessem and B. Nussbaum, Sawubona Africa: Embracing Four Worlds in South African Management (1996).

that this approach ignores the fact that large numbers of workers are African rather than European or American and thus it is necessary to take into account an African culture that is "communalistic" (i.e., the community comes before the individual) rather than "naturalistic" (i.e., the individual comes before the community).[201] Specific characteristics of this communalistic culture include interdependency, survival of the group and group security, group satisfaction and cooperation/harmony and affiliation and common duties.

Hofstede found South Africa to be mid-level on power distance, tending more toward individualism than collectivism, high on masculinity and medium on uncertainty avoidance.[202] Lynton and April noted that the finding of the GLOBE survey regarding South Africa were "rather contradictory to Hofstede" and included findings that both black and white South Africans scored high on assertiveness; black South Africans scored high on future orientation while white South Africans were mid-range on this measure; black South Africans were in the medium-high range for humane orientation while white South Africans were in the low range on this measure; both black and white South Africans were in the middle range on in-group collectivism, although black South Africans scored much higher on this measure than white South Africans; and white South Africans were much more hierarchical than black South Africans.[203] In 2006 Sims found South Africa be a moderate with respect to both power distance and individualism but also noted that as black South Africans have entered business organizations the influence of collectivism in those organizations has increased.[204] Lynton and April, like many others, described South African collectivism as being expressed through "Ubuntu", which they defined as "an individual existence of the self and the simultaneous existence for others, treating the other person with dignity, respect and as worthy".[205]

Lynton and April reported on the surveys conducted by Kotzé for the World Values Survey which "have shown, over many years, that South African values are a complicated mix of both Anglo-Saxon values as well as African values, compared them to other value sets (e.g., Arab), and shown that South African values and value orientations cannot be fully captured and understood through a purely Western lens".[206]

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[201] T. Beukman, Culture, Values and Work-Related Values—A Theoretical Overview 58 (2005) (citing B. J. van der Walt, Afrocentric or Eurocentric: Our Task in a Multicultural South Africa (1997).

[202] G. Hofstede, Culture's Consequences: Comparing Values, Behaviors, Institutions and Organizations across Nations (2001).

[203] N. Lynton and K. April, Connected But Not Alike: Cross-Cultural Comparison of Generation Y in China and South Africa, 8(1) Academy of Taiwan Business Management Review 67, 71-72 (2012) (citing R. House et al. (Eds.), Culture, Leadership and Organizations: The GLOBE Study of 62 Societies 220 (2004)).

[204] R. Sims, Comparing Ethical Attitudes across Cultures, 13(2) Cross Cultural Management 101 (2006).

[205] N. Lynton and K. April, Connected But Not Alike: Cross-Cultural Comparison of Generation Y in China and South Africa, 8(1) Academy of Taiwan Business Management Review 67, 74 (2012) (citing F. Luthans, R. Van Wyk and F. Walumbwa, Recognition and Development of Hope for South African Organizational Leaders, 25(6) The Leadership & Organization Development Journal 512 (2004)). See also L. Mbigi and J. Maree, Ubuntu: The Spirit of African Transformation Management (1995) (defining "Ubuntu" as: "I am because we are. I can only be a person through others").

[206] N. Lynton and K. April, Connected But Not Alike: Cross-Cultural Comparison of Generation Y in China and South Africa, 8(1) Academy of Taiwan Business Management Review 67 (2012) (citing, e.g., H.

April and Peters commented that while "[t]he Western world adopts a primarily scholastic approach based on facts, logic, and the nature of reality ... the African approach is based in humanism and communalism" and that understanding of South Africa requires attention to "the daily dynamic of story, narrative, ritual, symbolism and myth, and the interconnectedness that defines the South African citizen".[207]

Ogedengbe et al. also explored societal culture in Africa generally and noted the importance of family relations and an "extended family system" that served as an economic unit created and maintained to tend to the care and wellbeing of its members including production, distribution and consumption.[208] Members of an African family share common blood ties that create duties and obligations of mutual support, thus suppressing individualism and creating a hierarchy based on age. Ogedengbe et al., referring to the dimensions of societal culture developed by Hofstede, characterized traditional African cultural values as predominantly collectivist, with achievement being attributed more to group efforts and cohesiveness than individual assertiveness; and predominantly feminine on the masculinity-femininity scale, as evidenced by the strong emphasis on the maintenance of warm personal relationships and development of cooperation and the aversion to conflict.

Rensburg was one of many who have argued that South African organizations must strive to create and maintain an organizational culture which places strong emphasis on "concern for people" and specifically recommended the following: reevaluation of organizational norms and practices so as to benefit all workers in the organization; moving away from attempts to inculcate values and belief systems that had previously had as heroes those who have benefitted through exploitative mechanisms, with no legitimacy; shifting from a racial to a non-racial value system and not seeking to either Westernize the workforce of Africanize the workplace; and reevaluating and reconfiguring management structures in a manner that moves toward towards consensus and consultative management and elements of Ubuntuism mentioned above.[209] Since then, according to Spierenburg and Weis, a new African organizational culture has evolved[210] and South African themselves, rather than Western academics analyzing South African organization and culture, have taken the lead in writing about management ideas and selling them to different forums.[211] One particularly important theme in the new

Kotzé, The Constant of Transformation: Eleven years of Value Change in South Africa, 1990–2001, in T. Petterson and Y. Esmer (Eds.), Changing Values, Persisting Cultures: Case Studies in Value Change 333 (2008); and H. Kotzé, Tracking the Pulse of the People: 25 Years of Value Change in South Africa, 1981–2006, in Y. Esmer, H. Klingemann and B. Puranen (Eds.), Religion, Democratic Values and Political Conflict 91 (2009)).

[207] K. April and K. Peters, Communal vs. Individual Modalities of Work: A South African Perspective, 2(1) Asia Pacific Journal of Business and Management 5 (2011).

[208] F. Ogedengbe, O. Ewanlen, C. Rebman and M-S. Atoe, Achieving Unity in Diversity Through Cross-Cultural Management of Resources, 9(9) Journal of US-China Public Administration 1048, 1051-1052 (September 2012).

[209] R. Rensburg, Societal vs. Organizational Culture: Toward a Cross-Cultural Communication Model for South African Organizations, III(1) Intercultural Communication Studies 75, 81-82 (1993).

[210] M. Spierenburg and H. Weis, Culture, Organization, and Management in South Africa 6-12 (2006).

[211] L. Mbigi, In Search of the African Business Renaissance (2000); P. Christie, Stories of an Afman(ager) (1996); M. Boon, The African Way: The Power of Interactive Leadership (1996).

South Africa is cultural emancipation in organization and management, which includes seeking and achieving equity through affirmative action (i.e., more black South Africans must be incorporated in organization and management).[212]

Finally, Nussbaum has pointed out that "African culture has many social technologies which are subtle, profound, and embedded in a deeply communal and spiritual social context . . . [s]torytelling, music and dance, praise singing, inclusive decision making and participatory community meetings (*Indabas)* play a central role in traditional rural African communities and continue to have an important, though modified, role in urban contexts".[213] She observed that the challenge for managers in South Africa is integrating these traditional African values and integrating them effectively into the organizational cultures of African businesses whose workforces are becoming increasingly diverse. One consistent issue is the huge disparities in wealth found throughout South Africa and the impact of the push toward capitalism on maintaining those disparities as opposed to sharing wealth among everyone in the manner consistent with the traditions of *Ubuntu*. Nussbaum also discussed various issues that arise when attempts are made to integrate *Ubuntu* values into European or western South African corporate cultures and referred to the need for managers to "see organizations and businesses as communities and not as structures of power and positions".[214] According to Nussbaum, a corporate culture that included useful elements of *Ubuntu* would be characterized by a respect for collective learning and meaningful participation by employees at all levels of the organization and the realization that the workplace works best when it is developed as a web of trusted relationships. Another important factor to consider is that "the culture of reciprocity within a work and community context is deeply embedded in African culture" and Africans do not view activities in the workplace as a means for increasing shareholder value, a concept that is obviously important in the West, but as a way to be interconnected with society and to serve local communities.[215]

§1:16 Entrepreneurship in Ghana

Robb noted that Ghana had become one of the fastest growing economies in Africa over the prior decade and while the country had prospered due to its diverse and rich natural resource base Ghana was also taking steps to build an entrepreneurial ecosystem through the development of educational and training programs and encouraging younger people to pursue entrepreneurship.[216] In Ghana one can find incubator programs for college

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[212] L. Human, Affirmative Action and the Development of People: A Practical Guide (1993); B. Blomsma, Affirmative Action in South African Business (1995).
[213] B. Nussbaum, Ubuntu and Business . . . Reflections and Questions, 17(3) World Business Academy: Perspectives 1, 2 (May 7, 2003).
[214] B. Nussbaum, Ubuntu and Business . . . Reflections and Questions, 17(3) World Business Academy: Perspectives 1, 3 (May 7, 2003) (citing D. Mtembu, African Values: Discovering the Indigenous Roots of Management, in R. Lessem and B. Nussbaum, Sawubona Africa: Embracing Four Worlds in South African Management 221 (1996)).
[215] B. Nussbaum, Ubuntu and Business . . . Reflections and Questions, 17(3) World Business Academy: Perspectives 1, 9 (May 7, 2003).
[216] A. Robb, Ghana and the Next Wave of Entrepreneurship in Africa, http://www.entrepreneurship.org/policy-forum/ghana-and-the-next-wave-of-entrepreneurship-in-africa.aspx (accessed August 6, 2014).

graduates that provide several years of coursework on topics ranging from critical thinking to the basics of computer programming and give participants a chance to develop pitches for the business ideas with the hope of landing additional support in the form of seeding funding, continued technical training and mentoring. Entrepreneurs in Ghana can also find and take advantage of co-working space that offer startup shared working spaces, dedicated desk spaces, private offices and shared conference rooms. Boot camps and similar events for entrepreneurs are increasing and major Western universities have established institutes focusing on innovation in the region.

In spite of all the activities described above, Robb cautioned that Ghana still had to overcome many challenges in its efforts to energize entrepreneurship on a broad scale. For example, Ghana remained near the middle of the global pack in terms of "ease of doing business" in the annual survey conducted and published by the World Bank and establishment of a robust angel investor network in Ghana was proceeding quite slowly. Robb noted that university programs were still tilted toward preparing graduates for jobs, even though many of those jobs could not be found in a country in which the unemployment rate remains quite high and university graduates typically must invest one or two years to find a job and often end up in positions that do not require a college degree. Another hurdle that Ghana will need to overcome is changing societal attitudes toward entrepreneurship since many in Ghana still perceive starting one's own business as being what Robb described as "an inferior outcome" and a sign that a person was unable to find a job. Robb noted that prospective entrepreneurs in Ghana can expect opposition from their families and friends that there remains a good deal of anxiety about how failing in the first entrepreneurial venture might have an adverse impact on the reputation and future career prospects of founders.

§1:17 Leadership

It has been observed that "corporate leadership" has been an under-researched concept in most African countries.[217] A number of reasons for this situation have been advanced including limited theory testing and research, the failure to view "leadership" and "management" as separate and distinguishable topics and a paucity of empirical data. In addition, traditional African societal cultural fails to distinguish between leadership and authority and it has generally been assumed that leadership skills and legitimacy, including the right to set goals for group achievement, is obtained through wisdom, old age or derived status due to occupancy of a formal position.[218] This assumption has undoubtedly retarded efforts to engage in research that might challenge traditional notions of African leadership. As a result, scholars have concluded that mainstream research on leadership in Africa has been unable to provide meaningful assistance on the leadership, managerial and administrative issues that present such great challenges for

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[217] B. Puplampu, "Leadership as Engagement, Leadership as System Development: A Contextualised Ghanaian Study". European Business Review, 22(6) (2010), 624-651.

[218] K. Dartey-Baah, K. Amponsah-Tawiah and V. Sekyere-Abankwa, "Leadership and Organizational Culture: Relevance in Public Sector Organizations in Ghana", Business and Management Review, 1(4) (2011), 59 – 65, 62 (citing K. Gyekye, African Cultural Values: An Introduction (Accra: Sankofa Publishing, 2003).

African organizations.[219] This is, of course, unfortunate given that researchers have rightly observed that African leaders face a daunting and lengthy list of challenges including socio-economic underdevelopment, "coerced modernity" and behavioral poverty that has ravaged communities all across the continent.[220]

The GLOBE researchers found that societies in their Sub-Saharan Africa cluster, which included Namibia, Nigeria, South Africa (Black sample), Zambia and Zimbabwe, were high on humane orientation, meaning that persons in these societies tended to have higher levels of concern for family and others than for their own well-being and personal goals.[221] Charismatic/value-based, team-oriented, participative and humane-oriented leadership all received strong endorsements from societies in the Sub-Saharan Africa cluster. Among all of the clusters in the GLOBE study, Sub-Saharan Africa gave the highest score among all of the clusters in the GLOBE study to the humane-oriented leadership style and expressed low enthusiasm for autonomous leadership. Accordingly, leaders in societies in the Sub-Saharan Africa cluster were most likely to be perceived as effective when they were patient, supportive and considerate and demonstrate compassion, generosity and concern for the well-being of others. On the other hand, societies in the Sub-Saharan Africa cluster disapproved of leaders who were independent, individualistic and self-centric. The predominant cultural values among West African countries tend to be high power distance, low individuality, moderate to high uncertainty avoidance, masculinity and low long-term orientation.[222] Family, community, hierarchy and social relationships are important influencers and characteristics of societal culture in those countries.[223]

Mutabazi suggested that there were "two contrasting leadership profiles for effectiveness in running African firms: primus inter pares (or first among equals) and 'coconut' (i.e., balk on the outside, white on the inside)".[224] The first profile is the traditional African profile based on local cultural values that accept and expect ruling by "chiefs" accompanied by principles that support sociability and inter-communal relations. The second profile refers to leadership practices found in the organizational cultures of African subsidiaries of Western multinational corporations. Mutabazi argues that complete reliance on the "coconut" profile will not work because, as he explains, "the majority of local employees are profoundly attached to the primus inter pares".

[219] K. Dartey-Baah, K. Amponsah-Tawiah and V. Sekyere-Abankwa, "Leadership and Organizational Culture: Relevance in Public Sector Organizations in Ghana", Business and Management Review, 1(4) (2011), 59 – 65, 61.

[220] J. Munene, S. Schwartz and G. Kibanja, Escaping From Behavioural Poverty in Uganda: The Role of Culture and Social Capital (Kampala: Fountain Publishers, 2005).

[221] P. Northouse, Leadership: Theory and Practice (4th Ed) (Thousand Oaks, CA: Sage, 2006), 313.

[222] K. Dartey-Baah, K. Amponsah-Tawiah and V. Sekyere-Abankwa, "Leadership and Organizational Culture: Relevance in Public Sector Organizations in Ghana", Business and Management Review, 1(4) (2011), 59 – 65, 62.

[223] Id. at 62 (citing S. Aryee, "HRM in Ghana" in K. Kamoche, Y. Debra, F. Horwitz and G. Muuka (Eds.), Managing Human Resources in Africa (London: Routledge, 2004), 121-34).

[224] E. Mutabazi, "Preparing African Leaders" in C. Derr, S. Roussillon and F. Bournois (Eds), Cross-Cultural Approaches to Leadership Development (Westport, CN: Quorum Books, 2002), 202-223, 204-205.

Accordingly, it is necessary, in his view, to modulate any attempt to import and implement Western leadership practices by integrating them with local traditions and the experiences and expectations of native employees.

Mutabazi acknowledged that it was possible to identify several different methods used on the African content to organization communal relationship; however, he also argued that there were certain common social principles in countries all across Africa that served as the foundation for indigenous "African leadership". He prepared a compilation of the "main elements of community systems of cultural coherence" which he based on research in six different countries as well a review of several specialized works on Africa. The compilation included four main lines of thought, which are discussed in more detail below, and common cultural values and behavioral norms that could be expected to influence how African leaders acted and were expected to act by their followers.[225]

The first main line of thought was "people's relationship with life". Mutabazi explained that Africans had a strong attachment to life and nature and that Africans did not follow the Western practice of conceptualizing and compartmentalizing life into work, family, life and death. Instead Africans believe that life should be lived in continuity punctuated by an ongoing series of rituals, myths, words and daily experiences with others. Life is seen as a power cycle that in which interpersonal relations are important and Mutabazi observed in all countries a strong need to link generation to generation, young to old and living to dead. In this context the leaders, or "chiefs", served as unifiers who at once knew and understand their own positions in this never-ending cycle and assumed and fulfilled a duty to help others to identify their positions.[226]

The second line of thought was "people's connection to nature" and Mutabazi noted that in all of the countries that he surveyed one of the most important duties of the leader was to "establish harmony with their community and environment".[227] Mutabazi followed others in recognizing that Africa has been blessed with an abundance of natural resources and that that these resources had long been a staple of their societies and a means for survival of the African people. He pointed out that local communities had generally preserved nature and viewed activities such as farming as a means for providing for the community rather than accumulating wealth. Mutabazi argued that those instances where natural resources had been pillaged could generally be traced to abuses instigated by Western companies, such as destruction caused by efforts to extract massive amounts of gold, diamonds and other rare and valuable metals. Another important point is that African saw themselves as essential parts of nature and was not appropriate for them to use their superiority to abuse plants and animals. From a leadership perspective, all this meant that those in charge had a duty and obligation to supervise any productive activities that impacted nature (e.g., agricultural, animal breeding, fishing) to ensure that they were environmentally legitimate and that the products of those activities were made available throughout the entire community for the benefit of everyone.[228]

[225] Id. at 207.
[226] Id. at 207-208.
[227] Id. at 208.
[228] Id. at 208-209.

The third line of thought was "people's relationships with other humans" and Mutabazi emphasized the importance of interpersonal relationships in the midst of interactions between leaders and followers in Africa. In his words: "Interpersonal relations influence leaders' attitudes toward work and determine the productivity of entire organizations. Good management of interpersonal relations leads to success and motivation—in companies as well as in society."[229] Mutabazi went on to present a lengthy list of how "African principles of interpersonal relations" influence attitudes of leaders and followers, including the following[230]:

- Social organization is based on interpersonal relationships and family and clan ties, whether matrilineal or patrilineal, unites individuals and groups through common ancestors.
- African management of human relations is generally not characterized by the development of technical skills, but by the gradual adoption of a philosophy of "universal fellowship" maintained by initiation and other religious rites.
- The purposes of the aforementioned initiation and other religious rites is to make sure that activities, services and specialized knowledge is passed down through the generations and to encourage cohesion and harmony between age groups.
- Leaders must organize the various rites and rituals in a manner that identifies the specialized skills of community members and facilitate the transfer of individual knowledge to the community for the greater good of everyone.
- Initiation rites serve as the foundation for disseminating and reinforcing a common moral code that applies to all individuals and groups within the society and as a reminder that the community "has supreme and legitimate authority over behavioral norms, over community management and organization, and over individuals themselves".
- Leaders are responsible for ensuring respect for the need to preserve harmony between generations, between professions and between community members occupying different levels of status.
- While community spirit is certainly important the specific personalities, skills and initiatives of individuals are recognized within a vertical societal framework in which everyone occupies a precise position. Traditional African values discourage the pursuit of personal gratification at the expense of the community and, as Mutabazi emphasized, "excessively egocentric attitudes are swiftly condemned".[231]

The fourth and final line of thought focused on "people's relationship with God". For Africans, "God is the Father of fathers, the Ancestor of ancestors—a belief that explains the importance and respect Africans have traditionally given him in the education and training of their leaders".[232] Mutabazi acknowledged that one finds a tremendous amount of diversity among the religious practices in Africa; however, as a general matter most

[229] Id. at 209.
[230] Id. at 209-210.
[231] Id. at 210.
[232] Id. at 212.

Africans are familiar with the concept of the communal leader, the "chief", being a religious figure enthroned through certain rites after many years of preparation and extensive training in the relevant cultural myths and taboos and observation of religious rite. The chief was the representative of the community's ancestors and ensuring harmony between the living and the dead. Traditional African religion recognized and worshipped deities that were present in all aspects of human life, including daily work activities. In fact, a thorough knowledge of the specialized roles and stories of each of the deities is extremely important.[233]

The above-described "lines of thought" are deeply engrained in both African leaders and followers and, not surprisingly, their existence creates real challenges in implementing leadership principles associated with the "coconut" leader. For example, African followers were likely to resist the imposition of cool, formal rules and procedures in lieu of the warmer, relationship-based style of direction generally associated with traditional practices. Another important difference between the Western approach and traditional African values is the separation that Western leaders generally make between the operations of the firm and activities within the local community. Mutabazi observed that "[i]n many African firms, employees converge en masse to denounce those aspects of their managers' behavior that do not conform to life outside work".[234] In addition, different conceptualization of "time" between Westerners and Africans inevitably leads to conflicts and misunderstandings with respect to deadlines, schedules, forecasts and planning activities.[235] Mutabazi concluded that "coconut" policies from the West totally confuse local employees and, as such, it should not be surprising that attempts to import Western ways of thinking and doing about leadership issues to replace African values generally lead to adverse results. In his view, training initiatives for future African organizational leaders must take into account a local mentality that is "affected more by the ideal of the common good than by the importance of individual performance".[236]

Not surprisingly, there is a clear difference of opinion among managers and employees in Africa regarding the optimal form of leadership style. In one survey of managers, it was found that they overwhelmingly favored a directive style of leadership, much in keeping with traditional practices. The comment was made that African workers were not ready for democracy in the workplace and managers felt that it would be abused if offered. In contrast, of course, were the responses that were received from employees for the same enterprise, many of which blamed organizational failures in Africa on leadership styles used by management and called for more "worker participation". In particular, criticism

[233] Id. at 211-212.
[234] Id. at 213.
[235] Id. at 211.
[236] Id. at 220. Mutabazi described ways that African firms are preserving the "community spirit" while moving away from some of the historical practices that had become problematic. For example, rather than practicing nepotism in hiring to provide financial support to top community officials or powerful clansman, companies are instead aiding the members of their communities by supply materials and/or financial aid to the entire community. Id.

was levied at the habit of managers to ignore the opinions of employees and to formulate decisions without input from the workers that would be affected.[237]

§1:18 Governance

In general, business organizations in Africa today can be divided into three main types. The first organization, which remains the most dominant in almost all of the African countries, is the public enterprise that is majority controlled by the state. These organizations are typically established to perform specific functions and pursue policy goals and objectives that are generally thought not to be appropriate for internal governmental departments or agencies. The second group of organizations involves some degree of foreign investment, including wholly-owned subsidiaries established by foreign companies, joint venture companies and other multinational companies. One finds these types of organizations involved in a wide range of industry sectors, particularly manufacturing, and they tend to be quite large. Given the role of foreign investment in establishing and operating these organizations, it is not surprising that they are the focal point for integration of Western and other modern management principles with traditional African beliefs and customs and the transfer of knowledge and technology from external sources. The last organizational form is the private indigenous businesses that are owned and operated by local entrepreneurs. With limited exception, these firms are comparatively small and reliance on any formal management principles is very limited.

The history of South Africa includes several centuries of colonization by Dutch and English settlers, followed by more than four decades of apartheid, all of which were characterized by continual conflict between settlers of European descent and indigenous Africans. By 1994, when the first non-racial democratic elections were held, South African society was consequently split along racial and economic lines. Unsurprisingly, the corporate governance landscape in South Africa reflects the centuries of colonialism and apartheid. Corporate law and corporate practice have been adopted mainly from the UK, and, even after the end of apartheid, the minority white population has largely retained control over South African companies.

South Africa's corporate governance structures generally fit Reed's characteristics of the Anglo-American model.[238] A single-tiered board structure is standard, without any representation for stakeholders such as employees. South Africa has an active stock exchange; however, ownership of companies on the securities exchange is relatively concentrated and there is only limited merger and acquisition activity. Banks do not control South African companies and maintain arms-length relationships with clients. The government has long expressed a commitment to privatization of state assets and

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[237] T. Ndongko, "Management Leadership in Africa", in M. Mwaura, E. Tiagha and J. Waiguchu, Management of Organizations in Africa: A Handbook and Reference (Westport, CT: Praeger, 1999), 99-124, 118.

[238] D. Reed, Corporate Governance Reforms in Developing Countries, 37 Journal of Business Ethics 223 (2002). For an additional general overview of corporate governance in South Africa, see P. Armstrong, Corporate Governance in South Africa, in C. Mallin (Ed.), Handbook on International Corporate Governance (2006), 210.

promoting competition; however, it has often intervened in the labor market to rectify racial imbalances in the workplace and increase ownership of South African companies by the black population.

The development of corporate governance in South Africa has been significantly influenced by three reports produced by a commission originally established under the leadership of retired judge Mervyn King in 1994 to establish a code on corporate governance in South Africa: the King Report on Corporate Governance (King I) issued in November 1994; the King Report on Corporate Governance for South Africa 2002 (King II) issued in March 2002 and the King Report for Governance in South Africa (King III) and accompanying King Code of Governance Principles issued in September 2009. The second report, which is the primary focus of the paragraphs below, was commissioned partly as a result of changes in corporate governance worldwide, after taking into account political and economic uncertainty in the country that was prevalent at the time that King I had been issued.[239]

King II began with a quote by Sir Adrian Cadbury, responsible for the Cadbury reports on corporate governance in the UK, which referred to the goal of “align[ing] as nearly as possible the interests of individuals, corporations and society”. In line with corporate governance reports worldwide, King II referred to the “four primary pillars of fairness, accountability, responsibility and transparency.”[240] A review of the topics covered by King II and corporate governance reports issued in the UK (the Combined Code, the Turnbull Guidance, the Smith Guidance and the Higgs report) revealed that similar issues and topics were addressed and covered including boards of directors, directors’ remuneration, internal control and risk management, and accounting and audit. The only area of significant difference was the section on Integrated Sustainability Reporting in King II for which there was no counterpart in the UK reports.

Given the Anglo-American nature of the South African corporate environment, the ties that many businesses and business leaders have with other Anglophone countries and the fact that control over South African companies remains largely in the hands of white South Africans, one may initially expect the King reports to uphold a traditional shareholder model of corporate governance. King II, however, described its approach to corporate governance as inclusive. A review of the introduction to the report reveals that this is expressed through a number of related characteristics:

- All stakeholders should be considered: as noted in King II, “The inclusive approach recognises that stakeholders such as the community in which the company operates, its customers, its employees and its suppliers need to be considered when developing the strategy of a company.”[241]
- Shareholders are to be considered as one of a number of stakeholders, albeit with their own particular interests: King II states, “The modern approach is for a board to

[239] Institute of Directors, King Report on Corporate Governance for South Africa – 2002 (2002).
[240] King II, Introduction, para. 23.
[241] King II, para. 5.3.

identify the company's stakeholders, including its shareowners …”,[242] and, “Because the shareowners have little or no protection, the quality of governance is of absolute importance to them.”[243]

- Directors’ responsibilities are to the company, not shareholders: according to King II, “the so-called shareowner dominant theory ... has been rejected by Courts in various jurisdictions ... Consequently, directors, in exercising their fiduciary duties, must act in the interest of the company as a separate person.”[244]

In South Africa, the inclusive approach is really a form of stakeholder theory (a view supported by Rossouw).[245] The section on Integrated Sustainability Reporting provided a detailed example of how stakeholder concerns are addressed in the body of the report. It included recommendations for reporting on non-financial aspects of the business, including transformation progress (employment equity and black economic empowerment), human capital development policies, safety and health concerns (with particular reference to HIV/AIDS), as well as recommendations for the establishment of processes governing organizational ethics (through the use of ethics codes), environmental impact and social investment policies. All of these were clearly areas of significant concern to stakeholder groups such as employees, community groups and society at large.

The inclusive approach of King II was justified on several grounds:

- By appeal to improved economic efficiency for the company: “A company is likely to experience indirect economic benefits such as improved productivity and corporate reputation by taking [social responsibility] factors into consideration.”[246]
- By appeal to current socio-economic conditions in South Africa: “... companies in South Africa must recognize that they co-exist in an environment where many of the country’s citizens disturbingly remain on the fringes of society’s economic benefits."[247]
- By appeal to traditional African values: the report mentions a number of values considered to be characteristic of the African worldview and culture, including co-existence, collectiveness and consensus.[248] The exclusion of stakeholders in decision-making would seem to run contrary to these principles. In a similar fashion the section on Integrated Sustainability Reporting supports its recommendations by appealing to African values,[249] the financial consequences of non-financial issues,[250] the principle of accountability to shareholders as paramount,[251] and the “moral

[242] King II, para. 5.1.
[243] King II, para. 17.5.
[244] King II, para. 17.3.
[245] G.J. Rossouw, “Corporate Governance Reforms in Developing Countries”, 37 Journal of Business Ethics (2002), 223.
[246] King II, Introduction, para. 18.7.
[247] King II, Introduction, para. 36.
[248] King II, Introduction, para. 38.
[249] King II, Chapter 1, para. 8.
[250] King II, Chapter 2, para. 7.
[251] King II, Chapter 2, para. 2.

obligation for directors to take care of the interests of investors and other stakeholders."[252]

King II was praised as being "world class" for its emphasis on social, environmental and ethical concerns,[253] particular its Integrated Sustainability Reporting section. However, as is typically the case in corporate governance reports, all such reporting was voluntary and South African companies have tended to lag when it comes to social and environmental reporting. KPMG's Integrated Sustainability Reporting in South Africa 2003 survey revealed that while more and more companies were providing some disclosure on sustainability-related issues, much of this disclosure was only superficial and general in nature.[254] It also noted that 20% of the companies surveyed from South Africa's JSE Securities Exchange produced a stand-alone non-financial report compared to 45% of the Global Fortune 250 companies.[255] The more recent KPMG International Survey of Corporate Responsibility Reporting 2005[256] painted a more promising picture, noting that since 2002 reporting in this area by South African companies had improved, and "South Africa is not lagging far behind the rest of the world."[257]

As noted above, the third King report (King III) was issued in September 2009 and was notable for its emphasis on integrating governance and sustainability into the strategy, operations and reporting of organizations and its push for continuing to raise the standards of board effectiveness in South Africa. In an interview with King himself the following were identified as being among the highlights of King III[258]:

- The philosophy of King III revolved around leadership, sustainability and corporate citizenship and corporate leaders are admonished to act responsibly in directing company strategies and operations with a view toward achieving sustainable economic, social and environmental performance.
- King III was not designed on a "comply-or-else" basis, nor on a "comply-or-explain" basis, but rather on an "apply-or-explain" basis" that was intended to provide boards with the freedom to apply the recommendation differently (or apply another practice) if they considered that to be in the best interest of the organization as long as they explained their reasons for departing from the recommendation.
- King III was drafted to provide principles of good corporate governance that could be applied and used by all types of entities including public, private and non-profit organizations.

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[252] King II, Chapter 3, para. 15.
[253] G.J. Rossouw, "Corporate Governance Reforms in Developing Countries", 37 Journal of Business Ethics (2002), 223, 291; M. Barrier, Principles not Rules, 60(4) Internal Auditor 68 (2003).
[254] KPMG, Integrated Sustainability Reporting in South Africa 2003 2 (2003).
[255] KPMG, KPMG International Survey of Corporate Responsibility Reporting 2005 2 (2003).
[256] KPMG, KPMG International Survey of Corporate Responsibility Reporting 2005 2 (2003).
[257] KPMG, KPMG International Survey of Corporate Responsibility Reporting 2005 (Amsterdam: KPMG International, 2003), 2.
[258] International Federation of Accountants, Governance Is King: An Interview with Mervyn King, http://www.ifac.org/sites/default/files/downloads/1.3-king-governance-is-king-final.pdf

- King III followed a "stakeholder inclusive" model in which the board of directors was required to consider the legitimate interests and expectations of stakeholders on the basis that this is in the best interests of the company.
- King III recognized alternative dispute resolution (i.e., negotiation, mediation and expedited arbitration) as important management tools and dispute resolution mechanisms.
- King III adopted a risk-based internal audit approach to determine whether controls were effective in managing the risks which arise from the strategic direction of the company.
- King III introduced the concept of information technology governance into the scope of governance responsibilities for directors.
- King III recommended integration of economic, social and environmental reporting that would record how the company's business has impacted positively and negatively on the community, and how it intends to enhance those positive aspects and eradicate or ameliorate the negative aspects in the year ahead.

§1:19 Product development and commercialization

A 2007 report by the Organisation for Economic Co-operation and Development ("OECD") on science, technology and innovation policy in South Africa included an extensive analysis and discussion of the strengths, weaknesses, opportunities and threats ("SWOT") associated with South Africa's science and technology landscape and national innovation system.[259] Strengths that were noted included resource-based industries and related knowledge-based services; the existence of a knowledge infrastructure, albeit small in relation to the size of the population; a high proportion of business enterprise expenditure on research and development ("R&D")[260]; a tradition of linkages between major industries and the knowledge infrastructure; international industrial and academic networks; political awareness of the importance of science, technology and innovation for sustainable growth; and open participative governance with mechanisms in place for cross-departmental coordination. Ideally these strengths could be applied in capitalizing on various opportunities identified in the OECD Report such as raising economic performance by building on the existing innovation system strengths in industry—including large firms—and the knowledge infrastructure; capitalizing on growing investment interest in South Africa to enhance technology development, increase absorptive capacities and acquire new knowledge; exploiting the lateral talents of the majority; building on industry-research sector interactions as "focusing devices" for developing the knowledge infrastructure; revising mental models of how the innovation system operates to put producers in the center; and further modernizing the state's role in the innovation system via "agencification" and the creation of a national policy arena.

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[259] OECD Reviews of Innovation Policy: South Africa 2007 (2007), 11.

[260] Kaplan reported that South Africa has seen a substantial rise in gross expenditure of R&D between 1993 and 2004 and that the share of business enterprises in R&D as of the mid-2000s was 56.3% of total R&D in South Africa, which represented a larger share of R&D than in most comparator countries. D. Kaplan, Science and Technology Policy in South Africa: A Critical Assessment of Past Performance and of Proposed Future Directions (2008), 3.

Some of the impediments to progress in the positive evolution of the South African innovation system can be gleaned from the various weaknesses and threats highlighted in the OECD Report including the poor quality schooling for many citizens and the human resources shortages at all levels in mathematics, science and technology; the lack of design, engineering, entrepreneurial and management actors and R&D capacity leading to an "engineering gap"; the ageing, white, male dominance of industrial and academic R&D; mental models of how the innovation system operates that were overly focused on the role of the state; the existence of a large "second economy" with insufficient entrepreneurial and technological skills; inconsistencies between immigration policies and the human resource needs of the innovation system; the persistent risk of social unrest if the pace of development falters; and demographic pressures on education, research and innovation systems caused by a large increase in the cohort of people born in the 1990s.[261] In a separate article Kaplan provided evidence of other indicators of weaknesses within the South African innovation system including stagnant or declining performance with respect to scientific publications, patents (local, US and PCT); royalty receipts and payments on technology licenses; shares of global trade and the World Bank's Knowledge Economy Index that takes into account economic incentives, institutional regime, education and human resources, the innovation system and ICT.[262] Kaplan also mentioned the widespread consensus that South Africa's efforts to improve and expand innovation are severely constrained by skills shortages: the "engineering gap" referred to above that follows from large shortfalls of design, engineering and related managerial and technical capabilities.[263]

The OECD Report included a variety of policy recommendations for improving the South African innovation system--orienting away from dependence on resource-based industries to more knowledge-intensive production, reducing the gap between the formal and informal/second economy and enhancing the country's knowledge infrastructure capacity including expanding the research capacity in higher education and in the public research institutes and ensuring closer linkage between them as well as between them and the business sector; emphasized the need to stop neglecting the role that larger firms can and should play in technological development and recommended that policymakers adopt a broad approach to innovation, including non-R&D based activities that draw on creativity.[264] Kaplan noted that in addition to the OECD Report policymakers in South Africa were being encouraged to focus the country's research agenda on specific sectors such as biotechnology, space science and technology, energy, climate change and human and social dynamics.[265]

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[261] OECD Reviews of Innovation Policy: South Africa 2007 (2007), 11.
[262] D. Kaplan, Science and Technology Policy in South Africa: A Critical Assessment of Past Performance and of Proposed Future Directions (2008), 6-9.
[263] Id. at 9-10.
[264] Id. at 12-14 (2008) (summarizing actual recommendations appearing at OECD Reviews of Innovation Policy: South Africa 2007 (2007), 18).
[265] D. Kaplan, Science and Technology Policy in South Africa: A Critical Assessment of Past Performance and of Proposed Future Directions (2008), 17 (citing South African Department of Science and Technology, Innovation towards a Knowledge-Based Economy: Ten-Year Plan for South Africa (2008-2018) (2007), 34).

§1:20 Technology management

South Africa has developed a number of leading technologies and been recognized worldwide for its technological and quality standards, particularly in the fields of energy and fuels, steel production, deep-level mining, telecommunications and information technology, and manufacturing activities in South Africa have become increasingly technology-intensive with high-technology manufacturing sectors such as machinery, scientific equipment and motor vehicles capturing a growing share of total manufacturing output in the country.[266] In addition, South African governmental departments, like those in many other African countries, have launched a series of initiatives to encourage and support the improvement and expansion of information, communication and knowledge technologies in South Africa as a means for achieving broad-based growth and equitable socio-economic development.[267] The 2013 survey published by the Intellectual Property Rights Index ranked South Africa 20th out of 130 countries worldwide (and first among 23 countries in Africa) with respect to security of intellectual property rights.[268]

§1:21 Globalization

Globalization, particularly negotiation of trade agreement with other countries, has been a central feature of the economic development strategies of the South African government as it attempts to accelerate growth and industrial development as a means for creating employment in the country. Participation in the global trade environment by South Africa is led by the International Trade and Economic Development Division within the Department of Trade and Industry and negotiators have successfully navigated the country's entry into a variety of bilateral and multilateral trade arrangements including the Southern African Customs Union ("SACU"), the Trade Protocol of the Southern African Development Community, the Common Monetary Area Trade, Development and Cooperation Agreement between South Africa and the European Union and a free trade agreement between the SACU and the European Free Trade Association.[269] South Africa has also liberalized its foreign investment laws and regulations in an effort to encourage foreign investment in all sectors of the economy; however, certain ownership and control restrictions still apply and specific authorizations can be required in regulated sectors such as broadcasting, telecommunications, banking, insurance, defense and mining.[270]

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[266] South Africa: Open for Business, http://www.southafrica.info/business/investing/open.htm#industrial#ixzz2LIvouRDi.

[267] M.O. Oberholzer, A View on ICT Policy Forming Initiatives in South Africa: The Social Constitution of ICT Policies in Developing Countries, in Challenges of Information Technology Management in the 21st Century: 2000 Information Resources Management International Conference (2000), 937.

[268] Property Rights Alliance and Americans for Tax Reform Foundation, Intellectual Property Rights Index (2013 Report), http://www.internationalpropertyrightsindex.org/profile?location=south%20africa (overall rankings based on a combination of measures of protection of intellectual property rights, patent protection and copyright piracy and based on work performed by the Property Rights Alliance (www.propertyrightsalliance.org)).

[269] The discussion in this paragraph is adapted from South Africa: Investor's Handbook 2011/2012, Department of Trade and Industry, http://www.deloitte.com/assets/Dcom-SouthAfrica/Local%20Assets/Documents/Investing%20in%20SA%202012.pdf.

[270] Practical Law Company, Doing Business in South Africa http://us.practicallaw.com/1-500-3762?source=relatedcontent#a299558

With respect to the liberalization and internationalization of the South African telecommunications sector Taka reported, in a paper issued in 2001, that there had been large inflows of foreign capital, consistent with the popularity of the telecommunications sector throughout Africa as a destination for foreign direct investment, and that investment had facilitated the introduction of new technologies that provided better services at lower prices and had also created new jobs and improved the managerial and technical skills among local companies.[271] Taka cautioned, however, that the type of foreign investment made a big difference and that some foreign investors, particularly those who seek major shareholding positions, are interested in maximizing returns while other foreign investors willing to participate via licensing arrangements generally provide better opportunities for South Africans to gain from international experience and use those skills for internal development. In 2002 Gelb authored a report on the entry, performance and impact of foreign companies in South Africa and found that a substantial proportion of the entries were accomplished through full and partial acquisitions; there appeared to be strong complementarities between foreign entrants and local partners in providing essential resources for the post-entry phase, with the foreign parties focusing on providing technology and branding and the South African parties contributing their management and distribution capacities, but Gelb noted that the value of local management was problematic given that the skills of managers were often perceived as poor or inadequate by the foreign investors; and investors seemed to be mostly interested in accessing a new market as opposed to using South African partners as a means for becoming more efficient.[272] Luiz and Ruplal found that security of tenure, political stability and the availability of infrastructure were the three most important factors influencing the internationalization of South African mining firms [273] Finally, Calof et al. studied the export behaviors of South African SMEs and found that, in general, they exhibited similar export behavior to that of firms in more developed countries but that barriers to exporting confronting South African SMEs were likely inhibiting their ability to export aggressively.[274]

[271] M. Taka, The Internationalization of the South African Telecommunications Sector (2001).
[272] S. Gelb, Foreign Companies in South Africa: Entry, Performance and Impact: An Overview (2002).
[273] J. Luiz and M. Ruplal, Foreign Direct Investment and the Internationalization of South African Mining Companies into Africa (2010).
[274] J. Calof, J. Kroon, W. Viviers and J. Van Zyl Toyota, Internationalization of Small and Medium Sized South African Enterprises (2004).