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Restrategising in Africa

The surge in investment sometimes fails to deliver the returns as companies fail to connect with consumers

WHEN South Africa's Tiger Brands' investment in Nigeria fell flat a couple of years ago, management was forced to go back to the cutting room to figure out why.

In 2012, the foods maker paid nearly \$200 million for a 65.7 percent stake in Nigeria's Dangote Flour Mills. Three years later, it failed to stem losses at the venture and sold it for just \$1.

Since then, Tiger Brands has tightened up operations and done a thorough review to avoid making the same mistake again.

"Success in Nigeria is a long-term game. Some companies have entered Nigeria and are still successful," said Peter Matlare, former chief executive of Tiger Brands. He says the narrative that South African companies often fail in Nigeria is not accurate.

"I'm not suggesting that it's an easy market. In the case of Tiger Brands, we couldn't bring that business to good account in the time frame that satisfied investors. We were also losing cash."

Just as Tiger Brands found the expansion into Nigeria to be tough, global companies, be they new or old entrants to Africa, faced similar headwinds when entering other parts of the continent.

Africa contains some of the world's fastest-growing economies with Nigeria being the largest. Investors share tales of rich rewards, which have left many firms scrambling to invest in Africa.

However, the surge in investment is in some cases failing to deliver the expected returns, as companies have been too slow to realise that one cannot see the continent as a single entity and, as a result, have failed to connect with consumers.

"What we have seen is a need to differentiate between markets. The trends are not the same throughout the continent," says Victor Williams, head of corporate and investment banking for Africa at Standard Bank.

Despite the failure by some South African companies, investors have learnt from others' mistakes, by honing adaptable strategies to break into African markets.

"If you go into Africa or new

markets, the companies that will make it work are those that don't go with a plan just because it worked in South Africa or elsewhere," says Heinie Werth, financial director at Sanlam.

In 2005, Sanlam bought Pan Africa Life, becoming the first South African-owned Nairobi Securities Exchange-listed company. Most companies seem to prefer buying existing ventures instead of starting from scratch.

Werth says success in Africa depends on having the flexibility to spot opportunities. He emphasises the need to apply practical due diligence and go back to the basics by leveraging local contacts to harness expertise on a target company.

"You need a lot of flexibility, choose your local partners and spend time on the ground. For us, it was critical as it helped to see us through the tough times," he says.

Mike Whitfield, managing

director of the Nissan Group of Africa, says partnering with local stakeholders such as governments and communities is a smart way to work through political complexities, and regulatory and trading barriers.

"We will not move into any country unless we have clarity on a policy of sustainability and commitment from a government."

It's no secret that corruption, bureaucracy, ever-changing regulations, as well as multiple currencies, hinder the business environments in many countries, and protectionist measures often result in high import costs.

"We can't leave it up to governments to develop policy and trade direction. As an industry, we have taken it upon ourselves, not as Nissan, but as the auto industry in Africa, to form an organisation known as the African Association of Automobile Manufacturers." The aim of the group is to

work with governments in developing policy in respective countries. Whitfield says South Africa's automotive industry is a success because of government's Automotive Production and Development Programme.

For companies that can navigate through Africa's specific obstacles, the opportunity for growth is massive. As rivals move in and intensify competition, this narrows the window of time for companies to enter and expand successfully.

"Being a fast mover is critical to a company's success and later you see the multinationals approaching," says Joshua Mwaniki, country director at Andela in Kenya.

The Boston Consulting Group says there's a bit of a chess match going on, as local African players and multinationals try to figure out which strategies to pursue.

"Africa remains a frontier with enormous opportunities for growth but unfamiliar rules. Both the multinationals and the Africa-based companies have opportunities to develop dominant positions," the group says.

Africa's business schools poised for greatness

EUGENE YIGA

WITH AFRICA undergoing rapid economic and political transformation, we investigate whether our business schools are well-positioned to take a leading role in an education that reflects the changing needs of the continent.

Africa has experienced economic growth ahead of global growth in the past decade. But while the "continent as a country" treatment might be appropriate when considering demographic trends (and, to some degree, economic shifts), we cannot assume that there is a single common denominator driving political changes from Algeria to Zambia.

Yet, even though the challenges vary depending on the perspective you adopt, a high-level theme that appears to be permeating African politics is that of political volatility.

And on the economic side, even though tapping into Africa's ability to supply the commodities required to fuel global consumer and industrial demand is nothing new, what is shifting is the growing domestic demand within the continent.

"Citizens face different challenges to the businesses who seek to benefit from relatively high levels of economic growth," says Professor Nicola Kleyn, dean of the University of Pretoria's Gordon Institute of Business Science.

"Navigating the political uncertainties and poor physical and institutional infrastructure that prevails across much of the continent requires organisations that are used to operating in developed markets to rethink their investment levels, their risk appetites, and key aspects of their business models."

Kleyn believes stakeholders (including business, government and civil society) need to collaborate to identify key areas of focus to address Africa's "wicked problems" that threaten human

development and prosperity.

Professor Piet Naudé, director of Stellenbosch Business School, explains that we need good leaders (in public and private sectors) and a focus on small-to-medium enterprises to grow employment.

"There are only a few reputable business schools in Africa and they are quite good at adjusting to African situations," he says.

"The reputable ones deliver formal degrees of high quality as well as excellent executive education programmes."

Yet, it's important to note the significant under-representation of business schools in Africa.

The US-based Association to Advance Collegiate Schools of Business estimates that there are more than 13 000 business schools across the globe. But the number of African schools relative to the total is miniscule.

Furthermore, an article in the *Journal of World Business* that focused on a study of African business schools identified only 37 schools across the continent.

In South Africa, the country with the most business schools per capita, there are only about 20 members of the South African Business Schools' Association.

"The quality of business schools on the continent varies enormously," Kleyn says.

"Increasingly, the top schools are focusing on ensuring that they do not 'cut and paste' research themes, curricula and learning support materials from other continents."

She believes the growing number of international schools bringing their students to countries such as Botswana, South Africa and Kenya to study topics including international business, social innovation, entrepreneurship and sustainability, is testimony to the business lessons that the continent

has to offer.

"Given our high economic growth rate and focus from multinationals, it's no surprise that scholarly researchers from schools beyond the continent are increasingly investigating business in the African context," she says.

"Sadly, the dearth of home-grown doctoral students across the continent, coupled with often stringent visa requirements, limit the development and mobility of scholarly talent."

It will take more investment to build scholarly capability across the continent if African business schools are to train the growing numbers of managers that the continent will need. It also requires business schools to understand the intellectual tension between globalisation and "Africanisation".

"We shall probably have to move to lower education levels to serve entrepreneurship for those leaving school or even without formal education, whilst retaining our higher level work," Naudé says. "It

will take a continued discussion between business, government

and schools so that schools can adjust according to real needs, while retaining a global orientation."

Although the Gordon Institute of Business Science's focus has been primarily on the South African context, its customised and academic programmes are increasingly focusing on business in the broader African context.

The school has recruited and developed faculty to ensure they have a strong grasp on the issues that practitioners seeking to grow their businesses in Africa face.

It has also emphasised the evolution of curricula, learning interventions and supporting materials to align with the challenges and opportunities local managers deal with every day.

"We place a strong emphasis on contextually relevant themes such as social cohesion, inclusive business, building institutional capability, and risk management," Kleyn says. "Enabling students to bridge theory with the realities of

running businesses across the continent has resulted in the development of interventions that emphasise experiential learning and engagement with business and stakeholders in the broader ecosystem."

Kleyn believes business schools have an important role to play in developing and disseminating thought leadership that will assist businesses and economies to not only thrive, but also reduce poverty, inequality and unemployment, and tap into the real opportunities that exist to create value for Africa's many stakeholders.

Besides adapting academic programmes and executive education, the Gordon Institute of Business Science has also focused on the development of centres, including the Centre for Dynamic Markets and the Centre for Leadership and Dialogue. These emphasise the important role that they believe business schools can play in fostering engagement with the government and civil society.

"Business schools need to bridge global best practice with local relevance," Kleyn says.

"This calls for us to build strong international connectivity with peers across the continent, and those on other continents. We need to define our teaching and research agendas in ways that contribute not only to building knowledge about leading and managing businesses in Africa, but also to making a substantive contribution to new ways of thinking."

