

# The Rise of African Multinationals: Are IB Scholars Paying Sufficient Attention?

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## Introduction

One outcome of the recent sustained period of economic growth achieved by several African countries has been a marked uptick in the population of home grown MNEs, i.e., African enterprises establishing and coordinating operations in a plurality of jurisdictions outside their home country. This

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highly welcome trend is illustrated by several indicators, notably Africa's growing outward foreign direct investment (OFDI) stock, the rising number of source countries, accelerating intra-regional FDI flows, and mounting cases of OFDI outside the continent. The modest but improving resource and capability profiles of African MNEs, both established and nascent, including their superior capacity to adapt to institutionally challenged contexts, bode well for these firms' journey towards stronger international competitiveness and impact. However,

a myriad of endogenous and exogenous challenges, including institutional factors, demand attention. The opportunity beckons for IB scholars to, as in earlier epochs, take the lead in strengthening the knowledge base on African MNEs, particularly given these firms' potential to transform their lagging continent as well as impact IB theory. A compellingly pertinent question recently posed by Mol et al. (2017) is rephrased thus: how might the MNE research field look if African MNEs received the kind of scholarly attention and engagement afforded other emerging market MNEs?

## Indicators of African MNEs' Rising, Competitiveness, and Challenges

### Africa's Growing OFDI Stock and Rising Number of Source Countries

According to UNCTAD (2018), Africa's OFDI stock rose from US\$39.9 billion in 2000 to US\$365 billion in 2017, nearly a ten-fold increase. Outflows between 2015 and 2017 were US\$10.8 billion, US\$11.2 billion, and US\$12.1 billion respectively. These figures, though marginal in absolute terms, indicate the pace of expansion of OFDI activity from Africa. The recent headquarter relocations by some major African MNEs and the widely recognised under-reporting of intra-African cross-border investments further suggest that Africa's actual OFDI stock could be much higher, a view supported by a recent reference to the existence of some 500 African service multinationals (UNCTAD, 2015). Significantly, six African MNEs were ranked among the top 100 MNEs from developing and transition economies in 2016 (UNCTAD, 2016). These and the appearance of a larger group in the *Forbes* 2018

list of world's largest 2000 companies reinforce the increasing, albeit marginal, contribution of African MNEs to South-South and South-North FDI flows (Ibeh, 2015).

The return of South African MNEs to world markets following the end of Apartheid-related sanctions is a significant factor in the observed OFDI growth, but so also are the outlays by a new generation of innovative and ambitious African champions originating from an increasing number of countries (UNCTAD, 2018). As Table 1 shows, although South Africa still accounts for approximately three quarters of Africa's OFDI stock, followed by North Africa with roughly 10 percent, other countries, including Angola, Nigeria, Kenya, Nigeria, Togo,

Congo Democratic Republic, are markedly increasing their OFDI activity. For example, between 2010 and 2017, Angola's OFDI stock more than quadrupled, while Nigeria's nearly trebled. Togo and Congo DRC's rose more than twenty and ten-fold respectively, albeit from a much lower base.

### Accelerating Intra-Regional FDI Flows

Africa-to-Africa investments by indigenous MNEs are reportedly rising faster than FDI from any other region; this reflects an increasing tendency by dominant national players to exploit their firm-specific assets in geographically and culturally proximi-

**Table 1: FDI Outflows and FDI Stock of Selected African Countries**

	OFDI Outflows (US\$ million)	OFDI Stock (US\$ million)			Percentage con- tribution
	2015-2017	2000	2010	2017	
South Africa	17578	27326	83249	270287	73.9
Angola	5437	-	6209	26776	7.3
Libya	945	1903	16615	20283	5.5
Nigeria	4044	4144	5041	14285	3.9
Egypt	588	655	5448	7426	2.0
Morocco	2193	402	1914	5892	1.6
Liberia	252	2188	4714	4562	1.25
Algeria	145	205	1513	1893	0.5
Togo	921	-	126	2716	0.7
Congo DRC	1072	34	229	2557	0.7
Kenya	218	115	267	826	0.22
Mauritius	120	132	864	842	0.23
Senegal	295	22	263	703	0.2
Zimbabwe	93	234	297	580	0.15
Ghana	252	-	83	382	0.1
North Africa	4201	3199	25777	35991	9.8
West Africa	6300	6381	10553	24190	6.6
Central Africa	843	1720	2363	3674	1.0
East Africa	366	387	1457	2052	0.56
Southern Africa	22447	28198	94198	299711	81.2
Africa	34156	39884	134348	365619	100

Source: Adapted from the 2017 World Investment Report (UNCTAD, 2018).

mate intra-regional markets. Recent statistics, for example, put these investments at 76 per cent of the continent's greenfield outflows (UNCTAD, 2015). The investors include pan African groups such as Togo's Ecobank, which has presence in 33 African countries, Nigeria's UBA and Dangote, Morocco's Attijariwafa and BCP, Egypt's Elsewedy Electric, and South Africa's MTN, Standard Bank, Telkom, Dimension Data, Massmart, Nampak and ShopRite, each of which operates in at least a dozen African countries. As noted earlier, the end of Apartheid-linked sanctions appeared to have catalyzed established and younger South African companies from a variety of sectors to deploy their pent-up capital and reassert their regional dominance. The observed intra-regional expansion is also aided by Western MNEs' divestments from Africa. Recent examples include Nigerian First Bank's acquisition of Swiss ICB Group's West African units, Ecobank's acquisition of German Banco ProCredit in Mozambique, and Moroccan Attijariwafa's acquisition of Barclays Egypt.

### **Mounting Incidence of Extra-Regional OFDI**

South African MNEs, reflecting their country's unique dual economic structure, have long standing presence in some Commonwealth and OECD countries. As Ibeh (2018) further shows, other African MNEs have also invested in Europe, North America, and elsewhere. These include Egypt's Elsewedy and Orascom Construction Industries, Morocco's Attijariwafa and BCP, Nigeria's First Bank, Togo's Ecobank, Algeria's Sonatrach, and Angola's Sonangol. A few South African and Egyptian MNEs have, however, recently relocated their headquarters to more institutionally stable advanced economies, and are therefore susceptible to the blurred nationality phenomenon increasingly observed among MNEs (UNCTAD, 2016).

### **Narrow but Expanding Pockets of Global Competitiveness**

Although most African MNEs exhibit relatively modest resource and capability profiles, hence global competitiveness, compared to their traditional and emerging market counterparts, the earlier-noted appearance of several in major international league tables arguably suggests appreciable competitive strengths by the ranked African MNEs. More significantly, preliminary literature review (see Ibeh and Awa, 2018) credits more successful African MNEs, including those expanding intra-regionally, with firm-specific capabilities, including transferable intangible knowledge, learning orientation, entrepreneurial and management capacity, new technologies, and organisational resilience, developed mainly through their dominant leadership of their domestic market (Ibeh et al., 2018). African MNEs also seem to be "weaponising" their psychic proximity or superior adaptability to slack institutional con-

texts (Ibeh & Makhmadshoev, 2018) as they compete with traditional MNEs across Africa. Capitalizing on such regional advantages reflects Rugman's widely canvassed view that all but a handful of major international companies are regional rather than global competitors (Rugman et al., 2012).

### **Monumental Challenges Still Abound**

The foregoing positive markers do not minimize the external, institutional and internal challenges militating against African MNEs' international competitiveness and impact. Although their earlier noted status as slack institutional natives offers some advantage over traditional MNEs within African markets, any such benefits tend to be severally negated by the deleterious effects of resource and capability deficits and under-developed institutional contexts on the building and sustenance of capabilities required for global competitiveness. Examples of the former include the so-called liabilities of smallness and newness, lack of conventional advantages such as high knowledge bases, world class organizational and managerial capabilities, and "deep pockets," while the latter encompass weak governance and policy-making capacity, human capital, technology, infrastructure, financial market mechanisms, funding cost, stable currency, and country/region-of-origin liabilities. These institutional factors reportedly influenced the earlier-noted headquarter relocations by South African (Barnard, 2014) and Egyptian MNEs (Ibeh, 2018). Variations of the above insti-

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tutional factors coupled with resource/knowledge-based challenges are also implicated in the failure of the OFDI projects of some African MNEs. Notable examples include South African Telkom, Woolworth and Nando's struggles in the Nigerian telecom, retail and fast food markets respectively; Nigerian IGI's difficulties in Ghana's insurance market; and South African Mocality's toils in both the Kenyan and Nigerian web services markets. Others are South African Tiger Brand's disastrous acquisition of Nigerian Dangote Flour Mills and some Nigerian banks' ill-judged entry into regional markets. Ajai (2015), for example, primarily attributed these failed OFDI projects to the

investing MNEs' relatively meagre resources and knowledge, entrepreneurial, organizational and managerial capabilities, whilst also noting the serious threats posed by institutional and infrastructural inadequacies.

OFDI failures are, to be sure, part of the inevitable churn that characterise the international business world. It would be unwise to expect all fledgling African MNEs to break through into successful global competitors, but similarly churlish to expect all to stagnate and go nowhere. African MNEs lacking substantive firm-specific advantages would naturally succumb to the force of gravity, or be gobbled up by their more effective and efficient rivals, national, regional or international. They are, in this sense, no different from MNEs from other regions.

## Are IB Researchers Paying Sufficient Attention to African MNEs? Should They?

A brief reflection on the *raison d'être* for researching international business might help address the sufficiency or otherwise of scholarly attention to African MNEs. The rationale, by most accounts, revolves around the discipline's traditional role of facilitating international exchanges and the performance of economic entities operating internationally. Crucially, IB scholarship dominantly shapes the policy infrastructure for governing world trade and investment, and this and the field's intellectual guidance for international businesses, including MNEs, contribute to improved living standards for billions. The IB community has meritoriously supported several generations of MNEs and their governments through this policy-influencing role, and thus deserves credit for the observed net positive effects of MNEs' activities on economic development indicators such as domestic employment, productivity, and knowledge assets (technological and managerial), and institutional and infrastructure quality.

The strong indications that African MNEs are already contributing to job creation, capability development, knowledge transfer, infrastructure, the emergence of corporate role models, the integration of African markets, diaspora inflows (financial and knowledge), and value chain linkages (Ibeh, 2013, 2015), underscore the need to invest greater research attention to these MNEs than has so far been the case. Scepticism about African MNEs in some IB circles must not be allowed to stifle the growth of much needed work. Whilst such scepticism, or a quest to raise the threshold for conferring the multinational status, may lead to overall strengthening of MNE scholarship, it could also unhelpfully deny research attention to newer MNEs from economically peripheral regions. Indeed, applying overly restrictive and exclusionary standards based, for example, on evidence of game changing innovations, could have meant ignoring the Japanese creative imitators of the post-sec-

ond World War period, or their nearest successors, notably the Asian tigers. As IB history teaches us, those creative imitators of bygone era subsequently evolved into market challengers and even leaders in several global industries.

African MNEs' journey toward greater global competitiveness would, thus, benefit from increased attention from IB researchers. Studying their increasing participation in the so-called FDI-MNE world is bound to enhance their prospect of climbing the value creation and global impact ladder. Rather than wait until such future time when these MNEs routinely exhibit comparable characteristics as their better established traditional or emerging market counterparts before privileging them with research attention, the IB research and policy communities should actively "champion" African MNEs to actualise their change-making potential.

Indeed, IB strategy scholars who routinely counsel businesses, policymakers, and learners to take a long term view should take the lead in challenging the field to look beyond the current profile of African MNEs vis-a-vis their advanced economy or emerging market counterparts and envision what these MNEs could become given appropriate intellectual and policy backing. By channelling research resources to African MNEs via, for example, dedicated workshops and conferences, journal special issues, and new research institutes, the IB community would be empowering and oxygenating these firms' OFDI activities and, in so doing, bolster their corporate confidence and brand profile. Managerial and policy insights from well executed IB research are also likely to advance managerial and policy practice in a manner that benefits these MNEs and their home and host economies.

This article is not necessarily calling on more IB scholars to start studying African MNEs. That would amount to an ill-advised interference in the autonomous decision of every researcher to pursue their scholarly interest. The message is for the IB community, particularly its more influential gatekeepers, to show greater recognition of the legitimacy of scholarly interest in non-standard MNEs, and to be more accommodating and encouraging of those IB colleagues that chose to focus on the 'minority sport' of African MNE research.

In this regard, the authors gladly appreciate the helpful advocacy of some IB scholars, including a handful of journal editors, who have recently devoted coveted print pages to African-focused special issues. More mainstream IB journals are urged to follow suit, with dedicated special issues on African MNEs.

## Conclusion and Implications

This article has discussed some pointers to the rise of African MNEs, including the continent's growing outward foreign direct investment (OFDI) stock and rising number of source

countries, accelerating intra-regional FDI flows, and mounting cases of investments outside the continent. It underlines the global presence of some African MNEs and acknowledges the modest but improving resource and capability profiles and international competitiveness of the more successful players. Fragments of their observed behaviour align can be explained using established IB theories, notably the resource/knowledge-based and institutional perspectives. The unfolding journey of nascent African MNEs additionally reflects the Rugmanian notion of predominant intra-regional expansion (Rugman et al., 2012), whilst also reinforcing the evolutionary pattern observed among earlier generations of MNEs.

Continuing progress along this growth path lies in African MNEs prioritising the development of higher level capabilities and identifying distinctive and sustainable product-market niche(s). More effective redressing of the many endogenous and exogenous, including institutional, challenges sabotaging the competitiveness of African MNEs would be further helpful. Finally, cognizant of African MNEs' potential to impact MNE theory as well as lift hundreds of millions out of poverty, the present article calls on the IB community to take appropriate steps to galvanise interest on African MNE research.

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