DOING BUSINESS IN AFRICA

Introduction

This course will introduce you to the reality of doing business in Africa. The African continent has been always considered the bandwagon of economic development and hence, it has been overlooked in the agenda of companies and businessmen from developing economies. However, a more accurate reality shows that the continent has potential - still small but growing, nevertheless - to develop new ideas and successful business models. A business potential that will hopefully put the continent on a sustainable path of economic growth, and that will make countries more independent of financial aid and donations.

The main objective of the course “Doing Business in Africa” is to help students experience in-situ this potential and expose them to the opportunities and challenges that Africa presents to business leaders. Some notions of World geopolitics as they affect Africa will also be discussed.

The course should also help students set the context and develop crucial ideas for the development of the Nairobi New Realities project.

Objectives

- Understand the context: the socio-economic, political and business context
- Discuss the new opportunities linked to key successful industries in Africa - agribusiness, consumer goods, tourism, financial services, natural resources, …
- Discuss key success models with some local entrepreneur and managers of both indigenous and foreign companies
- Understand the management challenges of working in Africa, including political risks, people management issues and legal

Learning Outcomes

- Increased knowledge about the African context
- Critical thinking with regard to a new business environment (assessed via class participation and a term final project)
- Multi-cultural awareness and abilities (assessed via the participation in the different cross-cultural exercise)
- Practice robust decision-making in highly uncertain and rapidly changing environments

Content

Individual course log
This is a mainly an experiential course in which we will all learn. An important part of the learning will come from the personal observation and reflections that each participant will do during his
stay in Nairobi. For that reason, we will encourage you to write a personal log containing the following categories:

Key business aspects which surprised you during the module.
Key cultural/behavioral aspects that shocked during the module
Key images/moments that you experienced during your stay that made you think differently and why.
A one-page summary on the African Executive Challenge (see below)

You will have to submit a summary of this log, with your 3 key top items (3 lines per item) in each of categories above. The reflections shall not be restricted to the lectures and speakers but extended to your overall stay (networking events, moving around from the hotel to SBS, arrival/departure sensation, site visits...). The assignment will be graded not so much on the absolute relevance of your thoughts, but rather on how original, comprehensive and insightful are you reflections (i.e., this is not only about what one CEO explicit conveyed during a lecture but what could be read between the lines, it is also about this commercial you saw in the street, or how people behave in front of food stalls or in malls)

Africa Executive Challenge
The African Executive Challenge gives IESE MBA students the opportunity to discuss face-to-face with a Strathmore Business School EMBA counterpart, specific business challenges as viewed in Africa and in the region where the IESE students comes from. It is designed as a two-sided exchange of expertise in which each counterpart (IESE and then SBS students) will propose in advance an specific area of interest in the counterpart region where he/she will like to know more about and receives feedback form the other part. Students in each side will be asked to prepare the topic in advance so as to have a two sequential conversations followed by Q&A.

To organize the African Executive Challenge:
IESE students will have to submit via the “Africa Executive Challenge Topics” survey the course webpage at campus.iese.edu,
Two (2)-to three (3) industries/topics/challenges they would like to receive information about Kenya/Africa by the SBS counterpart (please be specific), i.e., health sector in Kenya, telecoms in Africa, construction projects in Subsaharian Africa, approaching government contracts...)
Two (2)-to three (3) industries/topics/challenges where they have expertise (as per their professional background and they are willing to prepare information), including also the region where they have expertise, i.e., pharma industry in Europe, taxation in the EU, marketing consumer goods in Latam

SBS EMBA student will submit parallel proposals

The course staff will pair students by interest. Important: ONLY one of your selected topics will be considered (two or three topics are requested to guarantee matching). Students could get in contact before they arrive in NBI to understand the issues in more detail.

On the scheduled time during the residential week, we will allocate 2:00 hours max. for the exercise.

(45 min) First the IESE counterpart will present their prepared topic during 20 min, followed by Q&A by the SBS counterpart.
(45 min) Then, SBS counterpart will present their prepared topic during 20 min, followed by Q&A by the IESE counterpart.
We will provide some extra 15 minutes for wrapping-up.

IESE students in TEAMS will be asked to write in their log book a one page summary (i.e., minutes) with their main learnings and takeaways from the meeting
Team Final Project

Students in groups of up to 5 people will have to prepare an executive presentation (12 slides max. + appendixes) on a particular topic of interest of Doing business in Africa. The project could address any of the following topics:

A (detailed) analysis of a macroeconomic or geopolitical issues in one of the African Economies (the analysis should go beyond pure data crunching of World Bank facts and focus on a specific “country-level” geopolitical issue, e.g., evolution of the economy towards services, Chinese influence, trade relationships,...)

A pre-assessment of a business opportunity in Africa, i.e., a new idea to start a business in Africa. The analysis should include: the business idea, the potential customer segment and the value proposition to this market, a rough-cut estimate of the market potential, main operational aspects to consider (commercialization, operations and resources needed, partnerships, etc...) The assignment is rather open and does not need to be very precise on the analytical part but creative on the conceptual part.

A detailed analysis of an existing industry in Africa. You extend the analysis of any of the companies/industries discussed during the course (telcos/new technologies, consumer goods and food distribution, tourism, finance, agro-business) and present a detailed analysis to support (or contradict) the discussion in class.

Methodology

The course will be structured as a multidisciplinary seminar in which several professors and speakers will introduce topics in economics, marketing and operations, finance and leadership. Some classes will be taught through a series of African cases that represent real management decisions and students will have the opportunity to discuss the cases with relevant local managers. There will also be some round table discussions with guest speakers and site company visits, and networking exercises with Kenyan E-MBA.

In additions to the sessions, students will be asked to (a) prepare a logbook on his experience; (b) prepare a short team paper-preparation (3 pages) on either an African economy, a relevant business opportunity in Africa or one industry of interest.

Evaluation

Students will be evaluated in the following manner:
35 % Individual class participation
25 % Individual course log
40 % Team final paper

Additional Bibliography

On top of the materials of the reader (see next section), we recommend the following readings:

Meredith, Martin. The State of Africa: A History of Fifty Years of Independence (2006) ISBN 978-0-7432-3222-7. This is a very insightful book about the political history of African States since independence. It does not address business issues in particular, but will give the reader a deep knowledge on the history and context.
Dowden, Richard. Africa: Altered States, Ordinary Miracles (2009). Similar to the previous one, but it takes some events from where Meredith left them (some of the previous analyzed history events will also be covered here, though). So it is a good alternative or sequel to the previous book, although I still prefer Meredith's.


Outline

This outline may be changed subject to the availability of invited speakers. The reader will only contain cases and academic readings. Additional readings (company reports) can be access via the provided links.

| 1 | Doing business in Africa, why?  
|   | Lecture, Prof. George Njenga, Dean of SBS  
|   | Objective: The objective of this session is to set an initial understanding of the current business context of doing business on Africa, as a starting ground for the module  
|   | • Why Africa is becoming a new source of interest for business?  
|   | • What is changing in Africa? And what is not?  
|   | • What are the opportunities and risks?  
|   | • As a MBA, what should you be paying attention in the next week?  
|   | Materials:  
|   | Additional suggested readings (not in reader):  
|   | • Book chapter: Mahajan, V. "Africa rising", Chap 2: Africa is richer than you think  
|   | Instructions: Try to answer and be prepared to give an opinion about the questions above  

| 2-3 | The African Macro-Economic and Political Context (I)  
|     | Lecture, Prof. Robert Mudida, SBS  
|     | Objective: In this session we will have an over picture of the current geo political and economic context in Africa. In particular:  
|     | • Review fast the basic macro trends in the continent  
|     | • Review the economic situation in the main regions: South Africa, Nigeria, East Africa  
|     | • Discuss political context and challenges  
|     | Material:  
|     | • Book chapter: Radelet, Steven "Emerging Africa: How 17 countries are leading the way", Chap. 2: emerging Africa Renaissance.  
|     | • Article: HBR, May 2011, Reprint R1105J 'Cracking the Next Growth Market: Africa’ (the full McKinsey Global Institute report in which the article is based “Lions on the move: The progress and potential of African economics”)  
|     | Additional suggested readings (not in reader):  
|     | Instructions: Read the attached materials  

| 4 | Business Models and Local Innovation in Emerging Economies  
|   | Case discussion: M-Pesa - Mobile Banking in Kenya  
|   | Prof. Alejandro Lago (IESE) and Fred Ogola (SBS)  
|   | Objective: In this first session about business opportunities in Africa, we will discuss how innovative business model can be defined. In particular:  
|   | • How to understand and elicit customer needs in emerging economies  
|   | • The impact of new technology to facilitate new business models in Africa  
|   | Instructions: Read the attached materials  


The involvement of different stakeholders to get a successful business model and have direct social benefits.
To which extend, the innovations are sustainable and transferable across countries in Africa.

Material:
- Case: SI-192-E 'M-Pesa - Mobile Banking in Kenya'

Instructions: Read the M-Pesa case and try to answer the following questions:
1) What were the key drivers of success of M-Pesa in Kenya?
2) What role has played the relationship with Vodafone and other key stakeholders?
3) Do you agree with the expansion Tanzania or South Africa?
4) If the model is to be replicated in other African countries (e.g., Tanzania), what will be the key risks to control?

5 African Consumer markets: Retail Safari
Site visit and Exercise, Prof. Alejandro Lago (IESE) and Prof. Fred Ogola (SBS)

Objective: Understand in-situ the reality of African consumer markets, including both street markets and organized distribution

Additional Material (Look for them in the internet)
- AT Kearney, Seizing Africa's Retail Opportunities (2014)

Instructions: Students will organize in groups of 8 and will be given 2 hours to visit first a street market and then a supermarket. Students will be asked to obtain information about prices, organizational structure of the markets and commercial approaches. Students will then have 45 min to prepare a 5 min presentation in front of the class. Specific information will be provided at the beginning of the sessions.

6 African consumer markets: access, local brands and multinationals
Case discussion: Gallina Blanca Star - Africa, Prof. Alejandro Lago (IESE)

Objective: Review the challenges and organizational approaches of multinationals firms in the area consumer goods products. In particular:
- How do you evaluate the opportunity from a multinational point of view?
- What are the challenges and risks of multinationals vis-a-vis local competitors?
- How do you manage to position your brand and access the markets?
- How do you navigate the political/institutional context?

Material:
- Case: IESE M-1238-E, Gallina Blanca Star - Africa
- Article: Ariño, A. Strategies that go the distance in Africa, IESE Insight, Issue 24, 1st Quarter 2015

Additional suggested readings (not in reader)
- Mahajan, V. “Africa rising”, Chap 4: Harnessing the Hanouti: Opportunities in Organizing the market

Instructions: Read the case and skim through the strategy of competitor Nestle in the additional documents, then:
1. Review the main decisions taken by Gallina Blanca in the period 1970-2005. Which are correct and which are not?
2. Analyze the key aspects that differentiate the approaches of Gallina Blanca and Maggi (try to think about other examples of western companies entering the African markets, e.g., Coca-cola)
3. Draft a plan for the introduction of the enriched bouillon, if you think is the right decision.
4. What results would you expect?

7 Africa Energy: Infrastructure Sector
Keynote lecture, GE Africa (TBC)

Objective: In this session, we would discuss with a local guest speaker, Africa infrastructural situation and the key opportunities in sectors like energy, construction and transportation. We will also review the approach taken by large multinationals to enter this complex public-private ecosystem.

Material: None

8-9 Agro Business: Developing Africa Full Potential
Case discussion: Vegpro and SITE VISIT, Prof. Alejandro Lago and Prof. Fred Ogola

Objective: In this session, we will yet revisit another of the industries with potential in Africa: agro-business. This has been an industry traditionally dominated by western conglomerates which have found in Africa a true “green field” to exploit their agricultural assets. In this session, we will review:
- What role has historically agribusiness played in Africa?
- What has been the role of western companies?
- What are the challenges and risks that the industry current faces?
- Can the success of the flower industry be exported to other agricultural products?

Material:
### Case: HBS 508-001 Vegpro Group: Growing in Harmony

**Instructions:** The case is quite descriptive on the strategy of Vegpro, one of the most successful Kenyan companies to export agricultural products abroad. We will use the case to reflect on successful strategies but also to understand possible alternatives for expansion. In particular, we would like to give an answer to the following question above.

1. What are the key ingredients of Vegpro success?
2. What expansion strategy would you advocate for Vegpro over the next five years?
3. Is the model replicable across Africa?

Upon availability we will discuss the case in Vegpro facilities, and during the weekend we will have the opportunity to discuss other issues with the manager of one of the pioneer company in the flower business.

### Micro-financing: Africa and beyond

**Case discussion: KIVA, Prof. Fred Ogola**

**Objective:** Micro-finance has been at the core of Africa growth model. While initially praised as a very effective tool to empower local entrepreneurs, the model has received a lot of scrutiny in the last years, in terms not only of its effectiveness but also in terms of the transparency of financial institutions offering micro-credits. In this session, we will:

- Understand the basics of micro-finance model vis-a-vis traditional lending models
- Discuss the issues about implementation and control

**Material:**
- Case: BE-0183-E Kiva(A) and BE-0184-E Kiva (B)
- Visit also [http://www.kiva.org/about/microfinance](http://www.kiva.org/about/microfinance) to understand better microfinance

**Instructions:** Read the case and analyze the following aspects:

- What do you like and you do not like about KIVA's model? What would you change from the model?
- How they can manage at the same time unpaid volunteers with salaried employees?
- How do you think the company should reply to the legitimacy doubts raised by critics?

### Tourism and Conservation Opportunities

**Case discussion: Windhoek Nature Reserve, Prof. Alejandro Lago**

**Objective:** In this session, we will revisit another of the industries with potential in Africa: tourism. In particular:

- Why tourism maybe an interesting opportunity for many African countries and how it relates with conservation?
- What is the role of government and communities in this industry?
- What are the opportunities for investments?
- What are the challenges and risks for entrepreneurs?

**Material:**
- Case: HBS 9-205-066 Windhoek Nature Reserve: Financing a Sustainable Conservation Model in Namibia

**Additional suggested readings (not in reader):**
- Christie, Iain; Fernandes, Eneida; Messerli, Hannah; Twining-Ward, Louise. 2014. Tourism in Africa: Harnessing Tourism for Growth and Improved Livelihoods. Washington, DC: World Bank and Agence Française de Développement (Chapters 3 to 6)

**Instructions:** Read the case and try to answer the questions at the end of the case

### Investment and Financial Market Opportunities in Africa

**Guest Lecture, Mr. Josep Oriol, Ciel Capital, Manager**

**Objective:** In this session, we will discuss the reality of finance markets and investment opportunities in Africa. In particular:

- Review the structure and fundamentals of African capital markets
- What are the investment trends?
- What are the role of private equities and sovereign funds in these markets

**Material:**
- News: The economist, A sub-Saharan Scramble, Jan 24th 2015
- News: FT, Private equity in Africa: a lot of money chasing scarce opportunities, Jul 9th 2015
- News: Climbing aboard the Africa train, Sept 26th 2015

**Additional suggested readings (not in reader):**

### International Aid and development in Africa

**Guest Lecture, TBC**

**Objective:** Understand the whole value chain and public and private infrastructure around International Aid, including how tendering is organized and how public-private partnership are drawn in this context
<table>
<thead>
<tr>
<th>Time</th>
<th>Topic</th>
<th>Instructor(s)</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>14-15</td>
<td>Managing cultural aspects: Multicultural Negotiation</td>
<td>Prof. Alejandro Lago, Prof. Fred Ogola</td>
<td>In this session we would like to take advantage of the multicultural environment to run an exercise of negotiation between students of different nationalities. We will discuss cultural approaches to dealing with contracts and relationships.</td>
</tr>
<tr>
<td></td>
<td>Material: Will be provided in due time</td>
<td></td>
<td>Instructions: Details will be provided at the beginning of the session</td>
</tr>
<tr>
<td>16</td>
<td>Managing cultural aspects: African traditions and business relationships</td>
<td>Prof. Fred Ogola and Prof. Patricia Murugami</td>
<td>Understand aspects of the African culture that affect directly how social and professional relationships take place and how these affect business.</td>
</tr>
<tr>
<td></td>
<td>Materials:</td>
<td></td>
<td>Case: Dowry: A price for a bride?</td>
</tr>
<tr>
<td></td>
<td>Instructions:</td>
<td></td>
<td>The case describes a real life situation experienced by a former IESE MBA. What will you do if you were one of the tow protagonist of the case? We will follow a discussion of what cultural elements are important when approaching a business relationship in Africa.</td>
</tr>
<tr>
<td>17</td>
<td>Organizational Challenges: Corruption</td>
<td>Prof. Alejandro Lago, Prof. Fred Ogola</td>
<td>Corruption seems to be a pervasive topic when doing business in Africa (and in the world in general). In this session, we will try to understand the social, economic and ethical aspects of corruption in Africa, and try to understand the thin barrier between what is business as usual and what is not.</td>
</tr>
<tr>
<td></td>
<td>Materials:</td>
<td></td>
<td>Case: Voltium Inc</td>
</tr>
<tr>
<td></td>
<td>3. Should you report to the authorities?</td>
<td></td>
<td>4. What would you do, if you were given the direct responsibility of the decisions? And if you responsibility was not so clear?</td>
</tr>
<tr>
<td>18</td>
<td>Organizational Challenges: The Entrepreneur View Panel of Local Entrepreneurs</td>
<td></td>
<td>Africa, as many emerging countries is now home to a new breed of entrepreneur. In this panel we will try to discuss:</td>
</tr>
<tr>
<td></td>
<td>Material: None</td>
<td></td>
<td>Where does innovation come from in Africa?</td>
</tr>
<tr>
<td></td>
<td>Instructions: Read the materials as a support for the lecture</td>
<td></td>
<td>How do you overcome the infrastructural deficit?</td>
</tr>
<tr>
<td>19-20</td>
<td>The Africa Executive Challenge</td>
<td></td>
<td>How do you overcome the political barriers?</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>How do you fight for and manage talent?</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>How do you motivate employees?</td>
</tr>
</tbody>
</table>
Exercise, Prof. Alejandro Lago, Fred Ogola

Objective: The African Executive Challenge gives you an opportunity to discuss face-to-face with a Strathmore Business School E-MBA counterpart, a specific business challenge as viewed in Africa and in the region where the IESE students comes from. It is designed as a two-sided exchange of expertise in which each counterpart (IESE and then SBS) will propose in advance a specific business challenge or area of interest in the counterpart region where he/she will like to know more about and receives feedback form the other part. Students in each side will be asked to prepare the topic in advance so as to have two sequential conversations followed by Q&A.

Instructions: See section Africa Executive Challenge in evaluation section

NOTE: THE TWO LAST SESSIONS WILL TAKE PLACE IN BARCELONA

21-22
Closing: Student Presentations
Presentations, Prof. Alejandro Lago

Objective: Give students an opportunity to share the learning in the course via specific student-run presentations on various topics/industries

Instructions: See section Final Team Projects in evaluation section

Professor’s Biography

Alejandro Lago is Associate Professor in the Production, Technology and Operations Management Department at IESE. He holds a Ph.D. in Engineering from the University of California at Berkeley, where he was distinguished as a Gordon F. Newell Fellow. He also holds a degree in civil engineering from the Universitat Politècnica de Catalunya and has completed a Program for Management Development at IESE Business School.

Dr. Lago’s interests focus on the management of complex operations systems, both for manufacturing and services environment. Early in his career, his research focused in the optimization of large transport and distribution system, and the design and operations of logistics partnerships. Currently his research interest has gradually shifted to the design of service systems, with a focus on the studying the involvement of both suppliers and customer in the operations through the use of new technologies.

Before joining IESE, he worked as a researcher for the French Commissariat for Atomic Energy (CEA) and Institute for Transportation Studies (ITS). He has also extensive experience as a senior consultant in the area of operations and service management, having worked for large industrial and retail firms, airlines and airport authorities, and lately for banks and insurance companies, among others.

He also developed his entrepreneurship spirit, by joining a Californian start-up during the 2000 Internet bubble. And now he is a partner in some initiatives around the use of new mobile technologies.

Areas of interest

* Logistics, Supply Chain Management
* Service Operations Management
* Operations strategy