From Crisis to Sustainability: The UCN approach to Doing Business in Africa

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Abstract
This paper highlights on the UCN approach to doing business in Africa. The UCN approach offers a specialization for social entrepreneurship and also helps to create new forms of partnership between Danish businesses and local companies in the focus countries (Ghana, Kenya, Tanzania, and Uganda). The approach operates in line with international principles and guidelines for responsible business operations in a sustainable development perspective in Africa. The cardinal focus of the approach seeks to assist Danish businesses/researchers with some of the important considerations as to how investment strategies could fit into the focus countries in African working environments. Some of which include corporate governance, anti-corruption, bureaucracies of the law, the appropriate CSR/CSI methods, project/professional management, and cultural integration, gender, workers and disability rights.

Conventional Perceptions on Africa
The continent of Africa has undergone a series of partitioning. In 1850, Africa was monopolized by The French Empire, the Portuguese empire, and the Spanish empire. Subsequently in the 1914s it was dominated by Belgium, France, Germany, Portugal, Italy, Spain, and the United Kingdom. Interestingly, during these periods Ethiopia was the only independent country in Africa. Today Africa is made up of 54 countries.

Abdul Hanan – researcher on Africa, gender and international relations at Aalborg University - argues that some schools of thoughts within these periods have labeled the continent as –“Africa - the traumatized continent, - the forgotten continent, -the barbaric continent, -equals crisis, - the lost generation, - the Dark continent, - a continent on the brink, - a chronically depressed continent – a crisis of confidence”.

Furthermore, other key persons have described the continent of Africa. Niall Ferguson argues, it is a "Flounder of seemingly never ending cycle of corruption, diseases, poverty, and aid dependency". More so, a Poet Diplomat of Sierra Leon David Nicol once wrote "You are not a country, Africa, You are a concept fashioned in our minds, each to each, to hide our separate fears, to dream our separate dreams". In the view of Ali manzrui “one of the greatest ironies of modern African history is that it took European colonialism to inform Africans that they were Africans”. Abdul-Hanan further argues at a UCN workshop in Denmark that many of the justifications for these perceptions for Africa could be due to some of the following aspects, such as a high incidence of bribery and corruption, weak growth in the productive sectors, high dependency on aid, increasing debt, poor export performance, deteriorating social conditions, coup de tats and political instability, environmental degradation, institutional challenges and poor public sector management, the intersection of culture, gender and civil rights issues, and unfavorable terms of trade and high population growth.

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1 Ph.d. researcher Zakaria Lassen Abdul-Hanan’s presentation to the UCN Africa workshop 13, Feb. 2012
2 Moyo 2009.ix
3 Adibe 2009:29
4 Adibe 2009:29
Despite this rather bleak characterization of Africa, it may be common knowledge for researchers or other Africa affiliated parties (researchers, experts, and expats) that Africa is prospering, but in order to change the general conventional perceptions of Africa and make good use of the opportunities there, we need to know where to start. If one takes the United States, Argentina, China, India, New Zealand & Europe, they all fit into Africa in terms of square miles as shown in picture 1 beneath.

Figur1

Bringing in such a comparison gives one an idea of how big Africa in fact is, hence the variation of peoples within the continent.

As argued by Power, the African continent is too often stereotyped as being filled with violence and poverty. Labels such as “Africa – the dark continent” or “the barbaric continent” full of indebted countries with weak growth in the productive sector, high population growth, and unfavorable terms of trade, seem to stick to our minds, and portray the continent as a God

Africamaps.com
Power, 20th March, 2007
forsaken region with no possibilities. However, this negation does not necessarily give a clear picture of the state of Africa. Research has suggested that Africa is more than that.

**Economic Indicators**

In this paper Africa is viewed as a huge continent habited by very diverse and to some extent hospitable people, endowed with vast untapped resources (skilled, unskilled and raw materials) which requires the presence of social entrepreneurs and businesses, a continent which could be conquered trade wise (buy and sell from Africa), with a high risk but higher returns on investment.

In the words of President Obama “The time has come to focus on the good news that’s coming out of Africa, and I think Ghana continues to be a good-news story.” Obama March 6, 2012. Interestingly Ghana has been the kick start country for the UCN approach of doing business in Africa.

Perhaps it is now time to review the words of the Pan-African leader and the first president of Ghana Dr. Kwame Nkrumah, following Ghana’s independence in 1957: “We face neither East nor West. We face forward”. Economic indicators are suggesting a brighter future in some African countries, and an opportunity to redefine possibilities and business opportunities as well as dominant development paradigms.

As pointed out by Michael Klein, chief economist of the International Finance Corporation "When the history of the 21st century will be written, it may become clear that Africa today is where East Asia was in the late 1950s — just about to surprise the world". This indicates a new era is beginning for Africa, which calls for a redefinition of conventional perception, dominant development discourse, as well as new business approaches.

A recent analysis from December 2011 in the Economist suggests that six out of the world’s ten fastest growing economies are found on the African continent. Furthermore this forecast is supported by the IMF that analyzed the second highest growth rates in the world to be in Africa for the year 2010. It has further been established by the IMF that sub-Saharan Africa will grow by 5¾ percent in 2012. Today Ethiopia – known for famine and hunger – is the world’s tenth-largest producer of livestock. Nairobi – the capital of Kenya - has become the hub for companies such as Google, Microsoft, IBM, Nokia focusing on business process outsourcing (BPO) in the technological field. Ghana’s GDP is expected to rise by 9% in 2012, which contests China’s 7.5 % forecast for 2012. For quite a number of years Botswana had the fastest growing economy in the world with an annual growth rate of 9%. It has earlier been compared to the Scandinavian

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7Gadugah, March 9, 2012  
8The UCN approach is discussed under the UCN approach section in this paper  
9Klein, December 2006  
10The Economist, December 3rd, 2011  
11IMF Survey Magazine, April 23rd, 2010  
12Trasino, October 19th, 2011&Dzawu, June 22nd, 2011  
13The Economist, December 3rd, 2011  
14Hash, March 24th, 2010  
15Hawkes, 20th March, 2012  
16China Daily, March 5th, 2012  
17Maps of world, 2012
model, due to its system of subsidizing students financially while undertaking higher education—something usually seen in developed countries with established welfare systems, such as the Scandinavian ones.

In line with the above observations, it seems as Africa could be a business paradise yet to be explored. This argument may be juxtaposed by the fact that trade in Africa—sometimes with Africa—goes back several centuries. Between the 15th and 18th century, countries such as Portugal, Denmark, Great Britain and the Netherlands were shipping off slaves from the West African Gold Coast. Similarly, in East Africa, Arabs were engaged in capturing slaves to serve in harems in the Middle East. More so, Indians, Lebanese and Chinese have been present in many African countries for years supporting (critiques argue abusing) the economic foundations of the African economies. This was the case when Idi Amin of Uganda ordered the minority group of Indians to leave Uganda within 90 days on 4 August 1972, subsequently staggering the economy, which was mainly upheld by Indian-owned businesses. Today Indians have returned to Uganda in great numbers, however18.

**Chinese Presence in Africa**

Likewise, China has been fast in eying first mover advantages on the African continent, but has been criticized of pulling out resources or as argued by Hillary Clinton, United States Secretary of States “New Colonialism”19, which negates the Washington consensus20, but indeed may be beneficial for China’s soft power strategies. However, Liquin Jin, the vice President of Asian Development Bank and a former vice Minister of finance for Beijing, asserts that “*China is attracting external capital and as a balance China wants to help developing countries by financing infrastructure projects. Helping your neighbors to have a good life is no sin*”21. Similarly, Moises Naim, editor in chief of foreign policy further makes a compelling case that “*China is effectively pricing responsible and well-meaning aid organizations out of the market in the very places where they are needed most. If they continue to succeed in pushing their alternative development model, they will succeed in under writing a world that is more corrupt, chaotic and authoritarian*”22. Contrary to this view some schools of thought have claimed that if China pulls out of Africa, it may be argued that nothing is left behind for Africa and its peoples. This form of business paradigm is what the proposed paper seeks to address with the UCN approach.

Indeed, trading with or in Africa is nothing new, but arguably trading with Africa on equal terms is new, a scenario that allows mutual benefit and a win-win economic cooperation and trade relations designed to reduce poverty. This is the crux of the matter of what I have referred to in this paper as “The UCN approach”, which will be further elaborated on in the section entitled the UCN approach.

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18 M.R. Narayan Swamy, November 26th, 2007 on Indian Muslim News and Information
19 Junbo, sept. 14th, 2011
20 The Washington Consensus is a set of economic policies designed in 1989 by institutions in Washington D.C. to help developing countries. The institutions include the IMF and the World Bank. The term was coined by John Williamson.
21 Perlez, Sept 18, 2006
22 Xing, 2010: 71
Key Business Challenges

Surely, any company exploring new and high risk markets must be ready for hard work to earn the returns on investment. However, most western businesses and executives with experience from African countries argue that there are further challenges when dealing with these markets. In a report from 2009 published by ACCENTURE, some challenges are outlined: skilled labour, understanding local consumers, finding the right physical resources, regulatory requirements and accessing capital. In compliance, it should also be assessed how politically stable the country is, the corruption levels and how to respond to it, the cultural issues, such as how to handle officialdom, in which many of the challenges are embedded, as well as the logistical and infrastructural challenges there will be.

Usually, these assessments are preliminarily analyzed when a company screens a new market. However, the data collection, statistics, and research of African markets are few if not missing, and moreover the validity of the existing data may be questionable. In many cases data collection has been carried out by development organizations with governments as partners or contesters. In a research carried out by the UN Aids in Botswana in 2009 on the level of HIV/AIDS in the country, it was found that 23.8 - 25.8 % of the workforce is infected. However, according to the Botswana AIDS Impact Survey (BAIS 2008), it was estimated that 17.6% of the workforce is infected with HIV/AIDS. Subsequently, it was found in 2002 by the Report on Global Health that the HIV rate was as high as 35.8 %, suggesting not only the second highest HIV/AIDS rate in the world, but also problems with the reliability and validity of the data. Lack of or outdated information or biased statistics are hence a challenge, which means that most companies may not rely on desktop screening of a market, but would have to find other ways in evaluating the risk of an investment. The risk might be high, but on the other hand the return on the investment may be equally high, if you break the code of the business approach (es) on the African continent.

Additionally, some challenges described earlier can also constitute an opportunity. For instance, as regards infrastruce, only 18 % in Africa have access to electricity, and 58 % in the rural areas have access to water according to a UNHabitat report from 2011. Consequently, it is fundamental to expand Africa’s energy capacity in a sustainable manner. For instance many of Africa’s untapped rivers could be used for hydro-electricity, which currently only covers 7 %, and could constitute an investment possibility for foreign companies in Africa. One country pioneering within hydro energy capacity is Uganda with a 250-MW Bujagali hydroelectric power plant at Bujagali Falls, 8 km north of Lake Victoria. Moreover the service industry within telecom and tourism is growing extensively. Ethiopia is predicted by 2020 to become the sixth largest tourist destination in Africa, and has thus launched campaigns, in order to attract both business as well as leisure tourism to the country. An example of a company sighting opportunities in Ethiopia within the service

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23 Accenture, 2009: 4-5
24 UNAIDS, Botswana, 2009
25 CENTRAL STATISTICS OFFICE, Botswana, May 2009
26 Barnett et.al, UNAIDS, 2002
27 Jerome, 2011: 20
28 Davenport, November 30th, 2007
29 Ibid.
30 Ruth Oluronbi , 19th March, 2012
sector is the Radisson Emerald Hotel with an investment of DKK 224.9. Currently, Africa attracts 6% of the overall world tourism annually. There is room for further opportunities.

Vis-à-vis investment opportunities in Africa, the need of exploring “the business on equal terms” approach is necessary. It was argued earlier in this paper that business in Africa is nothing new, whereas business on equal terms is new. However, it can be discussed how you do business on equal terms, and whether this may be obtainable. A need to evaluate business strategies and find new approaches for Africa is impeding, if companies are to ride the waves of growth successfully in Africa.

When evaluating the challenges mentioned above, it may be tempting from a company point of view to give up before starting. However, there are quite good examples of companies doing well in Africa, and the opportunities are many.

**Current Danish Investment in Africa**

If we look at the business climate in Africa, there are several opportunities to have returns on investment, but some sectors may be more profitable than others. Within the raw material and oil industry, especially in Ghana and Nigeria, there is a potential for supplying the industry, which the Danish company COMAN is doing by Port terminal / Container handling with an investment of DKK 304.2. More so, opportunities within agriculture, forestry and fish farming are many, since 60 percent of global uncultivated arable land is located in Africa.

**The West African Fish Case**

One example testifying to this is the case of a Ghanaian-Danish owned aqua-cultural company West African Fish (WAF), which is farming Tilapia fish to the Ghanaian market, where there is a high demand of buying quality fish. As part of their business strategy, WAF focuses on having a well-managed production as well as state of the art recirculation technology. WAF’s strength seems to lie in the ability of “doing the right thing”, and having a “healthy turnover”. “Environmental issues, concerns on sustainability and efforts to make the best possible conditions for our employees are hence WAF’s business principles.” Some of WAF’s corporate social responsibility activities include building a school to the local community, rebuilding the market place, building a well, which provides the whole area with clean water. For this reason the loyalty of the staff from the local area seems to strengthen creating a sustainable business for WAF, as

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31 Source: Morten Christiansen, Department Director, IFU (A self-governing investment fund in Denmark) at a seminar at UCN 9-04-2012

32 Source: Morten Christiansen, Department Director, IFU (A self-governing investment fund in Denmark) at a seminar at UCN 9-04-2012

33 Source: Mogen Mathiasen, Chairman of the Board for West African Fish Ltd.


35 Ibid.

36 Ibid.
well as for the Ghanaians. Arguably WAF’s strategy seems to enhance a model of doing business on equal terms.

It may be contested whether it is necessary to implement CSR approaches into a company’s strategy, but it can be argued that in order to create a sustainable business in an environment with impeding challenges such as poverty, calls for businesses to partake in alleviating imbalances in society and taking on a providing role, which according to a functionalist view (see e.g. Hofstede\(^{37}\)) seems to be culturally expected in many collectivistic cultures. Taking up such challenges might be beneficial to the company’s profit turnover, which means that businesses could thrive to perform better and at the same time undertake corporate social responsibility.

A further point to be discussed is then whether companies in this way are taking responsibility for (or taking over) what is now called the aid industry. Could the model be a sustainable development strategy? Furthermore, Dr. Wayne Visser argues that in an African context, strategic philanthropic responsibilities are key, and companies establishing themselves in Africa need to think of how they can benefit the community in which they are located\(^{38}\). Thus, CSR benefits the bottom-line and should not necessarily be viewed as an additional cost.

The Fan Milk Case

Another company, which is well known by West African consumers, is the African-Danish owned diary Company-Fan Milk. Their entry into the African markets was based on the assumption that poor people also constitute a market, if there are enough of them – an idea usually referred to as selling to the “bottom of the pyramid” (BOP).

For this reason, the phrase “Bottom of the Pyramid” (BOP) needs some attention. The term was first coined by Roosevelt in 1938, and later used by C.K. Prahalad – an Indian economist and professor - arguing that the poor has been overlooked as a market segment, and hence been overlooked by businesses\(^{39}\). The BOP is the largest but poorest socio-economic group of 4 billion people living on less than $ 2.5 a day – the future middle class with an increasing purchasing power. In his view companies - together with civil society organizations and local governments – should form partnerships to create new business models, and hence alternate sustainable business approaches for the BOP markets. In this way, it calls for new innovative business models and research in order to serve the BOP markets. What is more, it supports the argument of businesses contributing to a possible alternative to the current aid system, giving people a somehow stronger sense of ownership, as well as empowering people to move out of poverty benefitting both the aid/development industry as well as the business industry. On the other hand it may be a dicey issue to leave it in the hands of businesses to “rule and divide” on what is beneficial for “customers” and Prahalad’s argument of creating a threshold with NGOs and local government then seem plausible.

\(^{37}\)Hofstede, Geert: http://geert-hofstede.com

\(^{38}\)Visser, October 20\(^{th}\), 2011

\(^{39}\)Prahalad, 2004: 29 - Source: "The Fortune at the Bottom of the Pyramid - Eradicating poverty through profits"
One company that has served the BOP in perhaps a sustainable manner is the Danish owned West African diary company called FanMilk. FanMilk sells ice-cream and yoghurt to the BoP markets in 7 African countries. The company employs 1,400 people and engages approximately 25,000 street vendors\(^\text{40}\). The products have been fortified with vitamins to enhance the health of the population at the same time, and the company engages in several CSR activities. Its success dwells on its ability to “do good” taking over what development institutions have former engaged in. In other words they do well via their ability to do good. Just like WAF it seems like FANMILK has broken the code of doing business in Africa on terms that may lead to an approach that are characterized by greater equality.

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**The UCN Approach/Business Strategy in Africa**

In Denmark, the University College of Northern Denmark (UCN) and its core partners\(^\text{41}\) have developed a business strategy, which is part of a Danish educational development policy facility for linking university education, research and business in sustainable development in Africa. The University College of Northern Denmark has introduced a Bachelor degree program: a specialization on “Business in Africa”, with an initial focus on Ghana, Tanzania, Uganda and Kenya. This specialization seeks to expose Danish students as well as business partners to business research and the working environments in the focus countries in Africa through a 3-6 month internship with reputable companies. Naturally, all ethical principles of anonymity will be strictly observed by placed students. The idea is also to increase the competencies and educational levels of company staff by adding these competences to the newly graduated students choosing to specialize within these markets enhancing the “spill-over effect” within the company. The UCN approach further seeks to assist business with some of the important consideration as to how their investment strategies fit into the focus countries in African working environments. Some of these considerations include corporate governance, anti-corruption, bureaucracies of the law, the appropriate CSR/CSI methods, project/professional management, and Cultural integration, gender, workers and disability rights, close collaboration with the Danish/African business community, just to mention a few.

Since the commencement of the bachelor specialization in 2011 (The UCN approach) to offer a unique advice to businesses investing in the focus countries, several Danish companies have worked together with UCN students to undertake preliminary studies of those countries in Africa as a new market. In order for UCN and its business partners to address some of the challenges in finding the right strategies to enter the African markets, various approaches have been discussed and analyzed as mentioned above. It has been denied that the main objective to enter a new market would be to make profits - be it selling to the African consumers, exporting/importing or outsourcing parts of the production. However, after a number of workshops, seminars and project presentations with key experts having dealt with business in Africa for many years, it seems as if the crux of the matter lies within doing business and contributing to the surrounding societies as well. Arguably, doing business in Africa involves aspects of “ethical responsibility” or in business

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\(^{40}\) FanMilk’s website: http://www.fanmilk.com/index.php?id=85

\(^{41}\) UCN’s partners include: Dansk Industri-DI, Industrialiseringsfonden for Udviklingslande -IFU and Væksthuset Nordjylland
terms implementing cooperate social responsibility (CSR). This brings us back to the “doing business on equal terms” approach.

The GuideLines Company
One of the beneficiaries of the UCN approach is the Danish company GuideLines – specializing in products to enhance road safety, such as road marking and signs. In this case UCN students also analyzed the business strategy, and found that CSR activities seem to be imperative, in order to have a sustainable business in Africa. Some of their findings for GuideLines include:

- GuideLines could support the combat against HIV/AIDS by contributing to education of the local community, and providing free condoms for all employees
- Provide housing opportunities for employees living far away.
- Provide basic medical care for all employees
- Educate employees, also in other areas than their jobs
- Keep both the short- and long-term focus on all the CSR tasks and be willing to expand and develop the engagement of employees
- Support road safety programs by providing reflexes for children

Other Company Cases
Furthermore, some companies in the food processing industry in Denmark have also explored the UCN approach. In this regard, UCN students were engaged in the following:

- Identifying the significance of cultural relations and how Danish companies could integrate this in the process of being active in the Ghanaian market?
- The availability of the necessary infrastructure?
- What does it take to run a business in Ghana and the associated challenges?
- How big a role will corruption play?
- Importance of local network in public and non-public organizations?
- What types of industries are successful in Ghana, and what are their characteristics. Could Danish companies take advantage of this and how?

Conclusion
Given the above insights into the UCN approach, the paper concludes that the model does not only strengthen the UCN approach for a close collaboration with Danish/African business communities. What is more, it increased the formation of business networks and knowledge/technology transfer, but has also evoked strong interest amongst researchers for further research within the UCN approach of doing business vis-à-vis reinventing sustainable business models for the focus countries. However, the biggest challenge the approach seem to face is the slow rate of intersection of culture, gender and civil/disability rights issues of the focus countries into the business on equal terms paradigm, and there thus seems to be a need for further exploration of the intersection of these issues.

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42 Due to confidentiality issues names have been withheld
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