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Not “Business as Usual”

Starting a business in South Africa is not quite the same as in Canada.

Ke-Jia Chong, Features Editor

The past twelve years in post-apartheid South Africa has been twelve years of tremendous economic growth, foreign investment and global competition.

But for those who seek to do business in a country holding one quarter of its continent’s GDP, one must understand the extent the country’s political history has shaped its current business practices and cultural diversity.

One of the crucial elements of South African business is Black Economic Empowerment (BEE). This government mandate empowers local disadvantaged people, especially black women, who were excluded from the economic stream during the apartheid era. Companies must have a certain percentage of blacks in its workforce and a certain percentage of company share ownership held by locals.

Sourcing any capital or funds from local investors requires a strong BEE rating. David Mutombo, an MBA exchange student from the Wits Graduate School of Business Administration in Johannesburg gives an example: “When you approach a bank, they will ask you, ‘What is your Black Economic Empowerment score rate?’”

“It’s critical. It’s fundamental,” Mutombo says. “Otherwise, you’re not going to succeed in doing business in South Africa. You will not get any contracts.”

With his background in wastewater engineering, Mutombo has had extensive international business experience. He explains one of his greatest career achievements was winning his first contract bid against competitive global players from France and Sweden for the creation of an Algerian water treatment plant. When he was senior engineer, data faxes were sent from Latin American and European international clients.

The international media, however, has created an image of violence and crime blanketing the entire country of South Africa.

“If you listen to CNN for example, South Africa’s crime is portrayed,” Mutombo says. “But when you have crime in New York or crime in London, it’s played down.”

The media’s portrayal of South Africa ironically limits the potential tourism gains the country needs to improve its economy and unemployment rate.

“We don’t deny that there is crime in South Africa,” Mutombo says. “But it is mostly linked to the level of unemployment. And that’s because of the past history of the country.” Mutombo also explains that apartheid eliminated the possibility of a proper education for many in the black community.

The resulting high level of unemployment, however, does pose a concern for some businesses. Mutombo simply suggests taking some caution: “Crime is an element you need to build into the equation when you are planning to do business locally.”

Irene Norgah, a full-time MBA exchange student from Wits, recognizes the extent that the media’s image has affected South Africa internally. Upon moving to South Africa, she was urged to find a “Cluster” home. This type of housing has a communal security system between five walled-in houses, equipped with a security guard, alarm system and main gate.

“It’s a mindset,” Norgah explains. “If you come to South Africa, be security conscious. But there’s no cause for alarm. I’ve lived there for two years now, and I haven’t seen any of the atrocities that I imagined.”

There are also physical remains of apartheid, which are now outdated signs on malls and churches forbidding blacks from entering. “On those buildings you have things like ‘Right of Entry Reserved’,” says Norgah. “They’re still there—my friends and I joke about it.”

Apart from understanding political history, starting a business in South Africa requires an awareness of the cultural nuances of South Africa. For example, most taxis are not equipped with taxi-metres. Instead, a price must be negotiated with the driver before accepting the ride.

Frequent socials called Braais are imbedded within South African culture. These are barbeque-like gatherings with friends or coworkers, where both guests and host bring their own meat and tend to the grilling on the Braai. Many South African homes are even equipped with a built-in Braai on the patio.

South Africa is in a transition period, and like any developing country, there are both economic risks and opportunities. Industries such as mining, manufacturing, and real estate are driving forward the economy. Retail is booming with the rising number of individuals moving from working-class to middle-class. Infrastructure is growing in anticipation for the 2010 World Cup. South Africa will be an emerging player in the global community and is opening its doors as the gateway to Africa.

David Mutombo is completing his final year of his MBA, has a Masters in Wastewater Engineering, and currently works for the world-renowned Bhpbilliton mining company.

Irene Norgah is completing her final year of the MBA and has a background in Biological Science.