African Companies' Quest for Competitive Advantage: Insights from a Survey of the Congolese Elite

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Abstract

This paper identifies a few challenges and opportunities for African companies based on a survey conducted with the Congolese elite. The findings of the study provide insights into the actions needed to effectively manage African organizations. At the macro level, the Congolese agree that both institutional support and economic integration are important in facilitating the management of companies. But they are neutral about government interference in business. At the micro level, the Congolese elite agrees with the necessity to put aside personal relationships when managing human resources. However, they are neutral about the contribution of multinationals to the success of African companies. Interestingly also, Congolese are opposed to bringing expatriates as a means for transferring skills and knowledge to local employees. Finally, the opinions of the Congolese elite are not significantly affected by the place of residence (locals versus diaspora), the level of education, and the type of employment.

Keywords: Competitive advantage, globalization, managing African companies

1. Introduction

This paper is part of a broader research project that examines the ability of African companies to achieve a competitive advantage in the global marketplace. The purpose of this particular study is to present preliminary results of a survey conducted to gather the views of the Congolese elite on the type of actions needed to enhance African companies' competitiveness through good management. It is our hope that the results will provide meaningful insights into the nature of opportunities and challenges for African businesses as they compete with much stronger rivals from other parts of the world.

2. Globalization and Competitive Advantage

The global competitive landscape is characterized by a more integrated and interdependent world economy (e.g. Hill, 2012; Hitt, Ireland, & Hoskisson, 2013; Spulber, 2007). As barriers to the free flow of goods, services and capital have been declining, and technologies have been changing at an accelerated pace, distinctly separate national markets are merging into one global marketplace (Hill, 2012; Lopez-Claros, 2007). Increasingly also, companies are buying, making or distributing goods and services in various locations around the world, either to seize opportunities (consumers, raw materials, capital), or to achieve competitive advantage that they are unable to create in their domestic markets. As a result of globalization, world class corporations from several parts of the globe have emerged.

The business environment is dominated by companies from advanced economies. Every year, Fortune magazine publishes the list of 500 largest, and arguably most competitive, firms in the world (Global 500). The United States has the highest number of companies on the list (See Table 1). Japan, France, Germany, the United Kingdom, and some other advanced economies are also well represented.

However, the number of companies from emerging economies has been increasing. In particular, China had 89 companies on the 2013 list. This is unprecedented because just 13 years ago (in 2000), there were only 12 Chinese firms among the 500 largest companies in the world, well behind several advanced economies.

Since then, China has surpassed all European economies and Japan to be ranked by Fortune magazine as the country with the second highest number of firms on the list. After becoming the second biggest economy behind the United States, China is now showing the competitive strength of its companies on the global stage.

It is remarkable that there is not a single company from the whole continent of Africa on Fortune's Global 500. Although most African nations are low income economies, experts have been pointing to the fact that Africa was becoming the new Asia (Guo, 2010). Also, a surge in the size of the middle class in Africa's most robust economies (Majahan, 2009) should drive consumption of goods and services (Kharas, 2010; Murphy, Schleifer, & Vishny, 1989; Schor, 1999). A powerful consumption would in turn attract more investments from local companies (and of course also from multinationals). Unfortunately however, African companies have not yet risen to the point of becoming major players in the world marketplace.

The absence of African companies among the world major contenders raises two main questions. The first is why African companies have so far failed to pose a meaningful threat to firms from the rest of the world. The second question is related to the types of strategies that are needed to enhance African companies' ability to achieve a global competitive advantage. In an attempt to provide some answers to these questions, the principal investigator for this research conducted a survey of the Congolese elite. The Congolese elite is defined in terms of either the level of education (from the first college degree to a doctorate), and/or the type of employment (teachers, entrepreneurs, company executives, and government officials).

3. Methodology

The data for which the results are reported in this research was collected between 2010 and 2013, and the respondents were Congolese living in both DR Congo and Western countries. The methodology section includes sampling, identification of determinants of good management of African companies, and statistical techniques used to summarize the findings of the survey.

3.1. Sampling

A survey questionnaire was given to 303 respondents randomly selected. As mentioned earlier in the paper, a Congolese was seen as an elite based on the level of education and/or the type of employment. The distribution of respondents by level of education and by employment was as follows. Of the 303 in the sample, 44 had an associate degree (the first college degree), 154 (50.8%) had a bachelor's, 38 and 15 completed a post graduate degree (respectively a master's and a doctorate). The remaining 52 did not specify their education level (it is likely that most of these had no college degree, but were part of the elite because of their employment).

As far as employment, the sample included 46 teachers, 16 entrepreneurs, 106 company executives (the largest segment in the sample), and 48 government officials. For some reason, 87 respondents did not specify their employment, perhaps because either they were students or their occupation did not match any of the employment categories listed in the survey).

The Congolese elite was divided into two groups, Congolese living in DR Congo (locals), and Congolese living outside their country of origin (diaspora). The reason for such distinction was because it is conceivable that Congolese living in the diaspora may have a different prospective to issues as they have been living in Western countries that are home to several globally competitive companies. The Congolese that responded to the questionnaire included 181 locals and 122 members of the diaspora. Most locals resided in the capital city of Kinshasa. The members of the Congolese diaspora were living in Western Europe (Belgium, France, Germany and the United Kingdom) and North America (Canada and the United States).

3.2. Determinants of Effective Management of African Companies

To strengthen the competitiveness of a company, sound managerial capabilities (i.e. how to effectively manage a company) are necessary. Managing a company is a multi-factor phenomenon. A number of researchers have suggested the factors that were relevant when running organizations in Africa (e.g. Blunt & Jones, 1992) Based on a model proposed in a previous paper (see Mpoyi, Festervand, & Sokoya, 2006), this study suggests that to build competitive advantage through an effective management of African companies, a comprehensive framework should be comprised of both macro factors and micro factors (see Table 2).

Macro factors include institutional arrangements in support of companies, government interference in business, and economic integration. Micro factors are related to companies' competencies, attitudes toward managing human resources, and companies' involvement in the value chains of multinationals' activities. Each macro factor has three indicators, and each micro factor is divided into four indicators. So this paper proposes a multi-factor framework with 21 indicators.

3.3. Statistics

Two statistics are presented to interpret the meaning of the answers from the survey. For each question, the respondents were asked to provide their opinion by choosing a score on a scale of 1 to 5 as follows: 1 (totally disagree), 2 (disagree), 3 (neutral), 4 (agree), and 5 (totally agree). To determine how most Congolese responded, the first obvious statistic was the mean score. In addition, chi square was used to evaluate the relationships between independent variables (respondents' educational level, employment, and residency), and dependent variables (factors of good management of African companies). The results and other relevant data are presented in tables that can be found toward the end of the paper.

4. Congolese Views about Managing African Companies

Although the interpretation of the meaning of scores can be debated, this paper suggests that an average score (i.e. the mean) that is between 2.5 and 3.5 indicates that Congolese are neutral (neither disagreed nor agreed). A mean above 3.5 says that respondents agree, and a mean below 2.5 reflects a disagreement expressed by the elite. The discussion will be broken down into two parts, the views about macro factors, and those related to micro factors.

4.1. The Impact of Macro Factors on Companies' Ability to Achieve Competitive Advantage

The opinions of the Congolese elite on questions related to macro factors are revealing. The respondents agree that for the sake of good governance of organizations, sound institutions (a stable government, a democratic system, and a free market economy) are needed if Congolese companies are to start building their competitive strength. Using chi-squares (see Tables 5 & 6), it is clear that this opinion is shared regardless of type of employment and the place of residence. The only exception is the level of education which affects how Congolese feel about the need for having credible governmental institutions.

The Congolese see economic integration as important in supporting companies in their efforts to enhance global competitiveness. All three levels of economic integration (Congo's provinces, central African nations, and Sub-Saharan Africa), are favoured by the Congolese. The results from Chi-square tests also suggest that these opinions are about the same across both types of employment and the place of residence (either in Congo or abroad). Based on chi-square tests, the level of education has a slight impact on how the need for integration is perceived.

Their views about the interference of the government in the economy are mostly neutral. Besides private property rights that are thought to deserve government protection, the Congolese do not show strong support for either privatization of state-owned companies or less government intervention in business activities. Interestingly, both the locals and the diaspora feel the same about government interference in the economy. The fact that the diaspora has been living in the West does not change the belief held by locals that the government has a major role to play in the economy. This opinion is also the same regardless of the level of education and the type of employment. As is explained below, the strong support the Congolese elite has for good institutions is not similarly reflected in their views about micro factors.

4.2. The Impact of Micro Factors on Companies' Ability to Achieve Competitive Advantage

What stands out is the lack of support the Congolese have about the need for local companies in Congo to build competitive strength through ties with multinationals (MNEs). On all four indicators of MNEs' role in local firms' success, the respondents are neutral regardless of their employment and their country of residence. It is well known that foreign direct investments contribute to the transfer of managerial and technological knowhow to emerging economies. Therefore, the fact that Congolese do not highly regard the role foreign direct investments can have in advancing the competitiveness of companies in their country is puzzling.

Subsequent conversations with a few Congolese may have provided some clues. In general, the respondents the principal investigator talked to consider multinationals to be only after their interests, without any concern for the development of host countries and local businesses.

Nonetheless, for two of the four indicators (performing locally some activities for MNEs, and supplying inputs to MNEs), responses are different depending on the type of employment or the place of residence (see Table 7).

While the Congolese agree that managing human resources has to be driven by qualifications and individual performance (all means were above 3.5), they send mixed messages about how companies should acquire and/or develop competencies. For instance, they agree that firms need to focus on competencies that use local expertise and should devote enough resources towards training programs for employees. However, they are neutral about whether it is worth for firms to focus their operations on activities that use qualified locals. Even more important, they disagree with hiring skilled expatriates who can then transfer competencies to Congolese employees. There is a noticeable different between the locals and the diaspora on the issue of hiring competent expatriates. Specifically, locals are more likely to disagree with the hiring of expatriates whereas the diaspora are somewhat evenly split between those who agree and those who disagree.

5. Conclusion and Implications

This paper summarizes the main findings of a survey given to the Congolese elite about the factors that determined a good management of African companies. At the macro level, Congolese agree that stable institutions (credible government, democracy and market economic system) are important in supporting African companies in their quest for competitive advantage. They also agree that economic integration would enhance the competitive strength of African companies. They are however not so enthusiastic about privatization and less government intervention in the economy.

At the micro level, the Congolese elite are not in favour of building relationships between African firms and multinationals. Also, they are ambivalent about how companies should acquire competencies, with an evident disagreement about the contribution of expatriates to building local competencies. On a good note, they agree that managers should put in place unbiased human resources practices.

With the views about good management of companies as expressed by the Congolese elite known, it is now up to African decision makers (at the micro and macro levels) to devise appropriate strategies and policies. At the micro (organizational) level, managers tend to have more leverage over the formulation of strategies to enhance their companies' competitiveness. Actions at the macro (institutional) level pose the biggest challenge to the management of companies. It has been established that African political leaders are slow or even resistant to implement the institutional changes that are needed to support the competitiveness of companies. Until now, several African countries are still struggling with problems such as dictatorships, rampant corruption, civil unrest and ethnic violence. As political stability and good governance of African nations are a pre-condition for the emergence of competitive companies (Harman & Ouedraogo, 2011; Mpoyi, Festervand, & Sokoya, 2006), one can see how difficult it will be for African businesses to rise to the competitive level of companies from other parts of the world.

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7. Tables

Table 1: Fortune's Global 500 by Major Economies

Countries	2000		2005		2010		2013	
	# firms	%	# firms	%	# firms	%	# firms	%
Advanced economies								
United States	185	37.0	170	34.0	136	27.2	132	26.4
Japan	104	20.8	70	14.0	71	14.2	62	12.4
France	37	7.4	38	7.6	39	7.8	31	6.2
Germany	34	6.8	35	7.0	37	7.4	29	5.8
United Kingdom	35	7.0	39	7.8	29	5.8	27	5.4
Emerging economies								
China	12	2.4	20	4.0	46	9.2	89	17.8
Brazil	3	0.6	4	0.8	7	1.4	8	1.6
India	1	0.2	6	1.2	8	1.6	8	1.6
Russia	2	0.4	5	1.0	6	1.2	7	1.4
Mexico	2	0.4	5	1.0	2	0.4	3	0.6
All other economies	85	17.0	108	21.6	119	23.8	104	20.8
TOTAL WORLD	**500**	**100.0**	**500**	**100.0**	**500**	**100.0**	**500**	**100.0**

Source: Data retrieved from: http://money.cnn.com/magazines/fortune/global500/

Table 2: Determinants of Sound Management of African Companies

Determinants	Variables
1. Institutional support to companies	X1. Establishing credible and nationally-accepted government X2. Putting in place a democratic system X3. Implementing a market economic system
2. Interference from the government	X4. Protecting property rights X5. Privatizing state-owned companies X6. Reducing government intervention in businesses
3. Economic integration	X7. Increasing economic ties among Congo's provinces X8. Promoting exchanges among central African countries X9. Working for the integration of Sub-Saharan African countries
4. Companies' competencies	Y1. Focusing on competencies that use local expertise Y2. Devoting enough resources towards employee training Y3. Focusing on activities that use qualified locals Y4. Hiring competent expatriates
5. Human resources management	Y5. Ignoring family ties when managing human resources Y6. Hiring employees based on qualifications Y7. Establishing evaluation systems based on results Y8. Designing reward systems based on individual performance
6. MNEs' role in local firms' success	Y9. Performing locally some activities for multinationals Y10. Supplying inputs to multinationals Y11. Being local partners of multinationals Y12. Contributing to multinationals' success in the country

Table 3: Respondents' Demographics

Variables	Choices for each factor
Z1. Education level	1. Associate degree 2. bachelor's degree 3. Master's degree 4. Doctorate degree 5. Other
Z2. Type of employment	1. Teacher (at any level) 2. Entrepreneur/business person 3. Company executive/manager 4. Government official/employee 5. Other
Z3. Type of residency	1. Local 2. Diaspora

Table 4: Frequencies and Means for Key Determinants

Variables	1	2	3	4	5	Mean
X1	4	3	13	112	171	4.46
X2	5	4	23	110	161	4.38
X3	5	11	63	146	78	3.93
X4	4	12	38	119	130	4.18
X5	49	71	69	70	44	2.96
X6	27	64	70	85	57	3.27
X7	3	6	26	119	149	4.34
X8	13	5	46	145	94	4.00
X9	16	15	67	111	88	3.81
Y1	11	13	36	118	125	4.10
Y2	1	3	13	134	152	4.43
Y3	26	73	73	77	54	3.20
Y4	85	94	65	37	22	2.40
Y5	14	15	34	108	132	4.09
Y6	2	5	9	94	193	4.55
Y7	7	2	17	133	144	4.34
Y8	11	37	57	109	89	3.75
Y9	54	63	101	69	16	2.77
Y10	43	73	92	80	15	2.84
Y11	17	33	84	129	40	3.47
Y12	58	70	80	77	18	2.76
Z1	44	154	38	15	52	N/A
Z2	46	16	106	48	87	N/A
Z3	181	122	N/A	N/A	N/A	N/A

Table 5: Results of Chi-Square Tests

Variables	Demographics		
	Z1	Z2	Z3
X1	27.778 (p=.034)	14.068 (p=.594)	5.351 (p=.253)
X2	24.341 (p=.082)	8.821 (p=.921)	4.165 (p=.384)
X3	5.015 (p=.996)	18.707 (p=.284)	7.552 (p=.109)
X4	11.313 (p=.790)	6.185 (p=.986)	6.386 (p=.172)
X5	10.678 (p=.829)	10.390 (p=.845)	2.682 (p=.612)
X6	11.649 (p=.768)	17.792 (p=.336)	8.059 (p=.089)
X7	20.988 (p=.179)	18.368 (p=.303)	3.194 (p=.526)
X8	25.995 (p=.054)	18.886 (p=.275)	4.626 (p=.328)
X9	25.919 (p=.055)	19.655 (p=.236)	3.197 (p=.525)
Y1	29.245 (p=.022)	21.974 (p=.144)	13.703 (p=.008)
Y2	28.589 (p=.027)	19.504 (p=.243)	8.298 (p=.081)
Y3	26.539 (p=.047)	16.576 (p=.414)	4.781 (p=.311)
Y4	11.353 (p=.787)	10.598 (p=.834)	22.118 (p=.000)
Y5	27.762 (p=.034)	13.294 (p=.651)	8.904 (p=.064)
Y6	24.494 (p=.079)	16.980 (p=.387)	7.051 (p=.133)
Y7	25.820 (p=.057)	15.918 (p=.459)	2.461 (p=.652)
Y8	25.763 (p=.057)	19.604 (p=.239)	9.189 (p=.057)
Y9	22.051 (p=.142)	28.220 (p=.030)	11.507 (p=.021)
Y10	17.085 (p=.380)	47.054 (p=.000)	12.442 (p=.014)
Y11	17.429 (p=.358)	7.586 (p=.960)	5.621 (p=.229)
Y12	11.332 (p=.789)	17.802 (p=.336)	15.064 (p=.005)

Table 6: The Views of Congolese on Good Management of Companies

Macro factors	Questions	Responses
1. Institutional support to companies	Establishing credible and nationally-accepted government	Agreed
	Putting in place a democratic system	Agreed
	Implementing a market economic system	Agreed
2. Interference from the government	Protecting property rights	Agreed
	Privatizing state-owned companies	Neutral
	Reducing government intervention in businesses	Neutral
3. Economic integration	Increasing economic ties among Congo's provinces	Agreed
	Facilitating exchanges among central African countries	Agreed
	Promoting the integration of Sub-Saharan African nations	Agreed
Micro factors	**Questions**	**Responses**
1. Companies' competencies	Focusing on competencies that use local expertise	Agreed
	Devoting enough resources towards employee training	Agreed
	Focusing on activities that use qualified locals	Neutral
	Hiring competent expatriates	Disagreed
2. Human resources management	Ignoring family ties when managing human resources	Agreed
	Hiring employees based on qualifications	Agreed
	Establishing evaluation systems based on results	Agreed
	Designing reward systems based on individual merit	Agreed
3. MNEs' role in local firms' success	Performing locally some activities for multinationals	Neutral
	Supplying inputs to multinationals	Neutral
	Being local partners of multinationals	Neutral
	Contributing to multinationals' success in the country	Neutral

Table 7: The Impact of Demographic Factors on Views of Congolese

General factors	Education level	Employment type	Residency
1. Institutional support to companies	Minor impact	No impact	No impact
2. Interference from the government	No impact	No impact	No impact
3. Economic integration	Minor impact	No impact	No impact
Organizational factors	**Education level**	**Employment type**	**Residency**
1. Companies' competencies	Major impact	No impact	Moderate impact
2. Human resources management	Moderate impact	No impact	No impact
3. MNEs' role in local firms' success	No impact	Moderate impact	Major impact