

# **South African Entrepreneurs looking Global South: Another Bric in the Wall?**

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## **1. Introduction: The BRICs shine a light on South Africa**

South Africa's recent strengthening of economic ties with China, India and Brazil seems to legitimate President Zuma's call for Indian and Chinese investments and the last year's growing claims of the South African Government to join the group of BRIC economies (Brazil, Russia, India and China) expanding it to BRICS. South Africa as a powerful player on the continent already performed as a successful host of the World Cup 2010. Now again, less than one year later, South African experts have strong reasons to clearly note that a membership in BRICs carries symbolic significance as an acknowledgement of the country's role in Africa and on the global stage" (SALLA, March 2011). Miller Matola, CEO of the International Marketing Council underlined another substantial point on 10 May: "This helps us as a brand. What it says to the world is, consider us a serious economic player."<sup>1</sup>

It seems that out of that special significance, the vexed issue of BRIC's courtship of Africa spilt buckets of ink every day. Hence very recently strong questions like "Is South Africa a Bric?" or "What challenges and opportunities exist for South Africa?" emerge. Clearly the discourse has concentrated on macroeconomic elements – and from a macro perspective "the BRIC 'club' is not where South Africa belongs". South Africa does not 'measure up' in terms of economic size, trade levels, performance and its small population of just under 50 Million (Sandrey 2011:2).

Similarly, latest divergent sentiments were expressed at the third BRICS<sup>2</sup> Leaders Meeting in China in April by South African Ambassador Bheki Langa: "It goes without saying" that South Africa is uniquely placed to bring the African perspective to the BRICS forum, like other global ones in which it participates, "since our foreign policy priority is the African continent". Indeed, as the largest developing country investor in African countries and with an economy accounting for 18% of the continent's gross domestic product (GDP) and 27% of Sub-Saharan Africa's GDP South Africa can pass important attributes to the BRICS (Stevens & Freemantle 2010). Being "a good gateway for the other BRIC countries to the continent of Africa" – "the next growth superstar" - the ambassador links to "the advantages of being part of the exploding African economic growth".<sup>3</sup>

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<sup>1</sup> [http://www.medioclubsouthafrica.com/index.php?option=com\\_content&view=article&id=2349:brics-boost-to-brand-south-africa&catid=45:economynews&Itemid=114#ixzz1MahtJMzU](http://www.medioclubsouthafrica.com/index.php?option=com_content&view=article&id=2349:brics-boost-to-brand-south-africa&catid=45:economynews&Itemid=114#ixzz1MahtJMzU)

<sup>2</sup> BRICS as official term now including South Africa as a member

<sup>3</sup> Ambassador Langa in April 2011: "We speak for Africa as a whole. We bring the most diversified and most advanced economy on the continent. We may not be the same size (as the other BRICS members), but we can open up opportunities for them and through that, we can complete our economic integration on the continent," said Langa, quoting South African International Relations Minister Maite Nkoana-Mashabane.

Some economists with expertise regarding South Africa<sup>4</sup> have strong doubts about those advantages and emphasise that the country's economy might give away its greatest competitive advantage. Having best opportunities to unlock the potential of the African continent, South Africa should not 'roll out the carpet for its biggest competitors'. Indeed, BRIC countries have concentrated largely on bilateral investment in Africa that bypassed South Africa. Besides, Africa's fragmentation, even in the Southern African region, the multitude of regional trade agreements and geographical distances compounded by poor infrastructure would prevent the BRICs to rely on a 'South African gateway' (Sidiropoulos 2011). Was President Zuma's reckoning without ones host when claiming for BRIC membership?

## **2. Aim of this paper**

Certainly, at this moment one can barely estimate what South Africa as "Another Bric in the Wall" would imply for the country's own socioeconomic reality.. A perhaps more appropriate approach would be a critical view and not question the ideologies and rationales behind joining the BRIC, neither from South Africa's side nor from the side of the other members, the so called "growth markets". Firstly, it is important to separate a 'market BRICS' and a 'political BRICS' – both issues should not be confused. The 'political BRICS', which is the diplomatic initiative that functions as a high visibility platform cannot displace the 'market BRICS' since business ventures and investment is committed to companies' own decisions (Sidiropoulos 2011:8).

In order to comprehend the changing scene on the ground related to (re-)strengthened political and economic ties I do propose to look at a group of actors with the most important role to play for economic development and finally job creation in South Africa: private sector entrepreneurs<sup>5</sup>. For their operations, the African continent was and still remains the focus area.<sup>6</sup> Given the high stakes that South African private businesses have in Africa this paper intends to shed some light on current perceptions and responses of South African entrepreneurs who are confronted with BRIC's deepening footprint on the continent, including South Africa. I suggest investigating the question 'BRIC+S in Africa – Partner or competitor?' from the perspective of South African entrepreneurs since it is on them to manage uncertainty and develop strategies for competitiveness. Another reason for choosing their perspective is the need to overcome general assumptions of BRIC as uniform bloc<sup>7</sup> with similar strategies and, i.e. assumptions of a homogenous 'China' in contrast to a homogenous 'Africa' (Kaplinsky & Morris 2009).

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<sup>4</sup> Simon Freemantle, Senior Analyst at the Standard Bank on 01 March 2011  
<http://www.saiia.org.za/saiia-spotlight/perspectives-from-the-brics-lessons-for-south-africa.html>

<sup>5</sup> In this paper the term entrepreneur includes also corporate managers, who as intrapreneurs have a mandate from the corporate to act in an entrepreneurial way (Thome 1998, Yeung 2002)

<sup>6</sup> Interviews with experts from diverse South African Chambers and private sector entrepreneurs

<sup>7</sup> China's exports increased from 0.9% of global exports in 1980 to 9.6 % in 2009, India's increased from 0.4% to 1.3% and Brazil's from 1.0% to 1.2%, while South Africa's declined from 1.3% to 0.5% over the same period (Sandrey 2011)

The following questions can lend insights for getting an idea of what the scene on the ground is:

- A) Do South African entrepreneurs perceive the positioning of BRIC businesses in Africa as a window of opportunity or a challenge?
- B) How active is South African business in engaging with partners from BRIC economies across Africa and what are the returns to such engagements?

This paper draws on preliminary results from qualitative in-depth interviews conducted with experts and entrepreneurs in autumn 2010 and March 2011. I selected middle and large sized manufacturing exporters, in particular manufacturer of mining-and processing plants and of consumer products in the Gauteng region of Johannesburg and in Durban as a sample. Two cases will be shortly illustrated.

### **3. Flows and numbers: complex and dynamic situations**

To provide an idea of the changing economic scene the following section concentrates on trade and investment relations: BRIC-Africa (excl. South Africa), BRIC-South Africa and South Africa-Africa. One can resume broadly that:

- BRIC trade with Africa (excl. South Africa) grew tenfold since 1999 and reached US-\$ 151 billion in 2008
- BRIC trade with South Africa extended to US-\$ 28 billion in 2008
- However, markets on the African continent matter progressively for South Africa in absolute and relative terms.

#### BRIC- Africa flows

Generally speaking, the investment attractiveness of African economies and the potentials for the development of manufacturing sectors is high. However, at the moment manufacturing imports as a share of total imports is generally high. This comes along with an over-reliance on exports of raw material as opposed to processing them locally prior to exporting or consuming it with low levels of processing and value-adding (Gibbon and Ponte 2005).

Looking at Africa, China's exports have grown tremendously by an annual average of 39.1% in the last decade. While Chinese exports realized US\$ 55.9 billion in 2008 trade between China and Africa jumped by 65% in the first half of 2010, reaching US\$ 61.2 billion. More than 1,600 Chinese businesses are investing in Africa in the mining, processing, commerce, agriculture, construction and manufacturing sectors (Stevens & Freemantle 2010:3; CCS, October 2010).

The annual growth average of Indian exports to Africa was 21.2% in the last decade, reaching US\$ 23.2 billion in 2008. Brazil followed with an average of 19.4% export growth annually, reaching US\$ 16.6 billion. Russia started from a low base with an average of 25.8% reaching US\$ 6.3 billion. (Stevens & Freemantle 2010:2)

### South Africa's engagements with BRIC

South Africa was claiming acceptance as a member of the BRIC block of nations expanding it to BRICS while the Government had pronounced a strong preference for strengthening “South-South” partnerships in its international trade relations, specifically ‘looking East’ (Sandrey et al. 2009 & 2010).

Indeed, China has become South Africa's leading trade partner already in 2009 (CCS, Feb. 2010; tralac 2010) with an export growth of 53.9% for the first half of 2009 (DTI 2010). In 2009, South Africa advanced as the second largest African trade partner for China after Angola (tralac 2010). According to Chinese statistics, trade between the two countries reached US-\$10.8 billion in value in the first half of 2010, an increase of 56.1% compared to the same period in 2009, as China's economy overcame global economic woes (Reuters 24.08.2010).

South Africa and India are targeting bilateral trade of US-\$10-billion by 2012 and of US-\$ 25-billion by 2015, which the South African Government perceives as achievable through engaging the private sector companies in cross-border trade initiatives (Engineering News, Sept 2010).

In August 2010 President Jacob Zuma was accompanied by a 350-member business delegation to Beijing. This visit resulted in a “comprehensive strategic partnership agreement”, the first such agreement China ever signed with any other country. Generally, the focus of South Africa's Government interest lies in reducing the large trade deficit of US-\$2.2 billion with China and increasing Chinese as well as Indian investment in its manufacturing and renewable energy sectors (DTI 2010).

### BRIC's engagement in South Africa

During the last decade and increasingly in the last few years business actors from China, India and Brazil already have set their very real presence in the economic field of textiles, mining, and increasingly, infrastructure and telecommunications (Fundira et al. 2009; CCS 2008).<sup>8</sup> A growing number of large Chinese, Indian and Brazilian companies have been attracted by the market potential and the advanced infrastructure of South Africa. A bilateral engagement is visibly more amongst the Indian companies in comparison to South African companies. Financial support for venture activities aiming at an establishment in India is presently not a demand on the Banks in South Africa.<sup>9</sup>

### South African investments in Africa

The opaque flows outlined so far make it even more relevant that South African exporters were able to increase their exports into the African continent from US-\$ 3.5 billion in 1999 to US-\$ 12.5 billion in

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<sup>8</sup>The mergers and acquisitions that have been happening between the two countries are more of the corporates coming to South Africa through Joint Ventures and acquisitions. Key Indian investors included companies such as TATA, NIIT, Nalco, CIPLA, Ranbaxy, Apollo Tyres, Godrej, Genpact, Aegis, Mahindra & Mahindra, Bharati, Ashok Leyland and Aurobindo Pharmaceuticals.

South African corporates that may be attributed for foray in India are so far more of MNC or parastatal stature, e.g. SANLAM, Old Mutual, SAB Miller, ACSA, Addock Ingram and First Rand Bank (originator of FNB) and Standard Bank. Further there is Tiger Brands, the Airports Company SA, Balela Leisure, Anglo-American, Sasol and Nandos Group Holdings.

<sup>9</sup> Interview with Manager from State Bank of India, October 2010

2008. As a share of South Africa's total exports this is an increase from 13.3% in 1998 to 17.1% in 2008 (Stevens & Freemantle 2010).

#### **4. Context matters - South Africa's Minerals-Energy Complex**

Few scholars have looked at how the 'BRIC'-discourse and its ideological background fits into longer term historical patterns or considered the activities of South African corporates. From this point important questions emerge: How do historical patterns shape the positioning of South African corporates on the continent? How do historical pattern influence the emergence of entrepreneurs in South Africa today? What features are dominant in the contemporary nature of the South African economy? Do the former pave the way for business partnerships with corporates from BRIC economies? Particularly in the South African context the uncomfortable relationship of the new elite to its predecessors, now confined to the private sector and their practices is worth a strong consideration (Freund 2007: 675).

Further, the weight of what is termed the Minerals-Energy Complex (MEC) lies at the core of the economy's formation and still does influence economic activity. Overlooking the MEC as a system of accumulation, its changing character and the role of primary production for the growth of manufacturing can lead to a misguided approach (Fine & Rustonjee 1996). Thus, an analysis of South African corporates' opportunity perceptions and strategies should take into account the long-term effects of the industrialization processes between the 1930 and 1970s on firms' activities and manufacturing's failure to achieve export-led growth and the subsequent decline in investment (Feinstein 2005).

The selective shaping of South Africa's industrial development around the MEC supported few state-owned enterprises in steel and chemicals (Fine & Rustonjee 1996, Freund 2009, Roberts & Rustonjee 2009). These former infant industries, firmly embedded and grown up within the state, have been privatized under democracy. Their internationalization of operations and offshore listing in London has further extended South Africa's weakness in downstream linkages and the strong interweaving of a set of industries connected with mineral extraction (Roberts & Rustonjee 2009).

These are only bits and pieces of the complexities that influence South Africa's 'doing business' with the continent (and globally). Having in mind these structures it might be of particular interest to focus on firms being part of this set of industries but apart from the large MNCs that could emerge successfully in a small economy like the South African.

#### **5. Shortage of micro-level perspectives on entrepreneurs' "South-South" relations**

Literature highlights a critical shortage of studies that focus on African entrepreneurial perspectives on potential impacts of emerging economies on the continent (Manji & Marks 2007; McCormick 2008). Clearly dominated by the disciplines of International Relations and Political Science so far, empirical insights conducted by social or/and economic geographers or sociologists remain largely absent.

Murphy (2008) criticizes the narrow lens economic geography has on current South-South linkages and their importance. According to Mohan and Power (2008: 26) “it is also necessary to begin to understand those exchanges that are less visible at present – the commodity flows, the creation of new political and economic elites, the education partnerships and the emergence of African businesses with China.” Regarding African countries the authors are critically asserting that there is “a need for rigorous research (...) on issues of economic change and class composition (...), questions of ownership, wealth distribution, race and organised politics” (2008: 37). McCormick considers that we are still at an early stage of research when “scholars are only beginning to develop frameworks for analysis that recognise the complexity of assessing the impact of China and India on African countries” (McCormick 2008: 76). In the case of India [and Brazil] the availability of studies that deal with private sector entrepreneurs’ perspectives and experiences is even weaker than in the Chinese case (Alemayehu & Atnafu 2010: 98).

## **6. Theoretical perspectives**

### ***Perspectives on entrepreneurs, entrepreneurship and opportunities***

Definitions of what entrepreneurs might be are as diverse as the literature itself (Acs & Audretsch 2003:4; Davidsson 2004). A dominant concept of entrepreneurship focuses on emergence of new economic activity (Gartner 1989:57) and understands entrepreneurship “as the discovery, evaluation and exploitation of future goods and services (...) and the set of individuals who discover, evaluate and exploit them” (Shane’s & Eckhard’s 2003:163). This is in line with Schumpeter’s idea, that it is behaviour – “the actual activity of the entrepreneur” – that matters, not the actor [1949 (1989):264] (Swedberg 2000:17).

The central position of entrepreneurial activity and the weight of subject centred approaches in the current state of research in economic geography are obvious (Yeung 2009). Thornton and Flynn note the importance of geographical perspectives for entrepreneurship by highlighting that “research is needed that considers issues of power and status in exploring how different groups of actors construct and access their networks and purposely use networks for entrepreneurial gains” (2003: 425).

Asking *how* entrepreneurial space and its dynamics are constructed, lived and filled with meaning is believed to provide alternative insights into the current diversity of practices on the ground. This might be one element in the complex process of assessing appropriate responses to the concrete and increasing economic footprint of Asian traders and investors in the relevant fields of the South African economy.

For dealing with the questions this paper raised, I will now concentrate on entrepreneurial and corporates’ engaging with actors from BRIC. I suggest conceiving this engaging in ‘South-South’ relations as ‘practical projects’. Here I draw on the notion by Tsing (2005:8). How is engagement organized and arranged? Such question might help to understand the relation between the ambivalent and discursive framing of opportunities by South Africa’s claiming of BRIC membership and setting targets for trade and foreign investments and the concrete manifestation of these framing processes in

the economic field of South African entrepreneurs.

### ***Social geography of Entrepreneurship***

Many scholars advocate to intersect valuable concepts like entrepreneurship across disciplines (Davidsson 2008; Shane 2003; Drori et al. 2006) and to confront different approaches within economic geography (Yeung 2004; 2009; Berndt & Glückler 2006; Barnes 2006), economic sociology (Florian 2006) or sociology of markets (Fligstein 2001). By addressing economic “South-South” linkages as ‘practical projects’ for maining use of windows of locational opportunity (Berndt & Glückler 2006: 14, translated) and as spatial configurations (re)produced by entrepreneurial practices could be one approach offered to the much neglected geographies of entrepreneurship (Yeung 2009; Thornton & Flynn 2003). Consequently I conceptualize my research at the edges of different epistemological approaches oriented towards a social geography of entrepreneurship.

### ***What can a practice-oriented epistemology offer?***

The ‘practice turn in contemporary theory’ that has occurred over the last decade seems to have launched a ‘practice-oriented’ thinking within economic geography and its subdisciplines. This paper’s aim of research is motivated by an “explicit interest in stabilized, routinized, or improvised social actions that constitute and reproduce economic space” (Jones & Murphy 2011:2). Practice approaches appeal to enable explaining more efficiently sociospatial dynamics and outcomes (such as identity, performance, innovation, integration, inequality, markets) by accounting the complexities, identities, contingencies and meanings that embody all forms of economic organizations and political-economic phenomena. For the important endeavor to determine what practices matter, I draw with Jones & Murphy (2011:20) on significant impact as key criteria. Thus, the direct links of the practices under study to socioeconomic meanings or outcomes for individuals, firms or industries are to be reflected. The methodological techniques and the level of analysis require strong consideration for being reflective. Furthermore, by stressing that “practice remains a rather loose and literal idea” Jones and Murphy (2011:11) claim for “a coherent conceptualization of what practice is, and how best in can be studied”. In this respect a great challenge of “effectively conceptualizing the relationship between, on the one hand the significance and meaning of micro-social actions and, on the other, larger-order structures such as institutions, social class or culture” (2011:11) remains.

### ***How can ‘practice projects’ be approached?***

In order to clarify the relation between practice and action, between the organization of practice and the determination of action (or activity) Schatzki suggests distinguishing: (1) practices as spatially-temporally extended manifolds of actions and (2) practice as the carrying out of actions (1997:285) by agents. Secondly, “social order can be defined as *arrangements*. An arrangement is a layout of entities in which they relate and take up places with respect to one another” (e.g. people and the organisms, artifacts and things) (Schatzki 2006:43). Arrangements occur irregular or regular, stable or instable, and can encompass any possible relation among entities, thus enabling or constraining one another’s activities. Identity and meaning are functions of the relations (2006:43). The mesh of practices and material orders can be understood as a continuously “enveloping’ phenomenon”

(Schatzki 2003:197). Consequently, orders – in particular with a significance of material entities – and practices, states Schatzki, comprise ‘social sites’ (2003:1996).

The ‘social sites’ wherein the (economic) activities and arrangements from South African corporates and their BRIC counterparts ‘envelop’ and materialize are represented in markets. By applying Bourdieu’s theory of fields Fligstein (2001) is only one of the leading economic sociologists who proclaim an understanding of markets as social fields. Indeed, Bourdieu’s concept of ‘Practice’ (1992) can offer some promising tools for analysing what structures those social fields. According to Bourdieu who conceives corporates as fields within markets the distinctive positions of actors are key issues: Agent’s strategies of connecting or competing result from the “position in the field that is in the distribution of the specific capital, and in the perception that they have of the field depending on the view they take on the field as a view from a point in the field.” (Bourdieu & Wacquant 1992:101). I would further argue, that tacit knowledge for entrepreneurial opportunity recognition (Shane & Venkataraman 2000) might be strongly related to “a specific *illusio*, (...) a tacit recognition of the value of the stakes of the game and as a practical mastery of its rules” (Bourdieu & Wacquant 1992:117).

However, it is reasonable to ask for the coordination that relates both practice as the organization of activities and arrangements ordering markets. The economics of conventions (EC) school introduced by Boltanski & Thévenot [1991(2006)] might complement Bourdieu’s tools to analyse structures of fields. Conventions as common sets of principles play a role in coordinating economic activities and can link institutions to practice (Storper 1995, in Jones & Murphy 2011:8). Conventions may emerge in *conceptions of control* (Fligstein 2001: 18) understood as local understandings or local cultures that define the social structure of a given market and that provide actors with cognitive frames to interpret the actions of other organizations. Successful conceptions of control are likely to be copied for improving competitiveness.

## **7. Exploring entrepreneurial and intrapreneurial mind-sets and practices**

Taking a closer look on key agents behind this interviewing of practices and arrangements is not possible without a suitable level of analysis. Firstly, it might be difficult to fully separate the individual’s from the corporate’s activities and emerging international ventures. Literature on entrepreneurship research confirms this assumption. Particular in medium and large sized companies new business activities are team efforts (Aldrich et al. 2004). For analyzing either a corporate’s, a project team’s or an entrepreneur’s perception of new economic dynamics it might not be the level of the firm or the individual that is of relevance. Rather it is the bits and pieces of activities that create intersections of practice and arrangements and that make up situations. This holds true for the bundle of activities and material arrangements to create joint ventures or strategic alliances.

A second point is the necessity to enlarge the analysis to take into account entrepreneurs and intrapreneurs alike (Yeung 2002). Obviously, risk-taking and successful entrepreneurs do create and maintain firms. Obviously, a corporate manager with a shareholders mandate is to act successfully in whatever he does in an entrepreneurial manner. The so called intrapreneur – “corporate employee



who introduces and manages an innovative project within the corporative environment, as if he or she were an independent entrepreneur” (Thome 1998: 17) will be explicitly included.<sup>10</sup>

For an alternative and enriching level of analysis Davidsson (2008; Davidsson & Wiklund 2001) suggests to include routinized as well as additional activities by an established corporate. This allows focusing on an individual but does not restrict the study in this way. Instead, this alternative multilevel of analysis includes business ideas and the activities that revolve around it and the making of investments to create and maintain business linkages (Davidsson 2008: 150). Thus, a multilevel comprises the dynamic and spatial outcome of the practical intersection between individual and collective capacities towards decision-making in both internal and external contexts of the corporate. Approaching these multi levels with Schatzki (2003) might help to uncover those material contexts that matter to the practices at stake.

## **8. Some ‘pictures’ found during preliminary fieldwork**

First in-depth interview data indicates that South African entrepreneurs put focus on technological advancement. A strong interest in technological development by their personal input is apparent. Besides a healthy financial setting or investor relation, individual criteria, such as tenacity, innovative mind-set and personal vision of a prospective future are perceived as enabling to maintain and even grow and diversify markets in Africa and overseas in times of a global recession. Obviously an entrepreneurial character is at least enormously prestigious in the South African society. However, experts’ opinions differ a lot on this issue. Since the country is already industrialised as a result of processes that matured between the 1930s and 1970s, it is not so clear what the role of (notably the technological) entrepreneurs is at the moment and in near future<sup>11</sup>. For example, some experts recognize a slow evolution of entrepreneurial mind-set in the country: “There seems to come up a new generation of graduates from the universities”.<sup>12</sup> However, others stress the time distances necessary to teach those generation a flexible practice-oriented mind and entrepreneurial business experience for risk-taking ventures.<sup>13</sup> Therefore, in general, I perceive an urgent need to examine the range of productive activity and their becoming. This is even more relevant in the setting of ‘South Africa as a gateway’ by its Government and the competitive space that rises between South African manufacturing and engineering corporations and their competitors from the BRIC, particularly China and India.

Emphasis on recent job creation in the medium to large sized companies under study revealed a twofold situation so far. This is to say that a significant increase in employees and sustainability of the new employments, thus a long-term growth in jobs was already a trend and a further object particularly highlighted in younger companies. It seems evident that these companies were ‘born’ in times when the economic footprint of BRIC deepened in Africa. Their niche products show comprehensiveness as

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<sup>10</sup> The term entrepreneur is used for intrapreneurs alike.

<sup>11</sup> Global Entrepreneurship Monitor Report 2009

<sup>12</sup> Interview Siemens SA October 2010 and Trade and Invest KwaZulu-Natal September 2010

<sup>13</sup> Interviews with CEOs in March 2011

they were developed to compete globally and to nourish the company from going global. One can suppose that effect from the picture presented by the visited companies. Few within the sample had to retrench stuff, an effect caused by the close down of a business unit for price competitiveness with Chinese imports.<sup>14</sup> These companies dated back to the 1960s and 1970s and thus were quite long established. They saw comparative advantages of Chinese competitors who undercut them strongly in price.

Considering the main questions this paper raised, opportunity is a central issue that evolved from respondents' narratives. The way respondents talk about *perceived* opportunities, confirms the assumption that it is not meaningful to analyse opportunities separate from the outlook of their developers, since they are creations of individuals' minds. Here the perception "The opportunity presents itself..." is an example that should be tracked in further interviews. Thus, it is the differences in knowledge, skills, motivations and conventions that structure what external opportunity an individual (or a corporate) can detect and profitably exploit at the end of the day. The Schumpeterian definition and understanding of an entrepreneur seems to be a suitable working basis as it puts practices into focus: It is "the actual activity of the entrepreneur" – that matters, not the actor [1949 (1989):264] (Swedberg 2000:17).

However, it is generally to be discussed whether the South African economy is dominated by a few successful business managers – let's say intrapreneurs - and how the entrepreneurial mind-set is developed in the country. Myres' (2008) exceptional in-depth case study research on venture creation for opportunity driven enterprises contributes to an understanding of the diverse entrepreneurial endeavour and its very complex context in developing South Africa. Myres calls for further empirical in-depth studies on the under-researched phenomenon of South African entrepreneurship, particularly on strategic partnership relations as well as perceptions and management of risks (2008: 417) and opportunities.

### ***Always one step ahead – Lessons learned by Gauteng exporters***

The Johannesburg Chamber of Commerce and Industry (JCCI) supported a general investigation of entrepreneurial perceptions on new emerging business actors from China and India in their established markets. Throughout the competition 'Gauteng Exporter of the Year Awards 2010' organized by JCCI last October the finalists were asked in an semi-structured method for their opinions, experiences and objectives on the topic of new dynamics coming from the BRIC. Most of them were manufacturers and some of them service providers, but all involved in export.

The narratives of all the finalists reveal very high stakes in Africa since the continent as a whole offers opportunities for them. This proved particularly true in recent times of the global economic downturn. Exporters who deal internationally have developed relations with Latin America, North America, Europe, and of course China and India and to Russia as well. However, successful Gauteng exporters do perceive challenges in Africa, but don't seem to be scared to go to Africa and take on the challenges. "The message we got across from everybody, the problem they face would be the

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<sup>14</sup> Interview with CEO March 2011

competition from Chinese and Indian companies, who are already established or investing in Africa, (...) that was a big thing we found.”<sup>15</sup>

It might be related to this sampling of finalists of ‘Gauteng Exporter of the Year Awards’ that there seems common sense on a promising strategy to successfully compete with Chinese manufacturers: “Being a step ahead and always being ready to invest in development or adaption of your product, in R & D, to change your product to always be that step ahead.” Beyond this apparent common sense, entrepreneurs’ perceptions of actual challenges regarding the African continent differ a lot within various sectors and seem strongly related to the comparative advantages that South African exporters can exploit vis-à-vis their counterparts from mostly China and India. As a point to be mentioned here and connected to the ‘step ahead’ are the issues of product quality and aftersales services. Those issues were told to have gained increasing importance for African costumers.

### ***Two case study examples***

#### **Furnaces plant manufacturer**

The Johannesburg based company T.P. (Pty) Ltd. has successfully established a subsidiary 2 years ago in Tianjin/China relying explicitly on South African technology and management know-how. Having now a presence in Tianjin provides the advantage of an easier identification of trustworthy Chinese suppliers that offer the expected quality and time levels. But, this is not an automatic effect. An exploration of the continually required practices and arrangements for maintaining the business contacts vital and successful could reveal interesting insights of divergent rules, daily routines, underlying and eventually conflicting conventions.<sup>16</sup> For reasons of competitiveness the management very recently set a strong objective to save time and costs for the delivery of arc furnaces. These saving strategies are part of a new and very aggressive positioning to better compete against Chinese bids in the international scene. Therefore the plant manufacturer is currently seeking to connect to Indian counterparts. So far, these new developments materialize in an enormous and until last year unknown travelling on the behalf of the procurement manager. The narratives on the experiences of a first travelling to Asia, and meeting company partners on the spot, getting connected to potential suppliers and finally, getting an idea of what is beyond the own Johannesburg desk give strong indications for, one being motivated by a stretched entrepreneurial space and, two for being motivated to fill that space with greater competitiveness by strong entrepreneurial thinking. Interestingly, these indications for a ‘stretching of space’ occurred in the time period between the conducted in-depth interviews in September 2010 and March 2011. Other issues noted while these comprehensive conversations would go beyond of the scope of this paper.

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<sup>15</sup> Ms Reyneke; Head International Trade JCCI, Interview March 2011

<sup>16</sup> The next empirical period will be used for further in-depth-interviews and participant observations

### **South-South synergies for future growth plans – Acquisition of a tyre producer**

The Durban-headquartered Apollo Tyres South Africa (Pty) Ltd shows one example of a thriving company acquisition within South-South relations. While the acquisition of Dunlop Tyres International (South Africa) by the largest Indian tyre manufacturer 'Apollo Tyres' was already completed in 2006, the existing brand of Dunlop continues successfully.

Dunlop South Africa's two local manufacturing sites in Durban and Ladysmith employ 3.000 people producing currently 14% of Apollo's global output. One additional plant is located in Bulawayo, Zimbabwe. The recent 85 million ZAR expansion of the Durban plant illustrates that Apollo is, despite the recession, continuing to invest not only in the Dunlop product range, but the local economy as a whole. The initial and common focus of securing the highest market share in passenger car, truck and bus tyres in South Africa and its neighbouring markets could speed up a process of identifying unique synergy effects between the partners. This meant the mutual collaboration on technology, research and development that was the premise for pooling and combining skills and expertise between Apollo and Dunlop to the long-term benefits of both partners.<sup>17</sup> The acquisition example can very well illustrate one important factor in current "South-South" relations with India: South African companies are known to be preferred partners for global players. The fact that the local manufacturer could enormously benefit from the takeover appeals for keeping an eye on practices and arrangements that were developed by responsible individuals and teams. The relevance of underlying technological conventions, marketing conventions, business cultures and norms, in short, the precise circumstances within Dunlop and Apollo prior to and during the quick identification process of Apollo's "like-minded" people would be of particular interest. Therefore, a multilevel approach that compasses 'venture activities' seems practicable for the difficult decision on the extent of the study since it can structure narratives with regard to new developments between partners and the respondents' specific systems of relevance. In March 2010 CEO Dr. Ceneviz states: "Apollo Tyres South Africa is fortunate to be part of a global group that is aggressively growing in terms of market share and presence. We are continuously looking at new opportunities, and are growing organically as well as inorganically."<sup>18</sup> In fact, an Indian company succeeded with its going global via the 'gateway South Africa' – one, to the benefit of the latter, and two, long before the issue of BRIC+S emerged as an issue.

### **Fazit**

The studied sample of South African entrepreneurs perceives the positioning of BRIC businesses in Africa with caution. Taking aggressively advantage of a window of opportunities presented by new business actors from BRIC economies seems to gradually become an issue. There are strong indications that strategies to compete in African markets, i.e. 'being one step ahead' are common sense so far. Regarding an engagement with partners from BRIC entrepreneurial thinking appears to focus the successful exploitation of opportunities aiming at a greater competitiveness.

Obviously, entrepreneurs do learn their lessons, in a sense Freund (2011:13) is highlighting Mbeki's words: "South Africa cannot isolate itself from these general problems through inward-looking

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<sup>17</sup> Interview Apollo Dunlop September 2010

<sup>18</sup> [http://www.dunloptyres.co.za/company/news\\_view.aspx?newsid=17](http://www.dunloptyres.co.za/company/news_view.aspx?newsid=17)

solutions that disregard the deep connections our economy and society have with changes in the larger world. We cannot recreate the past. Moreover, South Africa, and here the government's conception is equally valid, must also and inevitably be the engine that takes at least the small and much weaker states of Southern Africa forwards. We have to learn from and interact with so-called globalisation and to learn from successful interventions. This means accepting that as much as globalisation offers opportunities, it also contains dangers and raises new barriers to real transformation."

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