



South African CEOs Applaud African Economic Development Plan But Don't See Major Impact to Their Geographic Expansion Plans

Executives Want Proof New Partnership for Africa's Development (NEPAD) is Working Before Increasing African-Continent Investment

Johannesburg, South Africa -- CEOs of South Africa's largest companies applauded the recent pledge by African leaders to strengthen economic development across the continent. However, they do not expect the initiative to have a major impact on their companies' future expansion plans during the next few years, according to a survey released today (31 September 2002) by management consulting firm A.T. Kearney.

The survey, *Globalisation and the Impact of NEPAD*, asked CEOs of South Africa's 100 largest publicly listed companies for their perspectives on how the New Partnership for Africa's Development (NEPAD) would influence their companies' international expansion plans. NEPAD is a pledge by African leaders to promote accelerated growth and sustainable development within Africa by improving corporate governance, corporate social responsibility and economic governance by African nations.

"With many South African industries dominated by one or two companies and domestic markets nearly saturated, foreign expansion will continue to be an important growth strategy for South African companies in the future," said Andrew Skudder, the A.T. Kearney consultant who directed the survey. "The degree to which that expansion involves investments in other markets on the African continent puts South African companies in a critical position to drive the success of NEPAD in the years ahead."

Respondents believe South Africa's cheap labor, inexpensive energy, competitive raw materials (steel, aluminum, pulp, precious metals, etc.) and devaluation of the Rand position it well for success in certain industries. Fifty-five percent of CEOs indicated these comparative advantages will be an important driver of their companies'

globalization efforts in the next five years, compared with 36 percent who said they were an important driver during the past five years.

Thirty percent of South African CEOs surveyed say they have a “positive” or “very positive” perception of the impact NEPAD will have on growth opportunities in Africa and expect NEPAD will be an important driver of their globalization plans in the next five years. These respondents, including retail, financial and resource-related companies, say they intend to commit resources to future growth in Africa. In contrast, the 70% of respondents who are “slightly positive” or “neutral” about NEPAD’s impact are less willing to commit resources. “Committing resources is, of course, the acid test of the potential success of businesses’ involvement in NEPAD,” Skudder says.

The CEO of one of the country’s 10 largest industrial companies summed up the feelings of many participants in the survey when he said, “Whilst our heritage inclines us to applaud the NEPAD principles, we do not believe that NEPAD is material to our globalization activities.”

Survey participants were more positive about the specific actions that businesses promised to take in support of NEPAD at the 2002 World Economic Forum – NEPAD African Economic Summit held in Durban in June. Half of respondents say that two actions in particular have positively affected their perception of Africa’s future trade and investment potential: the promise to develop best practice standards of corporate governance throughout Africa and business’ assurance to provide support for African governments’ efforts to achieve best practice standards of economic governance.

Business leaders also expressed support for NEPAD’s proposed “peer review” mechanism where African nations are encouraged to monitor each other and criticize governments not adhering to NEPAD’s principles. However the lack of response from African governments concerning Zimbabwe’s recent social and economic crises concerns South African CEOs. As the CEO of a mining company said, “strong leadership in

publicly identifying and criticizing undemocratic, corrupt and tyrannical African leadership is required.”

“At this point in time South Africa’s leading companies believe that NEPAD represents, in the words of one survey respondent, ‘too many motherhood statements and too little action’,” said Norbert Jorek, A.T. Kearney vice president based in Johannesburg. “The peer review process needs to be seen as working and as having a positive effect on change in countries that do not adhere to the principles of good governance, the rule of law and sound economic management.”