

Africa - the last untapped market

Issued by [UCT Graduate School of Business](#)

30 Oct 2013

South Africa has joined a unique collaboration between top business schools in BRIC countries to help business and investors find out how to make the most of emerging markets in Africa.

The World Bank recently raised its economic outlook for sub-Saharan Africa for the next 12 months, predicting that the region will grow by more than 5% as a result of strong domestic demand and higher production of commodities. This ties in with the International Monetary Fund's prediction that growth rates for emerging economies will be higher than in advanced economies - another sign that the time is ripe for investment in the continent.

This comes as no surprise to emerging markets expert, Professor John Luiz from the UCT Graduate School of Business (GSB). "It is clear that Africa is the last untapped market, one of the largest in fact," he says.

Professor Luiz is the academic director of the South African pilot programme run in conjunction with the world's top business schools in emerging markets. The BRICs on BRICs programme is the result of a unique partnership between four of the best business schools in Brazil, Russia, India and China - the Fundação Dom Cabral (FDC) from Brazil, the Moscow School of Management SKOLKOVO from Russia, the Indian Institute of Management Ahmedabad (IIMA) from India and the Cheung Kong Graduate School of Business (CKGSB) from China.

South Africa has, for the first time, joined the programme following an express interest by participants about the business environment on the African continent. It is envisioned that the GSB will in future become a formal part of the BRICs on BRICs programme. The importance of including Africa becomes clear considering that countries like Ethiopia, Mozambique, Niger, Sierra Leone and Rwanda have of the fastest growing economies in the world. The World Bank also raised the medium-term economic outlook for sub-Saharan Africa to 5.5%, up from 5.2%, which was predicted six months ago.

The BRICs on BRICs programme is designed to offer business leaders an insider's understanding of the issues impacting business and the economy in BRICs countries. Participants benefit from interactions with leading economic and industry experts as well as academics, and interact directly with local businesses and cultures during visits to the respective countries.

"I would argue that there is nothing like this programme on the market," says Professor Luiz about BRICs on BRICs. "While there are many programmes on emerging markets, none of them actually consist of formal relationships with all the top business schools in these markets. It is an incredibly powerful programme from that respect."

"The BRICs on BRICs programme provides participants with the knowledge, skills, and insights into successful investment and operation models in the BRIC countries. It addresses both the macro perspectives of each of the BRIC economies and microlevel details of operational excellence in those countries," says Professor Aldemir Drummond of the Fundação Dom Cabral in Brazil, who was in South Africa for the African leg of the programme at the UCT Graduate School of Business.

Talking about the programme, Zandile Nkhata, Director of Business Development at the GSB, says the combination of macro and micro-level perspectives allows participants to see and assess the opportunities available to them in emerging markets, and then to co-create new, more appropriate, business models for these markets that take into account developmental needs. "The programme combines economic and academic input with business insight along with exposure to local culture and history, which all impacts on business," she says.

How to actualise opportunities forms a core part of the programme. "Business operations in Africa are different and we

focus on giving participants a better understanding on how to penetrate the market and build relationships that will lead to a successful business operation," says Professor Luiz.

"One thing that has definitely emerged is the advantage of having a local partner and the benefits of becoming embedded in local communities cannot be underestimated," adds Nkhata.

Participants on the African programme reported that they recognised many similarities between their own countries and South Africa, such as the gap between rich and poor and the spread of informal settlements.

"There is also the common feature of the emerging middle classes, which is a strong feature in South Africa and in other BRICs countries," says Professor Drummond.

But he acknowledges that in South Africa, there is a unique historical component that many foreigners are unaware of and which is important when it comes to understanding the business situation in South Africa. "This programme is about the future, it is for people who are thinking ahead and for companies who are looking at Africa as a region for huge development."

This is certainly the case for participant Geraldo Enck, CEO of Brazilian holding company Evora. His company is currently looking at extending its business globally and they are looking at the BRICs countries to see which market would be best. He believes South Africa could be the entry point for business operations into sub-Saharan Africa.

Claudia Amarante from the Brazilian Development Bank also says she has seen a lot of similarities with Brazil but expressed surprise at the high unemployment rate in South Africa. She also sees a lot of potential in Africa and South Africa. "Companies who are smart will be looking at targeting the bottom of the pyramid and consumption at this level. I am definitely glad that I am a part of this programme."

"It is completely different to read about South Africa and then to see for yourself. Seeing the culture and talking to people has opened my eyes."

"Historically Africa has been seen as a place of resources for extraction only, but increasingly the continent is regarded as the last untapped consumer markets. This is a shift that has been taking place over the last 20 years and is still ongoing," says Luiz. "It is our ambition that through programmes such as BRICs on BRICs we can ensure that those who come into Africa build meaningful partnerships that add value not only to their bottom line but also to the continent itself."

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