Chapter 17
Operational Structure of Multinational Enterprises in Africa

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ABSTRACT

The operational structures of Multinational Enterprises (MNEs) in Africa, a developing and emerging economy do not necessarily differ from those of the developed or even Less Developed Economies (LDEs) except in few areas such as size and capital outlay. Meanwhile, both MNEs of African origin and those which originate from outside Africa do have salient attributes: they have many foreign affiliates or subsidiaries in foreign countries; they operate in a wide variety of countries around the globe; the proportion of assets, revenues, or profits is high; their employees, stockholders, owners, and managers are from many different countries; and they are involved in much more than merely establishing sales office, but incorporate a full range of manufacturing, research and development activities. This chapter examined operational structures of MNEs with focus on meaning, attributes, financing, exchange rate risk and international financial investment, strategies for improved financing and outlay of MNEs in selected African countries.

INTRODUCTION

African countries continue to experience growth in multinational enterprises which has equally been observed to play a major role in the development of Africa's economy. Multinational Enterprises in Africa dates back to the nineteenth century during the European domination of African territories, where the author is of the opinion that the colonial powers were out for their business exploit mainly to secure materials for their manufacturing industries. This prompted the establishment of foreign branches of MNEs, the headquarters, which already exist in their home countries in Europe or elsewhere in the world. Other factors played as 'raison d'etre' for establishing MNEs in Africa. These include market expansion and technological advancement. Currently, many MNEs indigenous to Africa have sprang-up

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as a result of globalization with its competitiveness in businesses that are internationally-oriented. The existence of MNEs in Africa, be it of African origin or foreign-based and the spate at which MNEs is expanding in this region largely contribute to the development of Africa's economy; which, at best in global ranking is described as developing.

In order to give more attention to the growth and development of African economy, African countries have come together to form African Multinational Enterprises (AMNEs) at the level of public, private or mixed sectors. AMNEs refer basically to enterprises owned and controlled by more than one African country. The motive behind the formation of AMNEs is for analysis of economic development in Africa with an assessment of regional cooperation and industrial organization. Thus, the pattern of growth – macro and structural – of the African economy; present sub-regional arrangements; potential sources of financing are deciphered in addition to an overview of MNEs and Africa's economy; operational meaning and importance of MNEs and expansion of African economy are the major focus of this chapter.

BACKGROUND

The world of business is changing and we are now witnessing the beginning of the end of old economic order which has for decades been dominated by the triad economies (US, Europe and Japan). The new economic order is a multi-polar world characterized by multiple centres of economic power and activity (Accenture, 2007). What is most important change about this new order is the remarkable rise of emerging market multinationals (EMMs) while the share and influence of multinational companies from developed countries is declining. Fan (2008) asserts that the market intelligence has become more globalized than ever and this is a major challenge to most multinational organizations around the world. It is also important to note that market development can be viewed from the perspective of multinationals from developed countries and those from emerging markets. Fan (2008) argues that emerging markets multinational firms are more aggressive and ambitious in their operations and are likely to take western multinationals by storm just as Japanese companies did in the late 1970s. These emerging market multinationals are largely from Latin America, Asia Pacific and South Africa.

Mthombeni (2006) described a Multinational enterprises (MNEs), also known as Multinational corporation/company (MNC), Transnational corporation, and by many other names as a "firm that owns or controls income-generating assets in more than one country." The author further posited that a transnational corporation would probably be achieved by linking the firm or company to the form of trade it engages in. Hence, MNE is a company that has established an international presence by engaging in foreign direct investment (FDI). This differs from general trade because FDI represents the physical extension of operations and the investment of equity funds and stock in several countries.

The degree of multi-nationality of firms, Spero and Hart (2003) highlighted as:

1. They have many foreign affiliates or subsidiaries in foreign countries;
2. They operate in a wide variety of countries around the globe;
3. The proportion of assets, revenues, or profits is high;
4. Their employees, stockholders, owners, and managers are from many different countries; and
5. They are involved in much more than merely establishing sales office, but incorporate a full range of manufacturing, research and development activities.