

Plowing the Last Frontier of Globalization: Management Implications for Africa's Development

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The premise of the paper is that Africa is positioned to be the last frontier of globalization. The premise is framed by three drivers. First, the contemporary global economy is undergoing an exploding demand for natural resources. Second, global capital is increasingly running out of places where it can expand to find what is called “a spatial fix” to its inherent limit. Third, to address rampant poverty and many other social ills, most African states have, in recent years, pursued a neoliberal path of economic development with the private sector leading the way. Since one central piece of this strategy is to attract foreign direct investment (FDI) to promote industrial growth and foreign exports, this paper examines the data on FDI as an important guidepost of Africa's globalization trend. In addition, the paper charts a conceptual direction regarding the management role and implication of African states' FID-focused economic development strategy.

INTRODUCTION

The basic premise of this paper is that Africa is positioned – whether by design or default – to be the last frontier of globalization. The premise is framed by three drivers. First, the contemporary global economy is undergoing an exploding demand for natural resources, with China and India now competing with resource-hungry advanced countries. Second, while the imperative of growth makes global capital highly mobile, it is increasingly running out of places where it can expand to find what Harvey (1982) calls “a spatial fix” to its inherent limit (see also Lenin, 1969). Third, to address their rampant poverty and many other social ills, most African states have, in recent years, pursued a neoliberal path of economic development with the private sector leading the way. More specifically, their development strategy emphasizes attracting foreign direct investment (FDI) to promote industrial growth and foreign exports (Dupasquier and Osakwe, 2006).

To gauge Africa's emerging role in the global economy, this exploratory paper uses secondary data from various public sources. The first part of the paper examines FDI inflows to Africa as an important touchstone of continent's globalization – such flows having been posited as a central vehicle of its global economic integration and national development. The second section charts a conceptual direction with respect to the management role and implication of FDI and private sector-focused economic development strategy for Africa. The paper concludes with highlights of management direction and challenges for the continent.

POSTCOLONIAL MANAGEMENT OF AFRICAN ECONOMIES

During the colonial configuration of globalization, African colonies were relegated to the role of supplying natural resources for the colonial centers (Rodney, 1974). Since the Europeans exercised total monopoly in all spheres of colonized life, the colonial management system was rooted in power relations focused on the pillage of resources. Then, in the 1960s and 1970s, most African countries entered the postcolonial global economy. Although they control the lever of political power that came with independence, their economies continue to exhibit colonial patterns as large-scale resource extractions are often directed (managed) by foreign agencies, including many from its previous colonial powers (see also Perry and Blue, 2008). Furthermore, the rhetoric of African leaders has rarely matched their actions and

outcomes as they have failed to effectively manage their vast resources for the benefit of their peoples. At times, these leaders seem doomed to what some call “the curse of natural resources” where these resources become a seed of internecine conflicts and corruption, impeding both effective management and development (*Economist*, 2008; Sachs and Warner, 2001). Their abundance tends to increase excessive dependence on their extraction and export as the dominant feature of international trade, thus undermining the diversification of economic production (ECA, 2007).

Africa in the Global Economy

Colonialism was as much a politico-economic and cultural order as it was a *management* system that revolved around controlling resources to fuel Europe’s growth and development (Rodney, 1974; Shrestha, 1985). The system was focused on plundering the continent’s vast resources – from gold to diamond, copper to cobalt, cocoa to coffee, and many others. The continent was a *periphery*, and remains so, especially in terms of FDI inflows and its share of the world’s gross national income (GNI). What’s more, much of the FDI inflows to many African countries, as shown later, are tied to natural resource extractions.

In spite of this stark reality, Africa is positioned to be globalization’s last frontier. As an undeveloped area with an enormous potential for resources and profiteering, Africa is a virgin territory for the global economy that is not only endowed with vital resources, but also starved of capital. Labor is cheap compared to other world regions, including South Asia. Harvey (1982) argues that global capital (as embodied in multinational corporations) is in constant need of a spatial fix. As it increasingly faces the imperative of “grow or die,” it must constantly seek new opportunities and find new territories where it can invest in order to fend off increasing competition at home and abroad; the technological fix alone is not sufficient to satisfy such incessant demands.

So the spatial fix necessarily entails geographical expansion into new territories and markets, where the labor costs and rents are cheaper and where capital is normally in short supply – a situation which tends to result in high (higher) rates of return on capital investments. Ironically, as global capital marches across the world, it acts as an economic leveler, leading to wage increases in places where its tentacles reach and operate, thereby eventually making those spaces less appealing for the multinational corporations (MNCs), especially those involved in labor-intensive production. This process of economic leveling often compels them to search for more new territories where capital is scarce and profit potential high, but the reality is that the global economy (MNCs) is increasingly running out of such spaces of abundant opportunities and cheap labor. However, this scenario does not necessarily apply to natural resources for two main reasons: 1) they are, in most cases, geographically bounded (and limited) owing to their geological formations and 2) the global demand and, hence, competition, for them is growing rapidly.

Table 1: Foreign Direct Investment Inflows by Region

Regions	\$Million			Percentage Share		
	1990	2000	2005	1990	2000	2005
WORLD	201,614	1,409,568	916,277	100.0	100.0	100.0
North America	56,823	393,026	146,880	28.2	27.9	16.0
<i>United States</i>	48,422	313,997	99,443	24.0	22.3	10.9
Latin America/Caribbean	9,733	96,763	90,047	4.8	6.9	9.8
Europe	97,134	728,783	469,012	48.2	51.6	51.2
Africa	2,825	9,577	30,672	1.4	0.7	3.3
Northern (- Sudan)	1,116	3,064	10,433			
<i>Sub-Saharan Africa</i>	1,708	6,513	20,239	0.8	0.5	2.2
Eastern (+ Sudan)	408	1,835	3,956			
Western Middle (Central)	1,553	2,171	4,557			
Southern	-345	1,252	4,618			
<i>South Africa</i>	92	1,255	7,108			
<i>South Africa</i>	-78	888	6,379			
Asia	24,547	163,277	212,213	12.2	11.6	23.2
<i>Japan</i>	1,753	8,323	2,775			
<i>China (- H. Kong)</i>	3,487	40,715	72,406			
<i>India</i>	237	3,585	6,598			
Oceania	10,552	18,142	-32,547	5.2	1.3	-3.6
Australia	8,121	14,019	-34,547			

Source: Based on UNCTAD (2007a)

Regardless, the question is whether the globalization frontier of Africa is plowed by *default* (i.e., global capital eventually moves to Africa to find its spatial fix and because of its natural resources) or by *design* (i.e., African states deliberately launch initiatives necessary to attract FDI). Certainly, the latter option would be preferable, or even necessary, for African nations

lacking a comparative advantage in natural resources. They could create and offer a business-friendly environment to entice globally-roving MNCs to invest (i.e., to increase FDI inflows). While many African states have already begun to embark on this path, what is required is an effective and efficient management system, one that is carefully designed and executed to ensure that FDI produces desired results. With this in view, the paper proposes a normative management framework focused on national resource management and development. But, first, let's provide a brief discussion of Africa's position in the global economy.

Foreign Direct Investment in Africa: In recent years, many African countries have shown signs of healthy economic growth rates, thus raising hope among some that the continent might be finally coming out of the darkness of its crippling colonial past (Farzad, 2007; World Economic Forum, 2007). In the eyes of global capital, however, Africa, in general, has yet to become a preferred destination for FDI (ATKearney, 2007). This is particularly true in the areas of manufacturing and services outsourcing, although countries with resource advantages have fared somewhat better thanks to rapidly growing demands for their resources in recent years, for example, Angola. In terms of global FDI inflows, Africa is at the bottom. The *World Investment Report 2006* (UNCTAD, 2006a, 6) reveals that while "[D]eveloping countries have gained in importance as recipients of FDI. . . , the share of African countries gradually fell, from 10% of total inflows to developing countries in 1978-1980 to around 5% in 1998-2000." When Africa's FDI inflows are compared with other regions, its share in 2000 stood at 0.7

percent. It has recovered to some extent in the past few years, with its total FDI reaching nearly \$31 billion or 3.3 percent of the world total in 2005 (Table 1).

Furthermore, most African countries receive only small amounts of FDI. One report on FDI and official development assistance (ODA) to the group of 50 least developed countries (LDCs) showed that 34 of them are in Africa, all in Sub-Saharan Africa (UNCTAD, 2006b). This figure represents more than two-thirds of Sub-Sahara. According to this report, FDI inflows to the group of 50 LDCs reached \$11 billion in 2004, the highest level ever. The highest recipient was Angola with more than \$2 billion, followed by Equatorial Guinea and Sudan. FDI inflows to the rest were less than \$1 billion with 23 receiving less than \$100 million each (Table 2). One pattern is that “the bulk of FDI seems to be associated with natural-resource-related investment, notably in the oil and gas industries. [For example], the largest greenfield investment projects and cross-border M&As (mergers and acquisitions) were concentrated in a few oil-producing countries, such as Angola, Equatorial Guinea and Sudan, that were also the largest LDC recipients of FDI inflows” (UNCTAD, 2006b, 4; parenthetical words added).

The distorting impact of natural resources on FDI flows to Africa was confirmed by the regression analysis summarized in Table 3 below. As shown, the model ($F [4, 38] = 8.920, p < .001$) indicates that, subject to the countervailing influence of reduced life expectancy (positive coefficient for LF), larger proportions of 2006 FDI were directed to African countries with less diverse export trade (positive coefficient for EDI), less politically stable (negative coefficient for PV), and lower rates of labor force participation (negative coefficient for LF). This result is counterintuitive, particularly for *political stability and violence* where higher levels of instability and violence (and corruption) would normally be expected to negatively impact FDI inflows (Asiedu, 2006). In fact, one report finds that “[w]hen asked about the greatest risks to investing in Africa generally, investors placed *political instability* at the top of the list (77 percent of respondents), followed by insufficient public infrastructure (69 percent), low workforce skill level (58 percent), poor IT infrastructure (58 percent) and bureaucratic overhead (54 percent)” (ATKearney, 2007; emphasis added). Because most natural resources are geologically localized and limited in the face of their growing global demands, pursuit of them may, however, induce rigidities and distortions into the otherwise risk-reward allocation of FDI. Global capital must go wherever the indispensable natural resources are, other factors notwithstanding. Such a scenario is not merely a theoretical plausibility, but a historical reality. In Africa, it is evidenced in the fact that Angola, Chad, Equatorial Guinea, Nigeria, and Sudan, for example, have attracted measurable FDI owing to their oil resources despite recent political violence or civil wars.

Table 2: FDI inflows into African LDCs by Range, 2004

Range	Countries
More than \$2.0 billion	Angola
\$1.0 - 1.99 billion	Equatorial Guinea Sudan
\$0.5 - 0.99 billion	Congo, Democratic Republic Ethiopia
\$0.1-0.49 billion	Chad Tanzania Zambia
Less than \$0.1 billion	Benin Burkina Faso Cape Verde Djibouti Eritrea Gambia Guinea Guinea-Bissau Lesotho Liberia Madagascar
	Mali Mauritania Mozambique Niger Rwanda Sao Tome and Principe Senegal Sierra Leone Somalia Togo Uganda

Based on UNCTAD (2006b)

Africa’s World Merchandise Export Trade: The low level of FDI in Africa relative to its vast natural resources, along with cheap labor, is apparently directly reflected in its share of the world merchandise

export trade. Table 4 exhibits a pattern that is hardly encouraging. In 2006, the total value of world merchandise exports was \$11,982,932 million, whereas Africa's share amounted to merely \$332,801 million or 2.8 percent. In terms of sheer volume, it is larger than those for the previous years, but proportionately the 2006 figure actually declined by a 0.3 percentage point from its 1990 level and 0.1 percentage point from the 2002 figure. Moreover, similar to most of the FDI inflows going to the natural resource sector, much of the African export trade is tied to raw materials and primary products, with oil leading the way (UNCTAD, 2006b; see also World Bank, 2006). Manufacturing's role in exports is minimal at best except in the case of South Africa where it accounted for \$26.7 billion (58%) out of the total exports (\$46 billion). "Heavy dependence on primary commodities remains a common feature of production, exports and growth in all the subregions" of the continent (ECA, 2007, 2). For instance, 73 percent of Nigeria's total export earnings (\$31.1 billion) are directly tied to oil (\$20.7 billion) and gas (\$2.0 billion).

Table 3. Regression Analysis of FDI Inflows to African Countries

		Definition and Data Source
Dependent Variable		Natural log of net inflow of Foreign Direct Investment (FDI) into the country during 2006, measured in millions of U.S. dollars (UNCTAD, 2007b)
<i>FDI Inflow 2006</i>		
Independent Variable	B	
Export Diversity Index (EDI)	8.034** (2.532)	Index, ranging from 0 to 1, measuring the similarity between the country's export trade pattern and the world average in 2005 (UNCTAD, 2007a). Values close to 1 indicate bigger differences.
Political Stability and Violence (PV)	-.782** (.266)	The 2005 Kaufmann-Kraay-Massimo survey measure of <i>Political Stability and Absence of Violence</i> for assessing the likelihood that the government of the country will be destabilized or overthrown by unconstitutional or violent means, including domestic violence and terrorism (Kaufmann, Kraay, and Massimo, 2007).
Labor Force (LF)	-.065** (.020)	Proportion of the country's 2005 population, ages 15-64, that was economically active in supplying labor for the production of goods and services (World Bank, 2007).
Life Expectancy (LE)	.057** (.021)	Years of life expectancy at birth for the country's 2005 population (World Bank, 2007).
N	43	
R	.696	
Adjusted R ²	.430	

Notes: 1) Numerical values within parentheses are standard errors for regression coefficients. 2) The following countries were excluded from the analysis because of missing data or as statistical outliers: Angola, Chad, Comoros, Ivory Coast, Liberia, Mauritania, Reunion, São Tomé and Príncipe, Seychelles, Somalia, and South Africa

** $p \leq .01$.

Table 4: World Merchandise Export Trade by Region

	Value in \$Million				Percentage Share			
	1990	2000	2005	2006	1990	2000	2002	2005
WORLD	3,478,571	6,444,106	10,440,780	11,982,932	100.0	100.0	100.0	100.0
North America	521,758	1,058,872	1,267,022	1,442,551	15.0	16.4	12.1	12.0
<i>United States</i>	393,592	781,918	907,158	1,037,320				
Latin America/Caribbean	143,801	361,101	566,842	679,988	4.1	5.6	5.4	5.8
Europe	1,765,628	2,735,040	4,612,628	5,235,409	50.8	42.4	44.2	43.5
Africa	106,993	147,173	298,026	332,801	3.1	2.3	2.9	2.8
Northern (- Sudan)	40,681	52,306	107,137	119,864				
<i>Sub-Saharan Africa</i>	66,312	94,867	190,889	212,937	1.9	1.5	1.8	1.8
Eastern (+ Sudan)	7,709	11,784	21,241	23,984				
Western	23,263	30,893	59,221	65,693				
Middle (Central)	11,772	17,049	49,941	60,985				
Southern	23,568	35,141	60,486	62,275				
<i>South Africa</i>	23,568	29,983	51,626	53,170				
Asia	888,442	2,060,695	3,562,790	4,139,437	25.5	32.0	34.1	34.6
<i>Japan</i>	287,581	479,249	594,905	644,541				
<i>China (- H. Kong)</i>	62,091	249,203	761,953	969,100				
<i>India</i>	17,969	42,379	99,474	120,887				
Oceania	51,949	81,225	133,472	152,746	1.5	1.3	1.3	1.3
<i>Australia</i>	39,752	63,870	105,832	123,715				

Source: Based on UNCTAD (2007a)

The same UNCTAD report adds that “oil-exporting African countries as a group contributed 57.5 per cent of the continent’s 5.7 per cent growth rate in 2006, compared to 53.4 per cent in 2005” (p. 2). The issue is that the comparative dollar value of Africa’s primary commodity exports is significantly lower than the value that manufactured product-exporting nations command in the world market. The reason is simple: the more value added by the production process along what we call the *production value chain*, the greater the sale value of products produced. For instance, take the production of furniture vs. timber. The value of the former (which entails an increasingly accumulated value of labor resulting from the chain of production moving upstream from low skills [e.g., tree planters and lumberjacks] to more specialized skills [e.g., furniture designers and carpenters]) is far higher than the market value of timber which rarely includes more than two layers of low-skilled labor (tree planters and lumberjacks). A similar example applies to oil production as well, which constitutes the main export of several African nations, e.g., Angola, Chad, Equatorial Guinea, Nigeria, and Sudan.

Plowing the Last Frontier of Globalization: David Ricardo’s comparative advantage theory of international trade (and, by implication, the global economy’s international division of production based on both technological and geographical conditions) is still in full swing. This colonial international division of production (manufactured products vs. raw materials and primary commodities) rooted in the Ricardian model was so deeply entrenched that its basic arrangements have hardly changed in Africa (see also Ndeti, Gray, and Bennaars, 1992; Okonkwo, 2007). In other words, after decades of general dismissal, Africa is beginning to witness attention from global capital. In fact, the new (second) scramble for Africa’s resources has lately intensified, attracting new suitors from beyond the circles of its former colonizers. For example, China and India have now joined the club of ever-resource hungry nations.

According to UNCTAD, China has invested almost \$1.6 billion as of 2005 and India nearly \$2.0 billion as of 2004 – and their future investments are bound to soar. In their search for natural resources to meet their rapidly growing demands, these two countries have aggressively moved into Africa to tap its resources as well as growing markets (Lorenz and Thielke, 2007; Harris, 2007). Under such international division of production and global economic structuring, African countries are paying higher prices for their imports of high-value (manufactured) products compared to what they earn for their exports of raw materials (many of which actually go into producing what they import) and primary commodities which are generally low-valued despite their recent price uptick.

In essence, the historical role of Africa as a periphery and supplier of natural resources has remained mostly intact, a role that is now externally reinforced and internally pursued by their respective national governments as it requires minimum risk taking and enterprising in a typical business sense. After all, the continent is enormously endowed with mineral and other natural resources to fuel the world's industrial economies. "It possesses 99 percent of the world's chrome resources, 85 percent of its platinum, 70 percent of its tantalite, 68 percent of its cobalt, and 58 percent of its gold among others. It has significant oil and gas reserves. . . . Further, Africa is the home to timber, diamonds, and bauxite (along with copper, cotton, cocoa, coffee, tea, vanilla to name a few additional resources)" (Rena, 2007, 1; parenthetical words added).

It is no surprise that given Africa's growing strategic importance in the contemporary global economy (see Foster, 2006; Watts, 2006) – especially in the face of soaring demands for its vital resources – "American armed forces are becoming a lot more involved in Africa" (*Economist*, 2007a, 2) to protect its African investment which, by the way, is on the rise, although still a tiny fraction of its total global investment. No matter how one dissects the emerging scenario, there is little doubt that the march of global capital toward the African frontier is on. Unlike in the past, however, when global capital came almost exclusively from Europe and relied on outright territorial conquest and subjugation to monopolize the continent's vast resources, today its re-entry is primarily postcolonial (or neocolonial as some might call it) in its mode of operation and is much more varied in terms of its origin(s) as indicated above. Furthermore, the competition is much more intense than in the past, simply because global capital lacks the kind of territorial monopoly it enjoyed during colonialism.

Regardless, the new scramble for Africa is already underway as its resources are increasingly coming face to face with global capital. How will Africa fare under this new scramble? More importantly: Should African states let global capital (FDI) find its way to Africa by *default*, at its own convenience in terms of time (when), method/mode (how or in what form), and location (where), or by *design* so that African states have a greater say over when, how, and where global capital enters and operates. This latter point has direct implications for how Africa goes about managing its resources and its nascent global economic participation and national development goals.

MANAGEMENT'S ROLE IN AFRICA'S GLOBAL PARTICIPATION AND DEVELOPMENT

In his *Washington Post* article, Uzodinma Iweala (2007), a novelist with roots in Nigeria, wrote:

Last month the Group of Eight industrialized nations and a host of celebrities met in Germany to discuss, among other things, how to save Africa. Before the next such summit, I hope people will realize Africa doesn't want to be saved. Africa wants the world to acknowledge that through fair partnerships with other members of the global community, we ourselves are capable of unprecedented growth.

Iweala's message goes to the heart of management in Africa, i.e., managing its resources as well as its global economic integration and development. Effective and efficient management must be the top priority of African. The issue of management in the context of African countries directly revolves around

what is termed the Millennium Development Goals (MDGs) (see World Bank, 2006) or how to manage their resources to promote international business and economic growth and diversification, thereby helping to alleviate poverty. African states must find effective and efficient ways to negotiate and navigate FDI inflows and other forms of international business. A 2005 UNCTAD report states that “attracting FDI has assumed a prominent place in economic development strategies as a key to financing development in African countries, without adding further to their indebtedness.” But there is also a potential danger embedded in this FDI-driven development strategy. Failure to manage it effectively is likely to make the new scramble for Africa’s resources look more like the old one (first scramble) with potential outcomes being not much better than what transpired during colonialism. The report stresses a need to assess FDI’s costs and benefits, i.e., to carefully guide FDI inflows so that its benefits can be optimized and costs minimized:

Africa’s particular combination of geographical, historical and structural features have (sic) traditionally attracted FDI into enclaves of export-oriented primary production (e.g., mining; resource extracting) with limited linkages to the rest of the economy. This situation has not changed much in recent years and has contributed to undermining a self-sustaining and dynamic investment process. . . . In the extractive sectors, competition to attract investment has led to an incentive inflation prompting what some observers describe as “a race to the bottom” not only in the more static sense of forgone fiscal earnings, but also in terms of giving up policy options necessary to organize a more dynamic long-term growth path (parenthetical words added).

In the absence of effective management of national resources, it is highly unlikely that poverty can be alleviated and African societies set on the path of recovery and sustained progress. The vast majority of people live on an earning of less than 2 dollars a day (Harris, 2007; ECA, 2007; World Bank, 2007). As a cause and effect of many societal problems associated with low literacy, poor health, crime, resource mismanagement, high unemployment and corruption to name a few, poverty’s tentacles are far reaching and deep-seated. Poverty is a vicious circle, one which severely stunts human capital development which, in turn, reinforces the poverty trap.

As presented in Table 5, the average per capita income of Africa, excluding Northern and Southern Africa, is less than \$550, a figure noticeably lower than that for India, a country historically seen as a personification of abject poverty. Africa’s share of the world’s total gross national income (GNI) is merely 2.24 percent; it is less than 1.5 percent for Sub-Saharan Africa. The picture is not totally bleak, however. Recently, the continent has witnessed some encouraging signs on its horizon, leading the World Bank (2006) to declare the “Decade of Africa” which, in fact, serves to highlight some of the key issues surrounding management in Africa. Although still slow, emergence of Africa on the global economic scene may largely be attributed to its external as well as internal environments, both undergoing noticeable changes.

Externally, global capital must find new frontiers of investment to satisfy its growth imperatives and to fend off competition. The demand for natural resources is growing rapidly. Despite its many negatives (discussed later), Africa presents that geographical opportunity for globally-roving capital – MNCs – and to satisfy global resource demands. Garelli (2006) remarks: “Africa is still on hold, but also represents a formidable growth potential” for global capital. Additionally, Garelli (2007) ranks Africa’s impact on the global economy pretty high, at 12 out of 44, and projects this impact to materialize fairly soon, within the next 5-10 years. Consistent with such projection, we expect the continent to be fully configured as globalization’s last frontier to become global capital’s “spatial fix.”

Internally, the overall environmental conditions seem to be looking up. In its 2006 report on Africa, the World Bank (2006, 1) states:

In the view of many Africans and their international partners, 2005 marked a turning point in the region's evolution. . . . Africa is indeed on the move. In contrast with the 1990s, conflicts in Africa have declined, economic performance has improved, and some clear "high performers" are beginning to emerge. Since the late 1990s, 14 African countries have had average growth rates of above 5 percent. Across the continent countries are advancing in all spheres of transformation.

- Growth for all Sub-Saharan Africa, which averaged 2.4 percent in the 1990s, rose to 4.0 percent in 2000-04 and came in at an estimated 4.3 percent in 2005.
- Progress toward the Millennium Development Goals (MDGs), while slow, improved in some countries. Cape Verde, Comoros, Eritrea, Guinea, and Mozambique have recorded significant reductions in child (under-five) mortality. In education, Mauritania has made progress in increasing the primary enrollment of girls.
- There is a growing awareness by governments of the need to be accountable to their people. The African Union has announced that it will not recognize governments that come to power through unconstitutional means.

Many countries have increased exports by more than 8 percent a year since the late 1990s, despite falling prices in some of their primary commodities. These export successes – in cut flowers, vegetables, and clothing – show an Africa capable of both diversifying and building a constructive relationship with global markets.

In sum, whether one views management in Africa from an external or internal environmental perspective, it is at its core a top strategic priority to develop its resources effectively and efficiently so that the continent can achieve its MDGs and tame its chronic poverty. As such, African countries must institute, promote, or reinforce a management system (practices) that is at once globally oriented and nationally focused (Shrestha, Smith, McKinley-Floyd and Gray, 2008). But the task is not easy as there are many bumps and barriers along the road of Africa's full-fledged integration into the global economy. These hurdles include labor shortages, lack of economic/industrial diversity, high unemployment, poor health, rampant poverty, low life expectancy and literacy, poor infrastructure, political instability and violence, as well as high degrees of corruption in most countries.

Table 5: Basic Indicators for Africa Relative to World Regions

Regions	Populati	Rate	Life	Percent of		Gross National		Literacy	Share of
	on Mid- 2007	of Natural % Increase	Expectanc y at Birth Years	<15	65+	\$ Billions	Per Capita	Rate Age 15+	World GNI
	Millions	%						%	%
AFRICA	944.0	2.4	53	41	3	1,065,351	1,129	61	2.24
<i>Northern Africa</i> ¹	195.0	2.5	68	33	5	360,136	1,847	64	0.76
<i>Western Africa</i> ²	283.0	2.7	51	44	3	186,684	660	38	0.39
<i>Eastern Africa</i> ³	294.0	2.5	48	44	3	138,172	470	66	0.29
<i>Middle (Central) Africa</i> ⁴	118.0	2.8	46	46	3	104,543	886	55	0.22
<i>Southern Africa</i> ⁵ (South Africa)	55.0 (47.9)	0.8 (0.8)	50 (51)	33 (32)	4 (4)	275,816 (254,992)	5,015 (5,323)	84 (82)	0.58
North America	335.0	0.6	78	20	12	14,453,282	43,144	99	30.37
Latin	569.0	1.5	73	30	6	2,942,260	5,171	90	6.18
Asia	4,010.0	1.2	68	28	6	11,896,075	2,967	76 ⁷	25.01
Europe	733.0	-0.1	75	16	16	16,348,408	22,303	97 ⁷	34.35
Oceania	35.0	1.0	75	25	10	882,523	25,215		1.85
WORLD TOTAL	6,626.0	1.2	68	28	7	47,587,899	7,182		100.00

Source: Based on PRB (2007); World Bank (2007)

1. Algeria, Egypt, Libya, Morocco, Tunisia, Western Sahara [Sudan moved to Eastern Africa]
2. Benin, Burkina Faso, Cape Verde, Cote d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, Togo
3. Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Mayotte, Mozambique, Reunion, Rwanda, Seychelles, Somalia, Sudan, Tanzania, Uganda, Zambia, Zimbabwe
4. Angola, Cameroon, Central African Republic, Chad, Congo, Congo, Dem. Rep. of, Equatorial Guinea, Gabon, Sao Tome
5. Botswana, Lesotho, Namibia, South Africa, Swaziland
6. We calculated average regional GNI per capita literacy rates based on the data for countries on the list (World Bank, 2007)
7. These averages are for Asia and the Pacific and for Europe and Central Asia.

CONCLUSION: MANAGEMENT DIRECTION AND CHALLENGES

Management Direction

Regarding Africa's strategic directions, recommendations by the World Bank and UN Economic Commission for Africa include: *developing the private sector, expanding and diversifying exports, human capital enhancement, effective natural resource development, and institutional reforms (including the legal system*. However, we argue that in order for the management system in Africa to be effective and efficient, African countries must first view it symbiotically, where all components are interconnected and impact each other. That is why the management system must be carefully designed to develop and coordinate its intertwined environmental forces to act as the pillars of management. Labeled sociodemographic, techno-economic, politico-institutional, and cultural environments, these four pillars are summarized in Table 6.

Table 6: Intertwined Forces of Management in Africa

Sociodemographic Environment , e.g.,	Techno-Economic Environment , e.g.,	Politico-Institutional Environment , e.g.,	Cultural Environment , e.g.,
<ul style="list-style-type: none"> • Population (human capital/labor force) • Education • Health • Social classes 	<ul style="list-style-type: none"> • Income level • Transport/communication infrastructure • Business climate/international business focus • Production/export diversification 	<ul style="list-style-type: none"> • Political stability • Regulatory regimes • Property rights/rule of law • Public sector reforms 	<ul style="list-style-type: none"> • Ethnic diversity and dynamics • Religious practices • Overall cultural outlook on business

Source: Based on Shrestha, Smith, McKinley-Floyd, and Gray (2008)

Specifically, our argument is that management and the four environmental forces are dynamically intertwined as improving the efficacy of management requires enhancing the productivity (efficiency) and effectiveness of these environmental forces (and vice versa) which, in turn, improve a country's competitiveness (see Porter, Ketels, and Delgado, 2007). Furthermore, the symbiotic relationships among these forces also mean they, too, reinforce each other in a dynamic fashion. For example, take population. Not only does population reside at the core of the sociodemographic environment, but it also intersects all other environmental forces, for it acts as agents of economic transformation and innovations (techno-economic), as political leaders and policymakers (politico-institutional), and as purveyors and practitioners of cultural values and views (cultural). Plus there is no management without people. So, systematic development of human capital tends to enhance the level of economic/institutional performance, political leadership, and intercultural/interethnic understanding and cooperation. In short, development of human capital is most critical for:

- Enhancing the quality and efficacy of environmental forces
- Improving the efficiency of management practices and orientation
- Formulating and implement dynamic economic policies to develop African countries' vast resources to achieve Millennium Development Goals, including alleviation of poverty. Such policies will also focus on promoting economic/industrial diversification as an integral part of its internationally-oriented and nationally-focused business environment.

Management and Development Challenges

Africa is a vast continent, second only to Asia. In addition to having many landlocked countries, a definite disadvantage in today's highly mobile global economy in which the speed of movement is a competitive advantage, Africa suffers from population deficits. For a continent of its size, its total population is only 944 million (about 14 percent of the world). It has less people than India alone. Africa has historically been thinly populated except in certain pockets like the northwest coast around Nigeria. Eastern Africa has the largest number followed by Western Africa. Southern Africa has only 55 million. Sub-Saharan Africa has only eight countries with 25 million people or more. The continent has 29 countries (out of 56) with less than 10 million people (Table 5).

As a result, most African countries are significantly short in labor supply, hardly an attractive feature for MNCs roving the world in search of abundant, cheap, productive, reliable, and skilled labor, preferably all in one location. To be sure, MNCs also roam the world in search of natural resources which has so far been the primary source of Africa's attractiveness to FDI, but the history of economic development suggests that natural resource extractions and exports are a double-edged sword; they alone do not necessarily lead to industrial diversification and economic expansion. Without diversification, sustained economic growth and development is difficult to achieve as vividly exemplified by most African countries themselves (see Sachs and Warner, 2001; ECA, 2007).

Further compounding Africa's limited labor supply are its relatively low life expectancy and literacy rates which impact the reliability as well as the quality of labor. For instance, with respect to *life expectancy*, usually regarded to be a reliable indicator of socioeconomic conditions, including poverty and health care quality, the data reveals that out of the 50 lowest ranked countries in the world, 42 are in Africa. Similarly, out of the 16 countries with the lowest literacy rates in the world, 12 are in Africa (*Economist*, 2007b). What's more, there is a significant "brain drain" out of African countries (Shrestha, Smith, McKinley-Floyd, and Gray, 2008). Such a situation does not do much to help the cause of high quality human capital formation and expansion on the continent.

The story does not end there. As a continent with a relatively high incidence of malaria, HIV/AIDS, and other chronic diseases, the quality, reliability, and productivity of the available labor force present a legitimate challenge for MNCs, possibly interested in relocating their manufacturing operations or outsourcing services to African countries. This poor health impact on labor supply is further aggravated by periodic or ongoing civil/ethnic wars and sociopolitical instability in many areas of the continent, a reality that causes a great deal of disturbance and turbulence in labor supply and reliability (stability). Additionally, the per capita income level is low, in fact, some of the lowest in the world. All these factors tend to feature negatively in multinationals' decision-making process when it comes to relocating to African countries for manufacturing production, precisely the type of FDI that tends to generate wider multiplier effects [for further discussion, see Asiedu, 2006]. But it is not just the foreign direct investment flows into the non-natural resource sectors, namely manufacturing, that these social scrooges adversely impact. They also tend to severely undermine domestic economic performance and productivity (World Bank, 2006) as they perpetuate poverty, which keeps human capital – the central nexus of efficient management, economic and institutional performance, and political leadership and policymaking – from being developed and harnessed.

Nevertheless, there is one positive prospect many African countries possess in regard to population. On average, more than 40 percent of the continent's population is below 15 years of age (Table 5). This means, there is a vast pool of potential human resources that can be well educated to develop their human capital, along with the provision of good health care. If trained properly, they can be highly versed in the art and science of competent governance as well as effective and efficient resource management, a system of management that is internationally oriented and nationally focused, that is culturally inclusive and institutionally reliable and open-minded, and that promotes business growth and economic development with a sense of social justice and responsibility. This young population is actually more than a vast pool of human resources in the future; they are the future of Africa's efficient and effective management and development as well as its carefully *designed* and informed participation in the galloping global economy so that the second scramble of the continent does look like the first one in any shape or form.

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