

# Business-to-Business Partnerships

## RECOMMENDATIONS FOR EXPANSION ACROSS AFRICA

FROM A REPORT BY THE INITIATIVE FOR GLOBAL DEVELOPMENT AND DALBERG GLOBAL DEVELOPMENT ADVISORS

### Overview

African countries are experiencing rapid economic growth and companies are expanding their footprints in the region to gain market share and take advantage of high returns on investment.

Business-to-business (B2B) partnerships are essential for successful expansion in the region. While the fundamentals of partnerships are the same in Africa as in other parts of the world, Africa's dynamic markets and the diversity between the economies, cultures and regulatory environments of Africa's 54 countries makes cross-border expansion particularly complex. Partnering with local companies can help firms navigate local business climates and seize investment opportunities.

The IGD-Dalberg report, *Business-to-Business Partnerships: Recommendations for Expansion Across Africa*, profiles successful partnerships and includes recommendations from CEOs of leading multinational corporations (MNCs) on entering, structuring, implementing and ending such partnerships.

### Africa's growth opportunities

- Companies headquartered within and outside of Africa are laying the foundation for expansion across the continent to maximize future returns.
- Between 2006 and 2009, the top 30 Sub-Saharan African MNCs grew at 30 percent per year, far outpacing their global competitors, including Standard & Poor's 500 biggest American firms.
- The International Monetary Fund forecasts that, over the next five years, seven of the world's top ten fastest-growing economies will be in Africa.

### The importance of B2B partnerships

- Partnering with local companies can help firms navigate local markets, leverage existing infrastructure and networks and quickly capitalize on potential investment opportunities to thrive in Africa's dynamic emerging markets.
- For example, Cummins Inc., a global power leader, will use joint ventures to quadruple its sales in Africa from \$250 million today to \$1 billion within the next five years.

### Partnerships contribute to local economic development

- CEOs from all sectors identified ways in which their core business activities contribute to local economic development through, for example, the introduction of new goods or services or contributing to workforce development via employee training.

### CEO Insights

The recommendations in this report are based on interviews with CEOs and managing directors from companies with operations in Africa. These companies are based in the United States, India and across Sub-Saharan Africa, have revenues averaging above US\$50 million and broadly represent Africa's top growth sectors, including ICT and telecommunications, financial services, infrastructure, agribusiness, power and manufacturing.

CEOs featured in this report are members of the Initiative for Global Development's Frontier 100 network, which works to increase business growth and investment in Africa that will reduce poverty.

## Recommendations

### Before forming a partnership, build a strong knowledge base and launch operating capacity on the ground

**Group Loid Engenharia SGPS (Cape Verde)** Before expanding, Loide Monteiro, President & CEO of engineering firm Group Loid Engenharia, conducted research on markets with latent demand for public infrastructure projects and held meetings with individual entrepreneurs in each top-ranked market. This extensive review process allowed Loid Engenharia to enter Angola and Nigeria smoothly by utilizing strategic partnerships.

### Understand sector-specific dynamics, building in time and ability to adapt

**Cummins Inc. (United States)** Global power leader Cummins set up local offices across Africa to directly engage and develop partnerships with a number of smaller distributors in response to the absence of large, pan-African equipment manufacturers. Cummins has made significant upfront investments with long time horizons with the understanding that it may take several years to generate profits.

### Discuss potential problems up-front and structure partnerships to complement each party's strengths and weaknesses

**Imara Holdings Limited (Botswana)** Imara Holdings, a pan-African financial services company, signed an MOU with a Nigerian financial services company in 2007. When the country suffered a banking crisis in 2008, Imara provided technical and financial support to the new partner to prevent the company from exiting the market. The Nigerian partner ultimately regained its position and Imara's demonstration of support has strengthened the partnership.

The full report, *Business-to-Business Partnerships: Recommendations for Expansion Across Africa*, is available by request from the Initiative for Global Development or can be downloaded at [www.igdleaders.org](http://www.igdleaders.org).

### Build trust by negotiating as equals and being realistic about each partner's goals and strategy

**Databank Group (Ghana)** Financial services firm Databank develops business relationships with potential partners during a familiarization period to ensure that the companies understand each other and have aligned goals. These collaborations allow Databank to assess the partner and build a platform for future collaboration before entering a more formal partnership.

### Provide open channels of communication to reinforce accountability and quality standards

**The Brink's Company (United States)** In Africa, Brink's, a security and logistics company, has spent time and resources training local partners to meet global ethical and labor standards. Before selecting partners, they developed multiple channels of communication at various levels with the potential partner's organization to ensure that the companies would contribute to the company's global reputation.

### Build exit arrangements into the legal framework of the partnership

**The AES Corporation (United States)** Upfront investment in exit protocols and legal frameworks decreases complexity at the close of a relationship. Henry Aszklar, President of AES Africa Power Company, notes that, at times, irreconcilable differences arise and partnerships need to end. Exit strategies are particularly important in certain regions in Africa, where legal cases take a long time to resolve.

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