

# OBSTACLES FACING GERMAN ENTERPRISES IN SOUTH AFRICA

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## 7.1 INTRODUCTION<sup>1</sup>

The lack significant FDI flows to Africa has prompted relatively little scientific discussion (for exceptions see e.g. Loots, 2000; 1999; Lall, 1998 and Bhattacharya et al, 1997). Furthermore, the discussion has mainly been limited to identifying institutional and structural factors in African economies that may be inhibiting the flows of FDI. Obstacles that are typically identified in this literature include poor and deteriorating physical infrastructure, low levels of skills in domestic labour markets, corruption and crime, political instability, bureaucracy and lack of information.

A possible weakness in most of the discussions on how African governments should address these obstacles is the lack of debate on the nature of Multinational Enterprises (MNEs) or Transnational corporations as agents for FDI. Instead FDI is seen as an abstract, homogenous quantity quite independently of the vehicle through which it takes place. For instance, two extensive recent surveys on FDI to Africa (see Loots, 1999; 2000) avoid any mention of MNEs in making policy recommendations. As a result of this possible weakness there is currently a relative lack of scientific understanding of the role of MNEs in African economies. A greater scientific understanding of the dynamics between MNE structure and organizational behaviour on the one hand, and African policy choice on the other, may be required to provide both the necessary and sufficient conditions for African economies to attract more FDI.

The purpose of the present chapter is to analyse the results from a survey of German firms in South Africa. Apart from expanding the knowledge of MNEs in Africa, the latter survey also expands the understanding of the ge-

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ography of MNEs in general as was started by the work of Braunerhjelm and Ekholm (1998).

## 7.2 METHODOLOGY AND SURVEY

This study made use of a structured questionnaire that was mailed to over 600 German firms in South Africa during 2000. The questionnaire is included in the Appendix. The list of firms was obtained from the Southern African-German Chamber of Commerce and Industry. 55 firms responded (10%), of which 31 questionnaires (about 5%) were satisfactorily completed. This survey was the first that required rather detailed responses from the firms on a wide range of issues from labour turnover and R&D to competitive intelligence practices and networking. However, since 1994 the Southern African-German Chamber of Commerce and Industry conducted brief annual surveys of the perceptions and opinions of German firms in South Africa. Before discussing the results from the more extended survey conducted by the authors, the recent results from the Chamber's Survey can be summarized.

### 7.2.1 Perceptions of German MNEs of the South African Economy

Since December 1993/January 1994 Pabst has conducted a qualitative survey amongst the members of the Southern African-German Chamber of Commerce and Industry. The most recent survey was conducted in May - July 2000 (see Pabst, 2000). It is a particularly noteworthy feature of German firms' involvement in South Africa that these firms can be classified overall as medium-sized based on the fact that the vast majority employs less than 100 employees. Figure 7.1 below summarises the employment categories of German firms.

It can be seen from the above that 89 out of 140 firms employ less than 100 labourers, and that 6 firms had more than 2000 employees. The survey by Pabst (2000) shows that since 1995, the majority of respondents (70%) indicated that they had not been creating any new jobs. The survey results of Pabst (2000) suggest that German MNEs in South Africa perceive labour productivity and the activities of labour unions to be an obstacle in job creation. For instance in 2000 80% of all respondents felt pessimistic and very pessimistic about the accountability of labour unions and 69% felt pessimistic and very pessimistic about the adequacy of labour productivity. In the presentation of the extended quantitative survey conducted by the authors (see below) these results are substantiated and some possible reasons for the dissatisfaction with South African labour will be identified.