South Africa Preliminary Analysis

Economic Risks:

A. GNP, GDP, GNP/capita (GNI)

GNP: Gross National Product (GNP) is the measure of the value of goods and services of a country within a period of one year. In other words it measures total economic activity of a nation. The GNP of South Africa is continuing rising at 110.6 billion PPP dollars in 1980 to 718.9 PPP dollars in 2016.

GDP: Gross domestic product (GDP) measures the total money value of all goods and services of a country produced for a specific period of time. GDP is mostly referred to the size of the economy.The GDP of South Africa is continuing rising from 1970 to 2011 at the highest point at 416.4 billion USD. But from 2011 to 2016 is continuing decreasing to the point at 294.8 billion USD.

GNI : Gross National Income (GNI) which was previously referred as Gross national product measures the country income which is the total foreign and domestic output which includes gross domestic product claimed by residents of a nation, plus foreign residents incomes earned, minus nonresidents income earned in the domestic economy.GNI of South Africa is continuing rising from 1980 to 2015. The amount is from 110.6 billion PPP dollars to 718.9 billion PPP dollars.

B. Purchasing power parity

Purchasing power parity states that over time the prices of goods and services of countries should equalize. This allows people across the world to purchase goods and services at the best prices.The Gross Domestic Product per capita in South Africa was last recorded at 12294.88 US dollars in 2017, when adjusted by purchasing power parity(PPP). The GDP per Capita, in South Africa, when adjusted by Purchasing Power Parity is equivalent to 69 percent of the world's average.

C. Exchange rate and type of currency

Exchange rate is the comparison of a country currency with another currency in terms of their prices thus it has the foreign currency and the domestic currency. Type of currency is the function of specific currency which differs in different countries. Now 1 south African Rand equals to 0.069 USD.

D. Growth rate of the economy

The South African economy shrank a seasonally adjusted annualized 0.7 percent on quarter in the three months to June of 2018, following a 2.6 percent contraction in the prior period and missing market consensus of a 0.6 percent growth. It was the second consecutive period of contraction, as output fell for agriculture, transport and trade. GDP Growth Rate in South Africa averaged 2.78 percent from 1993 until 2018, reaching an all time high of 7.60 percent in the fourth quarter of 1994 and a record low of -6.10 percent in the first quarter of 2009.

E. Import/export data

South Africa had a total export of 74,110,816.97 in thousands of US$ and total imports of 74,744,010.29 in thousands of US$ leading to a negative trade balance of -633,193.32 in thousands of US$ The Effectively Applied Tariff Weighted Average (customs duty) for South Africa is 4.51% and the Most Favored Nation (MFN) Weighted Average tariff is 6.49%.The trade growth is -8.68% compared to a world growth of -4.43%. GDP of South Africa is 294,840,648,280 in current US$. South Africa services export is 14,360,177,850 in BoP, current US$ and services import is 14,953,835,693 in Bop, current US$.South Africa exports of goods and services as percentage of GDP is 30.32% and imports of goods and services as percentage of GDP is 30.18%.

F. Economic composition – type of economic activity

was traditionally rooted in the primary sectors – the result of a wealth of mineral resources and favourable agricultural conditions. ... Since the early 1990s, economic growth has been driven mainly by the tertiary sector – which includes wholesale and retail trade, tourism and communications.

G. Overall economic situation

The long-term potential growth rate of South Africa under the current policy environment has been estimated at 3.5%. ... The high levels of unemployment, at over 25%, and inequality are considered by the government and most South Africans To be the most salient economic problems facing the country.

H. Ease of Doing Business

South Africa is ranked 82 among 190 economies in the ease of doing business, according to the latest World Bank annual ratings. ... Ease of Doing Business in South Africa averaged 51.60 from 2008 until 2017, reaching an all time high of 82 in 2017 and a record low of 32 in 2008.

Political Risks:

Type of political system

What is it:

the parliament of the south africa is a bicameral legislature, containing the national assembly and national council of provinces(NCOP) \*

National Assembly: made of 400 directly-elected member who serve a 5 year term. The assembly can be dissolved by the president before the term is done. 200 of the seats are filled with regional/provincial lists while the other half is filled with national lists. Voting is a two stage process. Anyone over the age of 18 who is registered to vote can be elected to the national assembly \*

National council of Provinces(NCOP): SA’s upper house, is made up of 90 people, each of the 9 provinces send a single delegation of 10 members. Ncop has full legislature power on majority of the matters. \*

President: head of state government, constitutionally responsible to “uphold, defend and respect the constitution as the supreme law of the republic”. The president is elected by the national assembly, the president can only serve two terms \*

Cabinet: made up of the president, a deputy president and ministers, is appointed by the president. Only 2 ministers can be selected from outside the national assembly and the deputy assembly has to be from the national assembly. Members of the cabinet are each accountable collectively and individually to the parliament. \*

The Judiciary: consists of the constitutional court, supreme court of appeal, the high court, the magistrates courts, and other courts established by the acts of parliament.

Why does it matter: the constitution contains the most important rules of the political system. It’s there to help protect the rights of the people inside the country and it states their obligations. It defines the institutions of SA, what their powers are, and how they may use these powers granted to them \*

Information on political parties

How many?

South africa has a multiparty with 13 parties represented in the national assembly of parliament. The african national congress is the majority party and also controls 8 of the 9 provinces

How do they get along?

How is power transferred?

Degree of democracy/political freedom

Freedom house status: free (1 = most free, 7 = least free)

Freedom rating: 2/7

Political rights: 2/7

Civil liberties: 2/7

Aggregate score: 78/100 (0=least free, 100= most free)

What do these numbers indicate about the country?

These numbers indicate that SA is a fairly free country. SA is a constitutional democracy, since the end of the apartheid in 1994, it has been recognized globally as a proponent of human rights and a leader on the african continent\*

African national congress has been accused of undermining state institutions in order to keep corrupt officials in power \*

Pervasive corruption and obvious interference by non-elected actors hampers the proper functioning of the government. Anti-corruption laws and multiple agencies tasked with going against existing corruption but enforcement remain subpar \*

Freedom of expression and the media is protected in the constitution and mostly respected in practice. Although there are cases where the government gets involved and blocks certain news outlets from being published due to their leaked stories \*

SA’s are typically free to have private conversations on the political nature without harassment. Except in 2016 there was a report from the UN human rights committee expressing their concern about the government’s use of surveillance and their law governing it.

Level of corruption

Transparency International -- CPI, BPI, etc.

Corruption rank: in 2017 SA was ranked a high of 71

CPI: ranked 71/180 (in the middle not completely unstable/fragile) and their score is 43/100 (closer to a country that is perceived to have higher levels of corruption)

Bribe payers index: evaluates the supply side of corruption- the likelihood of firms from the world’s industrialised countries to bribe abroad. SA is listed as one of the countries to offer bribes to senior public officials

ranked at #13

Amount: 7.5, this puts SA on the upper half of the scale, but still more likely to engage in bribery

Political risk index: SA pri: 8 (lower risk)

Political stability: 8.5 (lower risk \*

Apply the numbers to your analysis

Participation in international organizations: the country is continually pursuing political and economic integration \*

They promote africa’s development through sustained south-south solidarity and mutually beneficial relations with the north\*

SA has managed to increase volume of outbound trade and inward investment, skills, tourism, and technology transfers \*

They continue to engage with strategic formations of the north, while advancing mutually beneficial south-south cooperation through structured bilateral mechanisms and multilateral agreements \*

The use of the united states african growth opportunity act as a platform for industrialism and regional integration, and Relations the EU on the establishments of joint infrastructure projects were their attempts in 2016 to create more international relations

Minister of international relations and cooperation, departments strategic objectives: \*

protect and promote South African national interests and values through bilateral and multilateral interactions \*

conduct and coordinate South Africa’s international relations and promote its foreign policy objectives \*

monitor international developments and advise government on foreign policy and related domestic matters \*

contribute to the formulation of international law and enhance respect for its provisions \*

promote multilateralism to secure a rules-based international system

maintain a modern, effective department driven to pursue excellence provide a world-class and uniquely South African state protocol service \*

Involvement in international disputes

In recent years starting in 1994, SA has become increasingly drawn into the resolution conflicts and promoting peace and stability on the wider african continent

Post apartheid: emerged from international isolation after the end of the apartheid. SA is becoming a leading international actor \*

The principal foreign policy goal is to create good relations with all countries (especially the neighboring ones in africa; Southern african development community and members of the african union) \*

South Africa was inactive in the United Nations, the African Union and the Commonwealth of Nations. Considered a possible permanent addition to the United Nations Security Council, South Africa was elected in 2006 and again in 2010 by the UN General Assembly to serve on the Security Council, which it did until 31 December 2012.

Will the company be affected by different types of political risk? If so, how?

Transfer

Operational

Ownership-Control

National Culture:

A. Religion: A set of beliefs concerning the cause, nature, and purpose of the universe, especially when considered as the creation of a superhuman agency or agencies, usually involving devotional and ritual observances, and often containing a moral code governing the conduct of human affairs. Below is the percentage of population in South Africa that follow the corresponding religion.

Christian

68.00 %

indigenous beliefs and animist

28.50 %

Muslim

2.00 %

Hindu

1.50 %

B. Business Culture: Business culture is related to behaviour, ethics, etiquette and more. A business culture will encompass as organisation’s values, visions, working style, beliefs and habits.

C. Hofstede’s Dimensions of Difference

1. How do the numbers compare to the US?

2. What does the data mean for managing employees?

Power Distance Index (PDI): refers to the degree of inequality that exists and is accepted between people with and without power.g

South Africa maintains a higher (PDI) than the United States which means that organizations are more centralized, hierarchies are more complex. This also means there are larger gaps in authority compensation and respect.

Individualism Versus Collectivism (IDV): refers to the strength of the ties that people have to others within their community.

South Africa has a significantly lower (IDV) rate then the United States. Typically a low (IDV) indicates an emphasis on building skills and becoming master of something. People work for intrinsic rewards. Maintaining harmony among group members overrides other moral issues.

Masculinity Versus Femininity (MAS): refers to the distribution of roles between men and women. In masculine societies, the roles of men and women overlap less, and men are expected to behave assertively.

South Africa is ranked very close to the United States in terms of (MAS) rank this means that both countries share similar values. However South Africa is very slightly more masculine than the united states which means you can expect strong egos the quality of life.

Uncertainty Avoidance Index (UAI): Refers to how well members of the given society are able to cope with stress and anxiety.

South Africa has a higher score than the U.S. this means you will encounter a high energy society that is conservative, rigid and structured where people are expressive, and are allowed to show anger or emotions, if necessary.

Pragmatic Versus Normative (PRA): refers to the degree to which people need to explain the inexplicable, and is strongly related to religiosity and nationalism.

South Africa has a higher (PRA) score than the U.S. who has a normative score this indicates virtues and obligations are emphasized more than values and rights are emphasized

Indulgence Versus Restraint (IVR): Refers to the orientation of a country in terms of indulgence vs. restraint.

South Africa has a high (IVR) which means that society encourages a relatively free gratification of people's own drives and emotions, such as enjoying life and having fun. In a society with a low IVR score, there is more emphasis on suppressing gratification and more regulation of people's conduct and behavior, and there are stricter social norms.

3. How does this data impact the decision you are going to make?

After analysing the data and comparing it to that of the U.S. we came to the conclusion that South Africa would be a great market for expansion. The data was very close to that of another market that has been successful.

D. Trompenaars’ analysis of the country

1. How do the numbers compare to the US?

Universalism versus particularism: Refers to whether rules or relationships are more important to individuals. “ the third King Report on Governance for South Africa (2009:21) lists the following four ethical values as essential to good practice: responsibility, accountability, fairness and transparency. Universalism insists on equality before the law, so that all the members of a society can be treated in the same way. If universal moral norms are fairly applied, those who are rich, powerful and corrupt, for instance, will not escape justice.”

Individualism versus communitarianism.

Specific versus diffuse.

Neutral versus emotional.

Achievement versus ascription.

Sequential time versus synchronous time.

Internal direction versus outer direction.

2. What does the data mean for managing employees?

3. How does this data impact the decision you are going to make?

Resources:

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