The value creation process and governance of the African Non-Traditional Export Sector

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Abstract

The Non-Traditional Export (NTE) sector promises to be the antidote to Africa's economic woes in the face of the dwindling nature of traditional exports. Adopting Porters value chain framework, we explore how beverage companies engaged in the NTE create value in their upstream, midstream, and downstream activities through effective governance, application of focused technology and skill development. In exploring these intricacies arising from African GVCs, we draw on two major case studies from South Africa and Ghana. Our study shows that the NTE sector has the potential to change the poverty dynamics in Africa, contribute to industrialisation as well as create international competitiveness for African firms. Nevertheless, having the right mix of factors of production, institutional support, adequate financing, infrastructural development, internet connectivity, investment in skill development and research and development (R&D) will account for the differential performance of African firms in global trade.

Keywords:

Africa, Diageo; GVC; Kasepreko, Non-Traditional Exports, Upgrading

1.Introduction

Since the introduction of the Ricardian international trade theory over two centuries ago, mainstream thought on global value chains hinges on three main classic premises; the availability of a perfectly competitive market, homogenous producers and countries trade only in final products (Inomata, 2017). Following this theoretical understanding, there have been several African academic studies focusing on various Global Value Chain (GVC) configurations in understanding policy instruments, technological requirements, industrial upgrading and GVC-driven growth for Africa. Implicitly, GVC presents an opportunity for African integration into world trade, improved industrialisation, structural transformation and sustainable development (Abdul-Rahaman & Abdulai, 2020). Indeed, the availability of various digitised platforms currently offers a better avenue for multifaceted value creation in GVCs, the reduction in upgrading barriers as well as consumer accessibility at various stages of the chain (Kano et al., 2020).

However, research evidence indicates that between 1991 and 2012, only 14% of value were added to African exports, compared to 27% for the emerging Asian countries and 31% for developed countries (IMF, 2015; World Bank et al., 2017; Mouanda-Mouanda, 2019). Moreover, even though the Eastern and Southern African countries seemed to be relatively integrated better in GVCs compared to other regions in the continent (IMF, 2015), much of the involvement from these regions are in the upstream production activities such as specialising in providing primary inputs to countries further down the chain (Foster-McGregor et al., 2015; Del Prete et al., 2017). Realising this weakness, it has been argued that there is a need for the engagement of Non-traditional products such as vegetables, fruits, timber products, and alcoholic beverages into the African GVCs framework to increase value for the continent in pursuit of the African developmental agenda (Tian et al.,2019).

One of the major considerations in African GVC processes is its governance structure in delivering the desired results. The GVC governance structure refers to the authority and power relationships between actors in the value chain, which is an important pillar in understanding how the chain is controlled and coordinated in terms of finance, materials and human resources in delivering the needed value (Gereffi, 1994). The GVC governance structure also identifies lead firms, that through their strategies can influence the evolution of entire industries to exert power in setting rules and standards in the entire GVC framework to increase value creation and participation (Gereffi, 1994; Dalla et al., 2019). In understanding the governance structure in the African GVC framework, several weaknesses have been identified. First, there is a lack of coordination across the whole continent in the value creation process for all stakeholders. This implies that not all participants benefit from the GVC framework except those with substantial capital and dominance, some of which are subsidiaries of multinationals. Secondly, many participants in the GVC framework in Africa still focus on traditional products such as cocoa, coffee, bauxite, gold and crude oil which in our view are unsustainable and non-renewable looking at current economic demands in terms of unemployment, poverty reduction and infrastructural weaknesses in the continent. More important to our study is the realisation that there is poor coordination and governance of learning channels and knowledge transfer procedures in the entire African sector hence most values are lost particularly in the knowledge creation sector (De Marchi et al, 2018).

We address the aforementioned gaps by examining the governance and value creation structures of two indigenous African companies in the beverage sector namely *Kasepreko Ghana Limited and Diageo South Africa.* We attempt to understand the various governance structures which exist and how value is created in these businesses. In undertaking this, our study has offered four major contributions. First, our study has offered an important contribution to the GVC knowledge domain and in particular, focusing on the African continent. Secondly, through the theoretical lens used, we contribute to the understanding of the theory of economic upgrading by systematically examining upstream, midstream and downstream activities of the African businesses engaged in this study. Third, by highlighting the NTE sector, we send the signal that there is a need for Africa to refocus its energy and resources in developing the NTE sector. We argue that the current economic challenges being faced in African could be reduced through the effective integration of the NTE sector in the African GVC framework as well as the adoption of an effective governance system in creating value for all stakeholders in the chain. Finally, we emphasise the role of digitalisation in the African GVC framework which will support effective value creation and realisation. This implies that African governments have an important duty in closing the infrastructural deficit in road networks, reliable internet connectivity, electricity and institutional support (Atiase, Mahmood, & Botchie, 2018). Specifically, we develop a conceptual model to trace and map out the value creation process in the African GVC framework particularly in the area of *product design and procurement, branding and promotional activities, market distribution and global networks and skill development, corporate governance and corporate social responsibility*.

This paper is organised into seven sections including the introduction. The remainder of the paper is structured as follows. The background to the study is presented in section 2 while section 3 provides the theoretical and conceptual framework underpinning the study. Thereafter, we present the methodology, case studies and the discussion of findings in sections 4,5 and 6 respectively. Finally, the conclusion, limitations and implications of our study are presented in section 7.

2.Background

2.1 Global value chain and why it matters to developing countries

Over the last two decades, developing countries have comparatively achieved greater prominence in global trade. The share of global trade in developing countries rose from 30.3 per cent in 2000 to 43.4 per cent in 2015 (Horner and Nadvi, 2018). This significant rise in global trade share illustrates that the developing world is undergoing a process of economic development and structural transformation which is critically needed for Africa's economic growth (Foster-McGregor et al., 2015).

GVC is described as a "*complex and dynamic economic network made up of inter-firm and intra-firm relationships*" (Gereffi, 2014). GVCs also focus on the generation of value and economic integration through the encouragement of the production of goods and services either within a single geographical location or multiple areas. Referred to variously in the past as global commodity chains (Gereffi and Korzeniewicz, 1994), vertical specialization (Hummels et al., 1998), the disintegration of production (Feenstra, 1998), global production sharing (Ng and Yeats, 1999; Yeats, 2001) and global supply chains (Baldwin, 2012), a value chain refers to the "full range of activities that firms and workers do to bring a product from its conception to its end use and beyond" (Gereffi and Fernandez-Stark, 2011).

The value chain involves all activities such as designing, production, marketing, distribution, and consumer support that firms engage in to bring a product from its conception to its end-user and in some cases, including recycling of products (Gereffi & Fernandez-Stark, 2011, Foster-McGregor et al., 2015) and after-sales services. GVCs also account for power dynamics among multiple global economic actors (Fernandez-Stark & Gereffi, 2019). This network of processes allow enterprises located in different countries to focus on their specific task without worrying about producing the final product but ensures that each producer is delivering output on time and meeting the required quality and safety standards (Foster-McGregor et al., 2015; Stephenson, 2016).

There is huge potential in the engagement of GVCs for the developing world, particularly in Sub-Saharan Africa, as the region no longer needs to create entirely new industries to be competitive in the global markets (Baldwin, 2012) but rather, firms in this region could specialise in developing specific human capital or NTE to participate effectively in GVCs. Participation in GVCs by firms expose them to international markets and foreign competitors, with a huge potential for technology and knowledge sharing which are pivotal for organisational growth (Foster-McGregor et al., 2015). This means firms can have the best management practice and business methods by relying heavily on developed countries' intellectual property and trademarks and upgrading their skills gradually. Ordinarily, the developing countries GVCs participation should also benefit the local people, through increased employment creation and higher wages with improved working conditions, and economic security.

2.2 African Non-traditional export products and the global value chain

Even though Africa is gradually engaging in GVCs, the NTE products sector has received unparalleled attention compared to traditional exportable commodities such as cocoa, coffee, timber and minerals. The expansion of the GVC framework in Africa to include non-traditional products such as fresh fruits and vegetables, horticulture, food crops such as corn, plantain and cassava could be seen as a good development strategy (Van den Broeck et al., 2017) and potentially be of benefit to a large number of farmers and rural households by contributing to poverty reduction and financial security (Gómez et al., 2011; Minten et al., 2013). Africa could also promote economic growth by diversifying the market for NTEs whiles also reducing the over-reliance on traditional exports. However, the current GVC framework in Africa is yet to develop fully to accommodate the emerging and potential opportunities presented by the presence of various NTEs on the continent (Poku et al., 2018). The opportunities presented by beverages in the NTE sector in Africa is discussed below.

2.3 The beverages sector and economic competitiveness

There is a significant and expanding market for beverage products in Africa. Despite the continent being home to 16% of the world's population, it consumes 5% of the world's beverage alcohol (Ritchie & Roser, 2018). In 2017, Africa was the world's fastest-growing beverage market with an estimated $13 billion in value and volumes projected to grow at 4.7 percent per annum compared with a 1.7 percent global annual growth rate (UNCTAD, 2019; Fleming et al., 2014). The beverage value chain comprises the supply of primary input, the production of the beverages that are carried out in factories, breweries and lastly marketing and distribution through both wholesale and retail marketing channels. The supply segment in the chain, with respect to the beer and spirit industries, often includes smallholder farmers that produce raw materials such as grapes (South Africa), sorghum, cassava (Ghana) and millet (Nigeria) (Howson, 2019). These products provide the opportunity for promoting value addition which includes processing of the raw materials and producing an exportable product which could be low cost looking at the fact that these raw materials are abundant in the African continent.

Farmer participation in the GVC facilitates agribusiness for increased value addition to export products that can enable them to harness the interdependence of the different actors in the value chain, making them have a greater voice to enhance economic returns (Berthe & Grouiez, 2020). The various activities in the beverage production sector such as bottling, packaging, transport and distribution have created scope for value creation and linkages and this has offered opportunities for firms to increase investments across the entire chain. For example, Distell of South Africa has invested in spirit production in Ghana, Angola and Nigeria while First National Choice, invested in the production of soft drinks and water in Mozambique and this is an avenue for continental development (UNCTAD, 2019).

Notwithstanding the increase of beverage export, the scope is limited by factors such as tariffs, considering that most counties within the African trade zone have divergent trade requirements (UNCTAD, 2019). High tariffs across the African trade zone, therefore, reduce support for domestic processing industries, increase production cost and reduce competitiveness. These barriers have therefore become a hindrance to the governance of GVCs in the continent which seeks to focus on quality, packaging, codified solutions to food safety and logistics (Ewert & Hanf, 2015).

2.4 Governance of global value chains in Africa

The debate on how GVCs are governed has been severally documented in academic research as this is a vital tool for understanding the dynamics of economic globalization and international trade (Gibbon and Ponte, 2008). There have been significant changes in the global economic activity over the past decades which are mainly driven by technological advances, the rise of emerging economies, trade and investment liberalization (Buckley & Strange, 2015; Narula, 2017). These observed factors accelerated cross-border coordination of transactions and opened up access to geographically dispersed talent pools which facilitated a shift in the production of many goods and services to a low-income region such as Africa, leading to a particular interest in the GVC governance within international business research (Kano, 2018). The literature on GVC illustrates the buyer and supplier interactions along the chain, which has

been found useful to understand the learning and capability upgrading processes of supplies between firms (Gereffi, 1999; Lema et al., 2015). Learning channels in the value chain such as knowledge transfer from the lead firms, specific training and enforcement of standards have become an important component of GVC governance structure in Africa (De Marchi et al, 2018).
GVCs are not without challenges. In relation to Africa, differences in terms of policies and supportive regulatory frameworks across the various countries have affected the opportunity of suppliers to fully benefit from the chain (Staritz et al., 2011; Horner, 2018). Similarly, substandard products or disruptions at one location can consequently jeopardise the entire chain if effective governance is not assured (Buckley & Strange, 2015; Sun & Grimes, 2018). However, as noted by Navas-Aleman (2011), governance structures can also create barriers for capability development due to lock-in effects into certain activities. But, according to Draper and Freytag (2014), not all GVCs are created equally and the implications of participating fully or not are highly dependent on the type and structure of the chain. In addition, GVCs tend to be led by large multinational economies (MNE) that decide where to invest, locate plants based on strategies to maximise profits, and this may affect participatory opportunities for some countries (Low & Tijaja, 2013). This, therefore, create competitive pressures and force some producers and workers with insufficient capabilities and skills to be excluded from the value chain. Understanding governance structures in a GVC is important for policymaking, in particular for assessing how policies can have an impact on firms and the location of activities. This governance structure provides the basic insights to developing an operational theory of global value chains and enabled the identification of the three key determinants of value chain governance, namely the complexity of transactions, the codifiability of information and the capability of suppliers (Gereffi, Humphrey & Sturgeon, 2005).

2.5 Digital technology and the global value chain in Africa

Over the past decades, internet infrastructure in Africa such as high-speed fibre-optic networks was virtually non-existence, with firms having to use expensive and low-speed satellite links for their operations. However, recent years have seen a significant improvement in internet connectivity across the continent (Foster et al., 2018). This improvement is an important developmental step because the global economy has progressively become a complex and vibrant economic network and firm connectivity within the GVC network has become very important (Gereffi, 2014). The introduction of Global Production Networks (GPNs) which explores the broader relationships with producers forms the basis for understanding how digitalisation might support value creation and relationship building in the GVC framework (Coe and Yeung 2015). Yet, GPN framework has been proven to be ineffective as it provides only limited analytical value and does not take into account the importance of digitalisation in supporting the global production of goods and services (Dicken, 2011).

The expansion of new digital information flows, services, and networks could alter the economic value distribution within production networks. Firstly, it influences the processes of value creation in different places, as well as renovating the way by which power is exerted (Foster and Graham, 2017). Value in this perspective is used to outline the actors and positions within the networks where economic rents are created, developed or captured (Foster and Graham, 2017). Some of the digital implications that might transform network governance are new online channels that are used to capture value which could lead to reduced intermediary expenses, reduced chain management and the general reduction in transaction cost. However, Coe and Yeung (2015) imply to dwell on value creation and enhancement over value capture, where new products, services are created or where value is added by digitalisation. Other digital production networks in emerging in areas like online service booking, knowledge work and web production (Beerepoot and Lambregts 2015; Lehdonvirta et al. 2015). More so, in the agriculture sector, the use of satellite imagery, high-resolution crop sensors that will inform applications of the right amount of irrigation and fertilizer, with optical sensors and drones, are used to identify crop health across the field (Chisoro-Dube et al., 2018). Nevertheless, having digital technologies in the chain can help increase the participation of small and medium-sized enterprises bridging distances and reducing trade costs in the chain (Rodrik, 2018).

The continuous advancement in technology has enormous potential for Africa, as it influences how production is organised and positioned within the value chain (Gereffi & Wu, 2020). The globalisation of industries has been enabled by the improvement of telecommunications and transportation infrastructure and has driven increased demand for the most competitive inputs in various segments (Gereffi & Fernandez-Starks, 2011). With the era of digitalisation expansion, manufacturing firms in Africa could benefit from various advanced technologies such as the use of internet servers, cloud computing, artificial intelligence (AI) and the Internet of Things to increase revenue (Manyika et al., 2013; Coviell et al., 2017; Banga & Te Velde, 2018).

3.Theoretical and conceptual framework

3.1 Porter's value chain analysis and the development of Non-traditional exports in Africa

Porter's value chain is an important strategic framework that has been used over the years to understand the value creation process in a GVC by focusing on all the interdependent activities at each stage of the chain ranging from raw material acquisition to the final destination with the consumer. Porter (1985) groups the activities along the value chain into primary (in-bound logistics, operations, out-bound logistics, marketing and sales and service) and secondary (firm infrastructure, human resource management, procurement and technology), the goal of which is to create value above the cost of executing those activities so higher profits could be generated. The organisation of activities within the chain such as production, marketing, distribution and after-sales services to the final consumer are not only being executed within firms but also becoming increasingly a subject for cross-border cooperation, the reason value chain is regarded as "global" (Hernández et al., 2014).

The nature of participation in any segment of the value chain therefore has significant and profound implications for the value derived by participants in a developing continent like Africa. Activities in the various segments of the value chain use factors of production (labour, capital and technological know-how) with varying degrees of intensity, hence the potential for building up backward linkages. Thus, the GVC framework provides helpful guidance in identifying power-based or hierarchical relations in the global industry which determines the geographical location of economic activity and a relative share of value from these economic activities (Padilla-Pérez and Hernández, 2010). This particularly has implications for the NTE sector in Africa where value is likely to be lost for several firms or stakeholders in the chain due to the unbalanced nature of factors of production being utilised in the chain. To investigate how these power-based relationships impact benefits sharing dynamics in the value chain, an application of the conceptual distinction between economic and social upgrading by Bernhardt and Milberg (2011) is worth discussing in relation to this study.

3.2 Economic upgrading

Economic upgrading enables a firm to increase its overall competitiveness to participate in higher value creation, at least in theory, by "moving up" the value chain into higher-value activities (Barrientos et al., 2011). African firms can deepen their participation in, and increase benefits derived from, GVCs by pursuing economic upgrading. According to Humphrey and

Schmitz (2002), economic upgrading is measured from four dimensions namely, *process, product, functional and chain* upgrading. Whiles process upgrading is the rearrangement of the production process to improve efficiency and productivity, product upgrading is the production of superior quality or sophisticated products to meet the needs of consumers. Functional upgrading involves integrating additional stages of production and finally, chain upgrading refers to the diversification of value chain activities into higher-value sectors or end products. African firms in the NTE sector can therefore engage the above four dimensions in increasing their economic upgrading activities.

3.3 Social upgrading

Social upgrading, according to Barrientos et al. (2011), ultimately leads to better jobs through enhancements in the rights and entitlements of workers. Social upgrading has two dimensions based on the International Labour Organisation's (ILO) Decent Work agenda and these are measurable standards and enabling rights (Barrientos et al., 2011). Measurable standards relate to aspects that can easily be quantified, for example working hours, safety and health standards and the availability of formal and informal employment opportunities. Enabling rights on the other hand include aspects that do not easily lend themselves to observation and measurements such as freedom of association and non-discrimination. In Africa where institutional capacity is weak, it can be difficult to implement these in GVCs leading to differences in conditions of work as well as access to social upgrading opportunities among workers. The importance of social upgrading within GVCs arises from the need to treat workers as both productive and social agents and not merely only as a factor of production (Barrientos et al., 2011). The best outcome in a GVC is to achieve an overall upgrading (economic and social upgrading). Research indicates the possibility that economic upgrading can lead to social upgrading even though the opposite can also be the case, particularly, when associated with the increased casualization of work and/or production shifts to lower-wage locations (Barrientos et al 2011; Bernhardt and Milberg 2011). Based on the theoretical discussion above, we propose the conceptual framework shown in Figure 1 below to examine the value creation process in a GVC.

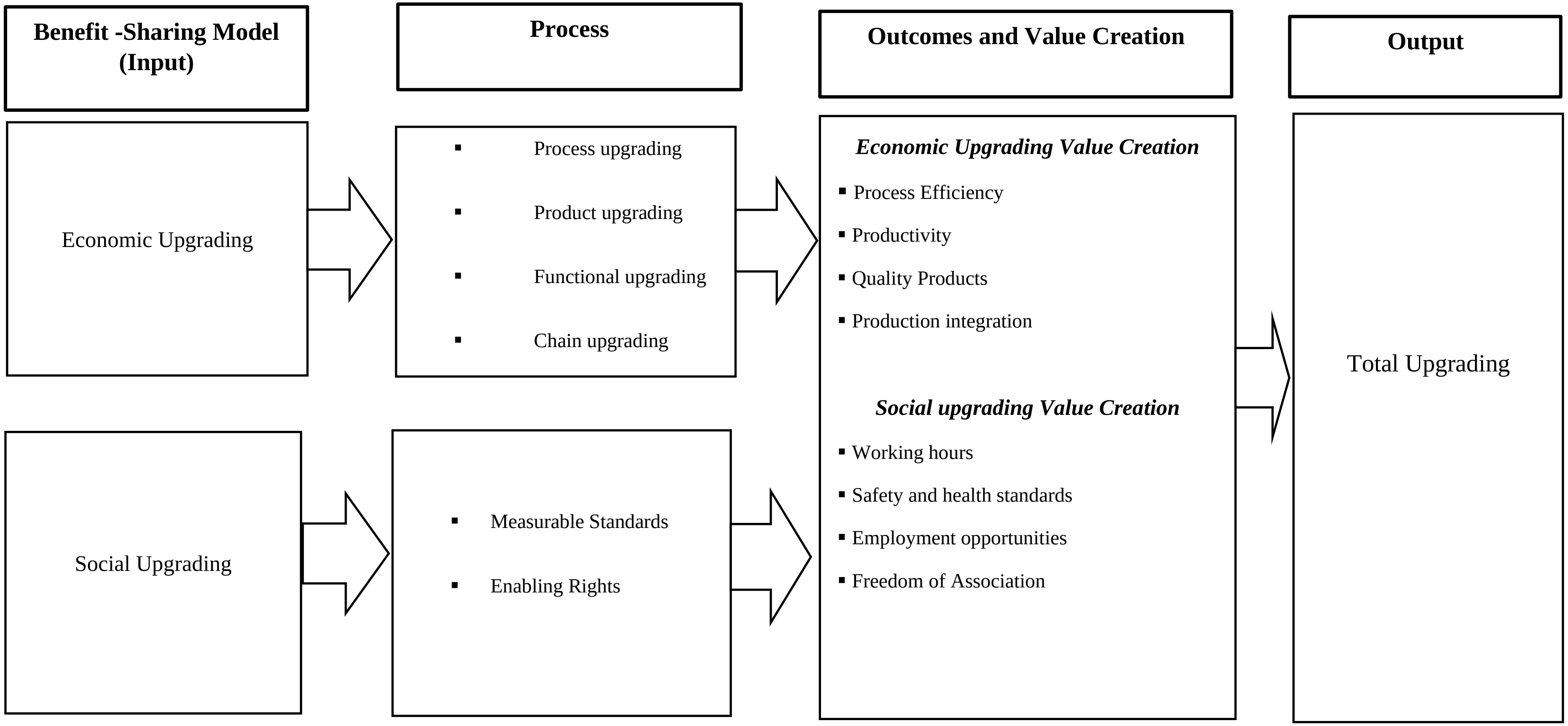

Figure 1. Conceptualising the benefit-sharing model in a Global Value Chain

4. Methodological Note

Following previous research on global value chains (Barrientos, Gereffi & Rossi, 2011; Gereffi & Lee, 2012; Naveed, Akhtar & Cheema, 2013), a case study design was adopted in this study whereby two major companies (cases) engaged in beverage production of the NTE sector in Africa were explored based on the available literature (Morgan-Thomas & Reubar, 2013). As suggested by Yin (2013), we drew relevant data from various documents, reports, and innovation websites of the Ministry of Food and Agriculture (MOFA), Ministry of Trade and Industry (MOTI), multilateral agencies, and journal articles. As Rowley (2002) noted, a multiple case study enables the researcher to engage contrasts and similarities across the cases in establishing robust evidence drawn from the data collected. We, therefore, adopted a multiple case study design by exploring two main case studies specialised in beverages and alcoholic drinks production from Ghana and South Africa in understanding the governance and the value creation process of the NTE GVC in Africa. Adopting a purposive sampling technique, we chose Kasapreko Ghana Ltd and Diageo South Africa who are major producers of beverage and alcoholic drinks in the African chain. The study selected these two cases purposively because these companies survived the extinction stages in their respective local markets at their initial three to five years of existence as well as their ability to participate in global networks in their bid to create value in the continent. They have therefore survived the intricacies of penetrating the global market with their various products. This criterion is very important because the authors believe that the adoption of the right value chain strategies is an important factor in going global and maintaining one's presence and dominance with its huge attendant benefits in the development of Africa. Finally, the study selected cases that have gone global in their trading activities and continue to maintain their relevance in the global arena despite the keen competition. In analysing these case studies we focus on four main themes: *product design and procurement, branding and promotional activities, market distribution and global networks and skill development, corporate governance and Corporate Social Responsibility* to identity the type and level of values created and to whom these values are accrued. Table I below provides the organisational profile of the selected cases.

Table I: Profile of Case Studies

Cases	Country of origin	Year of Establishment	Product types	Distribution Network	Value creation Channels
Diageo South Africa	South Africa	2015	Black & White, Buchana's, Johnnie Walker, Grand Old Parr, Lagavulin Captain, Morgan Baileys, Windsor, scotch whisky, Smirnoff, Baileys Gin, Vodka, Guinness, Bells and Pilsner	Local and Global	**Economic**: employment generation through start-ups; ecosystem stimulation; indirect job creation, job creation through start-ups; capacity building for local farmers and staff **Social**: Improved quality of, and economic security for raw material producers, corporate social responsibilities
Kasapreko Ghana Ltd	Ghana	1991	Alomo Bitters, Alomo Silver, Alomo Gold, Kalahari Bitters, and Opeimu Bitters. K20 whisky, Kasapreko Gin, K20 Gin, Barman Ginger Gin and Barman Herbal Gin, Carnival Strawberry, Kasapreko Brandy, Kasapreko Alomo Root, the royal drink, the hi5, Choco malt, the superstar multifruit, the Puma and Storm Energy Drink.	Local and Global	**Economic:** improved efficiency and productivity in packaging, delivery channels and support for local entrepreneurs **Social**: Capacity building for workers, support for participants in the entire distribution network, corporate social responsibilities

5. Case Studies

5.1 Diageo South Africa

History and background

Diageo South Africa was launched in 2015 but the Diageo have been prominent in the country for more than 100 years (Diageo, 2020). Today the company have a world-class portfolio of global and local brands across all categories, from ready to drink and mainstream spirits to international premium spirits. The drive for innovation led the company to be a global leader in beverage alcohol production with an outstanding collection of brands across spirits and beer. The firm produces an outstanding collection of over 200 brands that are distributed across more than 180 countries globally. The company operates in several regions across the world such as North America, Latin America and the Caribbean, Africa, Asia Pacific and Europe and Turkey, where its more than fifty brands are present. Even though alcohol is harmful, Diageo South Africa want to ensure that people can still have a healthy drinking lifestyle and support the Drive Dry drinking campaign and has so far inspired 15,000 people to never drink and drive. Environmental sustainability is also at the heart of the company and also pledge to support the local community in job creation.

Product Design and Procurement

Diageo South Africa can boast of an outstanding collection of over 200 brands enjoyed in more than 180 countries. Some of the popular brands are Black & White, Buchana's, Johnnie Walker, Grand Old Parr, Lagavulin Captain Morgan, Baileys and Windsor. Other global brands include scotch whisky, Smirnoff, Baileys, Gin, Vodka, Guinness, Bells, and Pilsner (Diageo PLC, 2012). The company also produce notable local spirits such as McDowell's, Shui Jing Fang, Yeni Raki and Ypioca. As consumers are the key player for every business success, the company aim to invest as many resources as possible, so their brands are constantly present within the market. With the combination of other resources, the company is one of the best performing, most trusted and respected consumer products companies in the world with its brands receiving similar marketing recognition and have experienced similar gains in sales globally. With this in mind, the company is sensitive to the highest standard of integrity and social responsibility.

Branding and Promotional Activities

One of the objectives of Diageo is to build its strong financial position by maintaining the strength of its brand and improving its position via world-class marketing and innovation. Sammut-Bonnici (2015) implies a branding strategy helps the organisation to be differentiated and competitive in a wide set of activities from product innovation to marketing communications. Diageo's enviable portfolio of brands has enabled it to relatively stable profit and cash flows as the brands are difficult to copy. Key Brands such as Johnnie Walker, which was established in 1867, became popular due to its innovative way of production, which gave it a competitive advantage. Proactive plans are taken to ensure the sustainability of the product lifecycle and protect its responsibility in leading the beverage alcohol industry (Diageo PLC, 2020). The organisation has a significant reserve brand portfolio that provides consumers with aspirational and luxurious products e.g. the Singleton and Johnnie Walker Blue label.

Diageo established its responsible marketing code, which aims to advertise only at adults and never those younger than the legal purchase age. However, due to the exposure of digitalisation, this has been argued that its advertising strategy has several weaknesses and lacked independent compliance monitoring as the young audience have been exposed to media (Chester et al, 2010). Besides the online and television advertising, the Diageo website has been accessible with different platforms which include their annual reports and business model and some parts of the website require a date of birth entry.

Market Distribution and Global Networks

The choice of market entry mode is one of the crucial decisions in market entry strategy, and the firm's trying to penetrate foreign market faces a biting decision in choosing the best and the right market to enter because the decision may have an impact on the firm's entire international performance (Enderwick and Chung, 2011**.** The South African market is one of the important markets for Diageo, as it penetrates the market through different entry modes such as joint ventures or subsidiaries (Ewert & Hanf, 2015). The sector is highly competitive and adds social and economic development to the country (Kaupa & Govender, 2015). The competitiveness of the industry has been considerably stronger than 20 years ago (Fleming et al, 2014). Diageo South Africa has played a key role in the value chain in its processes of upgrading, considering the intense competition from international beverage companies such as Heineken. According to Ponte and Ewert (2009), in a "basic quality" market, local marketers and retailers drive or govern the chain, hence Diageo has made reasonable investments to establish itself. considerably, Diageo is in control of the supply chain from developing, brewing, distilling, bottling, packaging, distribution, and marketing. It has physical plants that specialise in malting, vineyards, maturation warehouses, and bottle manufacturing plants. Embracing the digital economy gave a rise to major economic changes with improvement to supply chain integration. The organisation can track performance across multiple production sites and distribution channels, which helps gain insight into consumer behaviour and potentially provide new services. With the increased technological advancement, the company is now present in 16 African countries and across Europe, North America, Latin America, Asia, and the Caribbean. Different types of entry modes were established which consider the difference in a market environment, opportunities, demographics, and consumer needs. Babor et al. (2010) indicated that the company uses strategic tools for marketing and packaging to attract new consumers.

Diageo depends on third party suppliers in many areas all over its supply chain to avoid disruption. To mitigate this risk, the company took control of its entire supply chain. It is important that firms are aware of all the necessary export regulations in both home and destination countries and also understands the cost, tariffs and any tariffs exemptions that could apply to goods when embarking on export. This is so important as many African firms or exporters incur debt on setup costs and waste a considerable amount of time in starting new relationships which could be discouraging and resulting in a lot of uncertainty (Brenton et al., 2012). The new relationship could be seen as the first entry. As stated by O'cass et al, (2012) the entry mode is a vital decision firm has to make because the choice may influence the entire firm's strategies on the market. It is also important that a smoothly operating network is formed to help ensure that products gain and maintain their share of international markets (Cordobes and Lopez,2011). As stated by Welch and Paavilainen-Mäntymäki (2014), internationalization is a multifaceted process that occurs over time, rather than of a single set of decisions or discrete events.

Skill Development, Corporate Governance and Corporate Social Responsibility

To compete in the international market, the company has a diverse and vibrant workforce with a huge level of talent who are working together to grow the business and nurture all the brands. A supply chain requires an appropriate governance principle and the human resources practices of that organisation require coordination, developing, and applying knowledge for it to efficiently operate (Morris et al., 2009). Diageo's corporate governance takes form in a unitary system hence it is composed of eleven board of directors, six audit committees, thirteen executive committees, six remuneration committees, seven nomination committees, and Price Water House Coopers as an external statutory auditor. The company employs and manufacturers locally, producing local brands with locally sourced materials. It has a scale, depth, and a significant footprint as a committed investor. It operates 12 breweries and numerous plants, blending and malting facilities. Sourcing local raw materials is a key strategy in creating employment and revenue in the communities. For example, in 2020, they worked with 47, 415 farmers through regenerative farmer programmes, which are designed to provide skills training and tools for development.

Due to its active corporate social responsibility (CSR), programs such as "Drink IQ, Drive Dry and We don't serve Teens" were initiated to provide public awareness, prevention programs, and guidance for retail practices (Bacardi, 2010; Anheuser-Busch, 2011; Diageo, 2011). Besides, the company provides mentorship programs for high school girls "Spirited Women network" and "learning for Life" that provide training and job opportunities for unemployed youth. The organisation ensures to help achieve the UN's Sustainable Development Goal and supports World Health Organisation programs on health, such as the Global Action Plan for the prevention and control of non-communicable diseases. The value chain analysis has been helpful as it has mapped out emerging industries based on the new technologies that have possibly enhanced job creation in a "green economy and perform best practice in energy efficiency in industries through low carbon emissions, water efficiency, reducing pollution and renewables (Gereffi and Fernandez – Stark, 2011).

5.2 Kasapreko Company Ghana Limited

History and background

Kasapreko Company Ltd was established in 1991 as a sole proprietorship in the alcoholic and beverage sector in Ghana. Kasapreko's vision differs from that of other alcoholic drink manufacturers in the country as it identified the increasing consumer sophistication, consistent demand in product taste, quality and packaging, which meant the consumer was spending more on imports and aspired for quality products. This was the niche that Kasapreko set out to serve, ensuring that it produced quality drinks at affordable prices for the ordinary Ghanaian. Kasapreko Company Ltd has also taken advantage of the niche in the African continent by its internationalisation activities through its governance structures. The company initially associated itself with various networks while selecting the market and the mode of entry to internationalise. Currently, the company is one of the best brands in the beverage and alcoholic value chain in Africa exporting across the whole continent.

Product design and procurement

Kasapreko imports about 60% of its raw materials and the other 40% is sourced locally. The company uses various electronic platforms extensively which has proven to be an invaluable tool since it is now possible to search and reach out to the best and competitive suppliers. Raw material procurement is done with an eye on international standards and regulations. Indeed, the company boasts of a regular supply of a wide range of products which includes, Alomo Bitters (which is the flagship of the company), Alomo Silver, Alomo Gold, Kalahari Bitters, and Opeimu Bitters. The company is also dominant in the whisky market with its K20 whisky, as well as the Gin market with its Kasapreko Gin, K20 Gin, Barman Ginger Gin and Barman Herbal Gin. Further, the company has also ventured into the brandy and wine sectors with its Carnival Strawberry, Kasapreko Brandy, and Kasapreko Alomo Root Wine respectively. The company also added nonalcoholic beverages to its wide range of products including the royal drinks, the hi5 Choco malt, the superstar multifruit and the Puma soft drink and now the introduction of energy drink into the market with Storm Energy Drink.

Quality has been the hallmark of the company as it does not compromise on the quality of its products. To compete with products from developed countries such as the UK or U.S, quality is an important consideration for Kasapreko. In pursuit of this, the company ensures that its products are always better than what is on the market and meets global standards. Technology is crucial to the value creation process. It gave a competitive edge to Kasapreko by making it possible for new configurations of the value chain or by changing production activities themselves (Cabanelas, Omil & Vázquez, 2013; Beugelsdijk, Kostova, Kunst, Spadafora & Essen, 2017). Innovation and continuous investment in technology have kept the company ahead of its competitors. It is that zeal to continuously innovate which led the company to commission a US$2.6 million state-of-the-art production unit that is capable of blending various types of drinks. One key policy has always been "a step beyond excellence" and that is what kept the company in the global space to date. Additionally, a new flavour technology was added to the fleet of technology to give it a distinctive lookout among its competitors.

Kasapreko regularly refuses to sell certain products unless they meet specific pricing and packaging requirements (Gereffi & Christian 2009). Such a detailed specification is a powerful tool for market influence. The Company manufactures its bottles, boxes and wrappers after it adopted technology in doing so. Indeed, standard packaging cannot be glossed over considering the vagaries of the weather in Africa and taking into consideration the bad nature of roads in the landlocked Ecowas countries.

Branding and promotional activities

The company has an active website with three other sub-pages namely, the *Media Room, Events and Cocktails*. Video adverts can be found on the Media Room page while on the Cocktail page, visitors can learn how to prepare various types of cocktails using combinations of Kasapreko and other non-Kasapreko products. The Events page showcases all offline events and promotions of the company's products. Undoubtedly, this has brought the company very close to its customers as they can find out virtually everything they want to know about the company. There is also a contact section where a customer can get in touch with the company, leave feedback or join the company's mailing list. This way the company is aware of customer needs and can make the necessary changes as and when needed at no extra cost.

Market Distribution and Global Networks

It has been argued that the rapid globalisation of firms from emerging markets is due to home countries embracing pro-market structural reforms that reduce the transaction costs and agency problems (Borda, Geleilate, Newburry & Kundu, 2017). Kasapreko has done quite well in terms of its products that it has put on the Ghanaian market and boasts of being the biggest exporter of alcoholic beverages in Ghana. The company's export strategy has equally taken off well with the use of the Internet in its globalization drive. The company began receiving distributorship and purchase enquiries from countries in West Africa, Europe, and America. As the Public Relations manager recalled, ''*... our website has been very effective in terms of enquiries for agency and distributorship*". The company currently exports a lot of its products not only to West African countries but to South Africa, the United States, Europe, and Southern America. In the West African zone, it exports to Nigeria, Togo, Burkina Faso, Ivory Coast.

A key form of change expected in the global value chain is upgrading, which has to do with how firms can move to higher value-added activities or more profitable roles within the chain for a particular commodity or enter into a new value chain (Milberg, 2004). The Kasapreko Gin is still the market leader in the gin market, with Alomo Bitters still the number one bitters in the country after it was first produced 21 years ago. As the only local beverage company with an ISO certificate, this has helped open lots of opportunities for the company as it currently sells some of its products in some of the major airlines, hotels, and some of the high-end restaurants around the world.

Skill development, corporate governance and corporate social responsibility

International business requires a strategy to succeed and exploit opportunities; hence, international entrepreneurs need managerial skills (Nkongolo-Bakenda & Chrysostome, 2013). Given the tendency towards higher quality requirements in the beverages industry in the GVC, coupled with the increasing predominance of private retailer standards in value chain governance, export-oriented production companies are faced with the need to constantly up-skill and upgrade to remain competitive (Selwyn, 2008). Indeed, human resource is an extremely important source of competitive advantage since international business management depends on the type of personnel a company has. The human resource of Kasapreko is led by three executive directors who are supported by seven managers to form the management team. Of the three executive directors, one is the executive chairman; another, the executive director and the third one, the managing director, who also happens to be the founder of the company.

Firms engaged in global export trade need to be taken through the various export processes and documentation, there is the need to train them on how they will manage their businesses. Furthermore, communication skills, good book-keeping with simple accounting packages, as well as contract and negotiation skills are also important for SME owners. The company has 101 employees and employs around 150 – 200 casual labourers a year. Of those in the top management, all are computer literate as well as over 50% of the other employees being experienced as they have been properly mentored in export trade activities.

6. Discussion of Findings

As Table I shows, the cases discussed in this study have demonstrated tenacity and consistency in breaking boundaries in creating value in the African continent. The African continent is an epitome of a resource-scarce environment. However, both Kasepreko Ghana Limited and Diageo South Africa have consistently demonstrated value creation ability in all their upstream, midstream, and upstream activities. Value creation activities have been exhibited in the following areas of operations namely product design and procurement, branding and promotional activities, market distribution and global networks and skill development, corporate governance, and corporate social responsibility.

In the area of product design and procurement, both Kasapreko and Diageo have focused on sourcing local raw materials in all their production activities. This implies smallholder farmers do gain competitive pricing for their commodities and this ensures economic security and household poverty reduction. The agricultural food value chain in Africa which includes mainly farmers as a major stakeholder is a fragile sector with post-harvest losses accounting for as high as 40% of the overall harvest per annum (Affognon, Mutungia, Sanginga, & Borgemeister, 2015).This implies that the presence of Kasapreko and Diageo South Africa provides opportunities for agro-processing into alcoholic beverages. More so, almost all packaging and wrapping material are locally produced and this again provides opportunities for various individuals and firms in the NTE value chain. Kasapreko sources 40% of its raw materials locally and only imports raw materials which cannot be found in the continent.

Secondly, branding and promotional activities have become one of the major avenues for value creation to other stakeholders in the value chain (Sammut-Bonnici (2015). The findings indicate that both companies have contributed to value creation in their branding and promotional activities. They have both engaged indigenous firms in their branding and promotional activities. This has created both direct and indirect jobs for many individuals participating in the value chain. Advertising companies, marketers, television stations, and the general print media have gained from these activities with most of them very active in the value chain. Diageo adopted a corporate code in its advertisement practices that seek to prevent exposing younger people to alcohol and this has provided some social value on communities. For instance, Diageo's website requires visitors to enter their date of birth before accessing any content.

Third, one of the major way firms that engage in the NTE sector creates value is through the distribution network and haulage activities (Ponte and Ewert (2009). The entire distribution network of both companies has created value in various dimensions ranging from brewing, distilling, bottling, packaging, distribution, and marketing. The physical plants that specialise in malting, vineyards, maturation warehouses, and bottle manufacturing plants all participate in various segments of the chain. Apart from the value addition process in each of these segments, both direct and indirect jobs are created in the forms of truck drivers, loaders, clearing agents, quality officers, mechanics retailers, and wholesalers. There is also a huge value created for haulage and delivery companies that are contracted to deliver goods to both retailers and wholesalers.

Finally, corporate human capital is an important contributor to value creation in terms of capability and skill upgrading. Through this firms can leverage their performance by becoming competitive (Nkongolo-Bakenda & Chrysostome, 2013). Skill development is one of the focuses of both companies. All the employees of these companies have undertaken a series of training in processing of various raw materials such as grapes, export documentation, mechanical skills, procurement, packaging, and other related activities. The corporate governance structure of both companies has provided oversight of operations in relation to environmental protection, sustainability, and fair business practices. For instance, both Kasapreko and Diageo South Africa and their trading partners, particularly raw material suppliers are required to provide information on performance and/or production capacity. By providing this information, the companies have a better chance of enhancing their reputation and maintenance of quality processes assurance. Our observation is that both companies have also engaged themselves in various corporate governance activities in engaging the communities in which they operate. Figure 2. below maps out the various upstream, midstream, and downstream activities and the various values that are created as a result of participating in the NTE GVC sector.

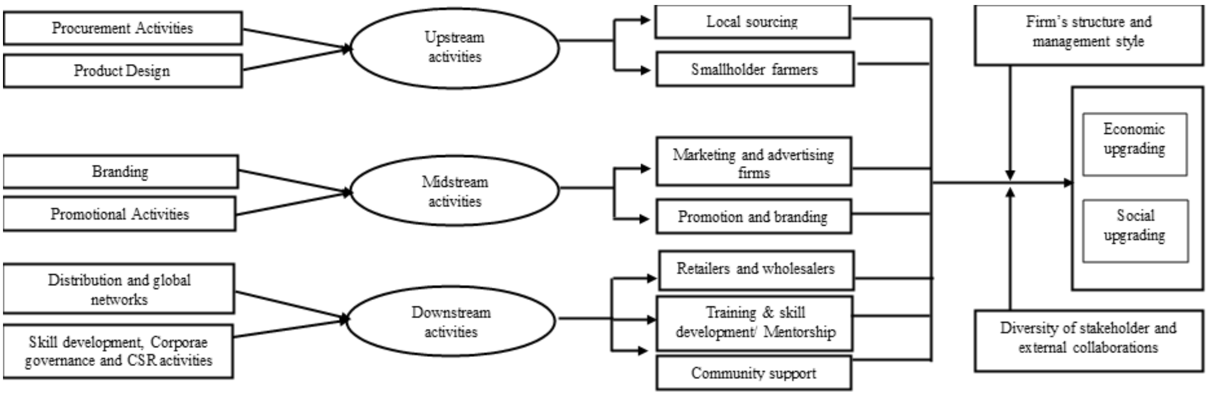

Figure 2: Levels of activity of NTE firms and the value creation process within the African GVC

7.Conclusion

A developing continent like Africa participates and derives value from international production and trade and this can be analysed along the Global Value Chains (GVCs) framework. It is apparent from the findings that African firms operating in the NTE sector, need to employ the right combination of resources to enhance their participation in GVC processes. In essence, the NTE sectors have the greatest potential currently in growing various chains in Africa. However, a myriad of challenges work to limit African firms from participating in economic and social upgrading along the GVCs. First, they contend with a set of structural factors including a weak domestic industrial base arising from a lack of successful and consistent industrialization policies. Secondly, financing for industry, particularly SMEs is a major hindrance to effective participation in GVCs. Thirdly, there is inadequate specialized skills at the professional and technical levels to meet global market requirements. Fourth, lack of sufficient investment in R&D, innovation and technology limits the degree of participation in, and value derived from the value chain. Fifth, the cost of doing business can be quite high in many African countries and this negatively impacts the competitiveness of companies. Finally, serious bottlenecks exist in some African countries in the area of public infrastructure such as poor roads network, unreliable and expensive electricity, poor telecommunications and internet connectivity among other challenges.

The digital economy in Africa grew between 15 percent and 20 percent in 2015, particularly in countries such as Nigeria, Ghana, Rwanda and Uganda (World Economic Forum, 2015; Bukht & Heeks, 2017). However, digitalisation in developing countries is still slower compared to developed nations. This is due to challenges such as internet connectivity, slower diffusion in ICT and automation equipment, poor logistics and infrastructure, inadequate access to energy and unreliable power supplies (Banga & te Velde, 2018). A combination of these issues indicates that African countries have poorer systems infrastructure which makes them less digitally ready.

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