

Telkom's American executives were hesitant to proceed with the venture in Nigeria, because if the department of justice identified any American Corporation guilty of such actions, or investing in a company that had previously done so, both hefty penalties and jail sentences would be imposed.

Vodacom's entry into Nigeria was challenged by EWN's minority Shareholder, Econet Wireless Limited (EWL) headed up by Strive Masiyiwa. He contended that he had first right the agreement between Vodacom and EWN to purchase 33% in EWN, and that Vodacom was "inducing breach of contract". He therefore had a motive to sabotage the deal. It took just 3 weeks until the deal collapsed.

The payment of "brokerage fees" ultimately led to the deals demise.

According to newspaper, This Day, Vodacom directors Mthembu and Pasley are said to have been in breach of Vodacom's corporate governance principles, by providing a "side agreement" which had served as a "letter of comfort" to EWN without the knowledge or ratification by the board before the Joint Venture deal was signed [11]

Payment of such fees is commonplace in Nigeria

Alan Knott-Craig found that although the agreement between Vodacom and EWN stipulated that the brokerage fees were not to be paid until the completion of the due diligence and the signing of the management agreement, they had been paid by the Nigerian operator days before the management agreement was signed. There was no corruption in respect of the brokerage fees, but it was regarded as a slip in corporate governance, since Vodacom had to authorise payment personally [12]

"The decision to withdraw from Nigeria is a blow to our expansion plans, but there was a breach of trust and I decided we could not expose the company any further"

"Those Nigerians are too smart for us". (In this statement, Knott-Craig was making inference to the advance fee fraud, commonly referred to as a 419 scam)