

Africa's business revolution

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Africa offers exciting possibilities for companies looking to access new growth markets in a constrained global economic climate.

Acha Leke, co-author of the McKinsey Global Institute's Africa's Business Revolution and chairman of McKinsey & Company's Africa practice told a Gordon Institute of Business Science (GIBS) Forum that success in Africa depends on innovation and developing a thorough understanding of the local environment.

Businesses that do well in the region are those that are deliberate about doing good: driving profitability and sustainable growth by meeting the continent's needs.

"At the centre of it all, when doing business in Africa, you have to want to make a difference. With such a mindset, you will be able to face the inevitable storms. Businesses with the attitude that they are there to solve customer problems tend to have longevity and are more likely to have higher customer loyalty," Leke said.

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Mutsa Chironga, co-author and executive at Nedbank explained that Africa has a young, fast-growing population who is becoming increasingly urbanised. Rapid technology adoption makes it a fertile arena for innovation. However, Africa's reputation for complexity, conflict and corruption persists, and the story of economic transformation is often overlooked.

Africa's economy now stands at \$2tn and the continent has made "huge economic and social progress - reducing poverty and improving healthcare and literacy rates," Chironga said. Six of the ten fastest growing economies in the world in 2018 were from Africa, and the continent has 438 companies with \$1bn turnover.

Prof Adrian Saville, director of the GIBS Centre for African Management and Markets said the "elephant in the room" for many companies looking to invest in Africa was the lack of data and a "glaring knowledge and information gap."

"The strategic challenges in Africa are abundant. Just this year alone has seen upheaval in Zimbabwe, terrorist attacks in Kenya and uncertainty surrounding the February Nigeria elections. How do businesses with operations on the ground fit all of this into their strategic documents and business models?" he asked.

Trends and business opportunities

Africa's combination of a fast growing population and an increase in per capita income growth has resulted in increased demand, whether it is for internet connectivity, energy or for consumer goods. This, along with the rapid adoption of digital and mobile technologies across the region presents enterprising businesses with a multitude of opportunities, Chironga said.

However, the demographic dividend is also the continent's largest potential threat, as youth unemployment remains a persistent problem. "We need to think very boldly and determine what the labour intensive sectors are that will be able to employ the youth. Industries such as manufacturing and agriculture could mean Africa can become the next labour intensive hub for the world," Chironga said.

The continent's infrastructure gap, and efforts to close it, was the source of a multitude of business opportunities. Africa's energy consumption per capita, as well as road and rail density still significantly lags that of the other BRIC countries, Leke

explained.

He added that Africa's untapped resource wealth and new innovations to unleash it, to the benefit of the local people, boded well for the regional economy. "There is a concentration of mineral wealth on the continent, but it is not being used to the benefit of Africa's citizens."

How to win in Africa

Leke explained that those looking to establish successful business ventures in Africa should place their focus on innovation, as it is an effective structural advantage against competition: "Once you find the right business model, it becomes more difficult for people to replicate your success."

Former Head of Business Africa for the World Economic Forum Jesmane Boggenpoel said it is not enough for companies to merely tweak their offerings for the local market: "Business must solve for Africa's unmet needs. We need innovation and research and development spend. It is simply a matter of will and of resource allocation."

Chironga gave the example of Nigerian conglomerate Dangote as a successful African company that had built resilience for the long term by developing a granular understanding of the local environment. The company, which has operations in ten African countries, had taken a long term strategic view, diversified to build a balanced portfolio and effectively engaged with the governments of its local operations.

While the number of large companies in Africa continued to lag the rest of the world, both large and small businesses had an important role to play in furthering economic growth and development in Africa and were part of the same ecosystem, Chironga said. Large corporations were essential to raising tax revenue, while small businesses grew local economies and created jobs. The issues of innovation and resilience applied equally to both.

"Africa is not an easy place to do business," Leke concluded. "You need to have patience and a long term mindset, as you will face the inevitable storms. But you will be able to see these through if you have an understanding of the context and have developed resilience."

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