The Africa Business Agenda

Playing it safe

September 2019

7th edition

African CEOs and PwC leaders share their perspectives on the realities and rewards of doing business on the continent

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About this publication

The Africa Business Agenda draws on the results of PwC's 22nd Annual Global CEO Survey of 1 378 interviews in 91 countries, including 83 CEOs from 19 African countries. The use of a common set of survey questions allows us to benchmark the views of CEOs in Africa against global results, enabling us to identify and explore some of the distinctive features of doing business in Africa.

The growth agenda

What's on Africa's business agenda

Dion Shango

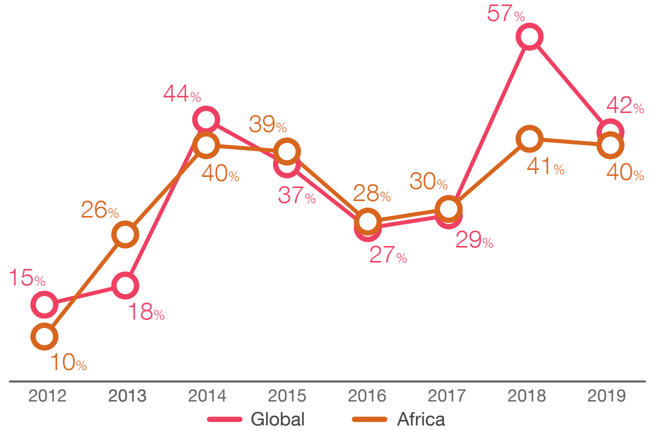
Territory Senior Partner for PwC's East, West and South Market regions in Africa

PwC has been conducting research on CEOs in our Annual Global CEO Survey since 1997 and we've been specifically analysing the views of participants from Africa in this publication for the better part of a decade.

Our previous survey saw a record jump in optimism regarding global growth prospects. This year, by contrast, saw a record increase in pessimism, with 29% of global CEOs (Africa: 25%) projecting a decline in global economic growth, up from a mere 5% last year.

Figure 1: CEOs are less optimistic about the strength of the global economy than they were a year ago.

Q **Do you believe the global economy will improve, stay the same, or decline over the next 12 months?** ***(showing 'improve')***

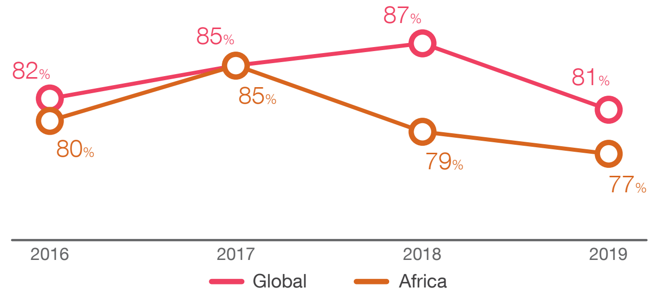


Source: PwC, Annual Global CEO Survey

CEOs also reported a noteworthy dip in confidence in their own organisations' revenue prospects over the short (12-month) and medium (three-year) term. If CEOs' confidence continues to be a leading indicator, global economic growth will remain slow and business leaders will choose to play it safe in terrain they know.

Figure 2: CEOs' confidence about their own companies' outlook has also fallen

Q **How confident are you about your company's prospects for revenue growth over the next 12 months?** ***(showing 'confident')***



Source: PwC, Annual Global CEO Survey

Looking inward

Given the decline in optimism about global economic growth, our survey findings also indicate that CEOs are less anxious about the broad existential threats that dominated the rankings in previous years (like climate change and terrorism), and are more concerned about the factors that impact the ease of doing business in the markets where they operate, and those that impact their overall confidence and willingness to invest and/or take risk.

As chief executives plan their business strategies for this year, they are feeling the impact of these issues. Although most still believe in globalisation, they appear to be less interested in expansion plans outside of their existing markets. Instead, business leaders are focusing their efforts on staying within their own geographic borders for revenue growth.

This strategy is particularly relevant to CEOs in Africa who recognise the opportunity to build their own brands in markets where they have a stronghold and where there may be tremendous growth opportunities to be realised without much competition from global players.

The fact is that the very obstacles and risks that make expanding into new markets so challenging are often the very same factors protecting CEOs' operations in the markets where they are already active.

But, as they look within their own markets and organisations for growth opportunities, CEOs are also having to contend with gaps in their organisational capabilities. So while they are quick to recognise that factors such as technological advances, urbanisation and demographic shifts are having the most transformational impact on their businesses, many acknowledge that they are battling to harness their impact and create value.

Reaching outward

As CEOs focus more on execution, search for revenue growth, work to address skills issues, and implement emerging technologies – while seeking to capture their related benefits and value – they should not retreat from the broader conversation about how the world is changing and what needs to be done to meet evolving human needs and foster sustainable prosperity. Every leader is affected by these challenges, but no individual organisation in either the public or private sectors can tackle them alone.

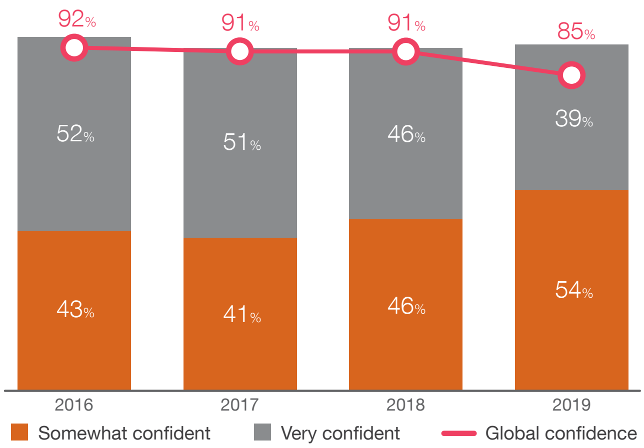
As social, political and economic events hit the boardroom, CEOs need to step forward to make a meaningful contribution and rebuild business confidence for the long term. Business cannot succeed in isolation and we have identified four critical steps that business can undertake together with government and civil society to navigate a path towards widespread prosperity:

- **Pick issues that fit.** Pick issues to address that not only have broad relevance, but also fit the company's purpose and brand.
- **Stand up and speak.** Businesses and governments need to communicate clearly and often, to one another and to the public, the intended outcomes of their actions.
- **Provide lifelong learning in the skills that matter.** Business need to keep pace with technological change and innovation. Many organisations are currently putting programmes in place to assist their people in making the transition to a digital world. A culture of adaptability and lifelong learning will be critical to spreading the benefits of new technologies throughout society.
- **Tackle global issues at the grassroots level.** Businesses and governments can make progress at the local level in addressing big-picture, strategic, long-term threats.

Business has an essential role to play in building and fostering trust in society and CEOs should embrace the responsibilities and opportunities this brings.

Figure 3: African CEOs are more optimistic about the medium term

Q **How confident are you about your organisation's prospects for revenue growth over the next three years?**
(Summary: African CEOs)



Source: PwC, Annual Global CEO Survey

CEO confidence, growth and governance

Nadine Tinen

Territory Senior Partner
PwC Sub-Saharan Francophone Africa (SSFA)

In these days of big data and advanced analytics, people may wonder why we go to the trouble of surveying CEOs about their feelings and opinions. So this year, we decided to take a look back and to analyse the predictive power of CEOs.

Our analysis of results of PwC's Annual Global CEO Survey over the past decade has established a clear correlation between the level of confidence expressed by CEOs regarding the next 12 months, and the actual growth of GDP achieved. In other words, CEOs' revenue confidence can be considered a leading indicator of the direction of the global economy. Clearly sentiment matters.

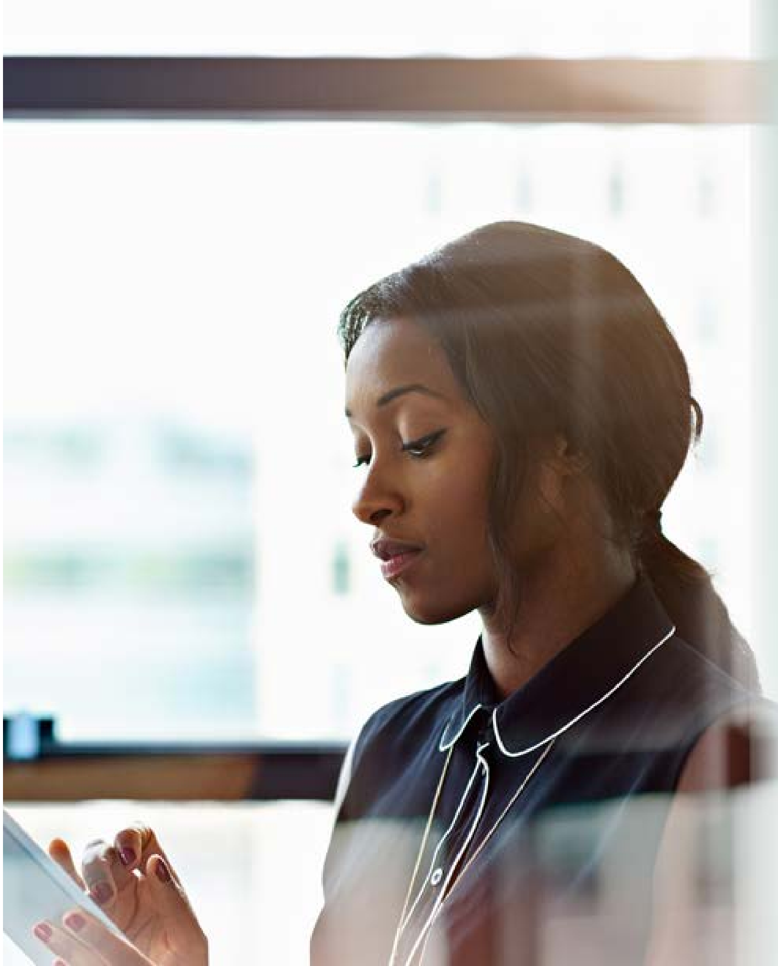
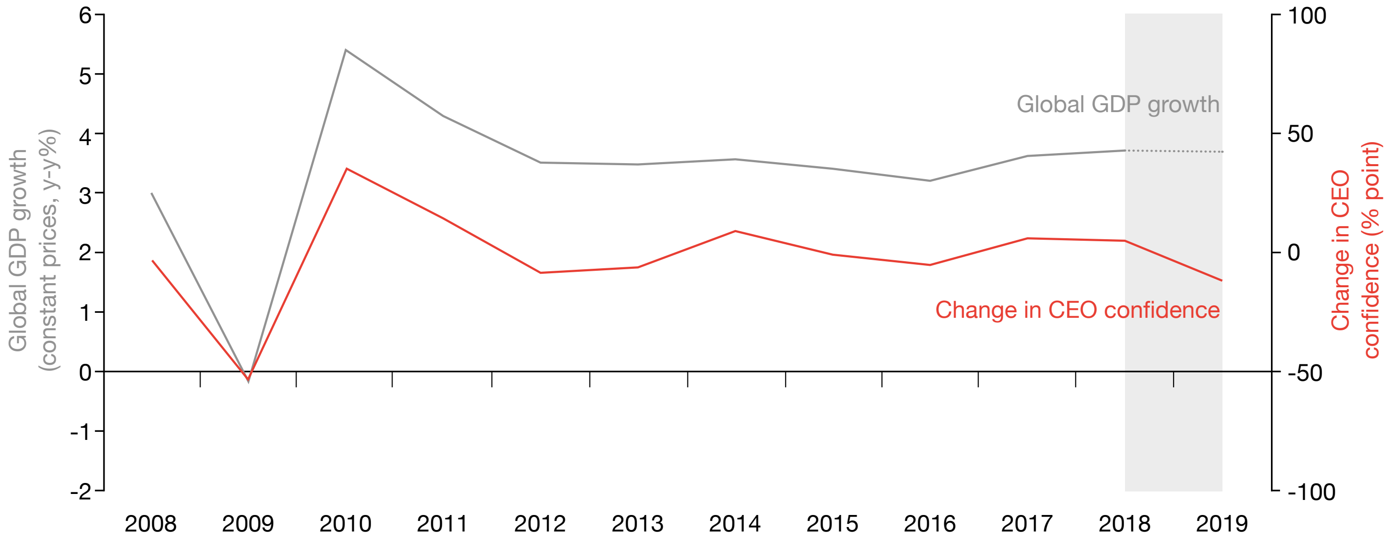


Figure 4: What do CEOs know about the future?

Q **How confident are you about your organisation's prospects for revenue growth over the next 12 months?** ***(showing change in CEO confidence)***

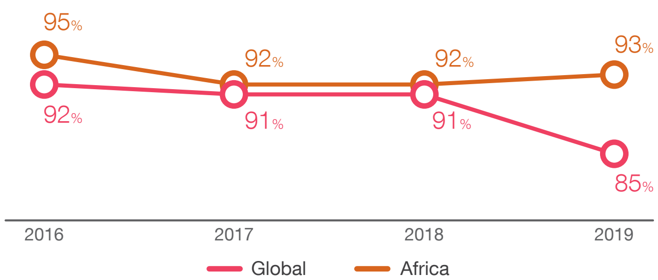


Source: PwC, Annual Global CEO Survey, 2019

Turning from short-term to medium-term growth, we've seen that African CEOs' level of confidence in the growth of their organisation's revenues has been above the global average since 2016, reaching 93 % in 2019, eight percentage points above the global average.

Figure 5: African CEOs remain optimistic about their organisations' medium-term growth prospects

Q **How confident are you about your company's prospects for revenue growth over the next 12 months?** ***(showing 'confident')***



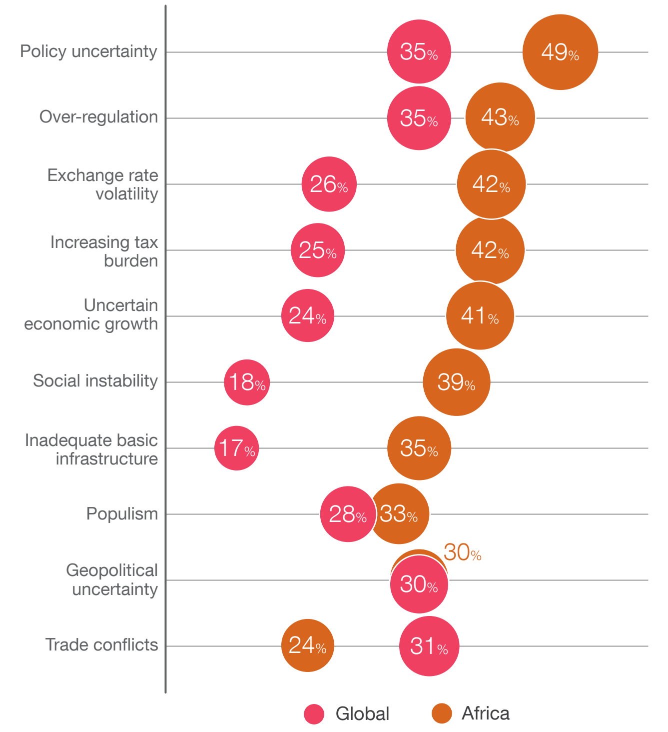
Source: PwC, Annual Global CEO Survey, 2019

While business leaders in Africa are consistently more confident than many of their peers from other regions, there is no shortage of challenges to keep them awake at night. In Africa, many of the concerns mentioned by CEOs relate specifically to issues related to governance and the ease of doing business.

Policy uncertainty and excessive regulation are recognised as significant obstacles to economic activity and are at the top of the list of concerns expressed by CEOs based in Africa. This is followed by concerns about issues relating to tax and fiscal pressure, which also measure at significantly higher levels compared to their global peers.

Figure 6: CEOs in Africa are particularly concerned about the regulatory and fiscal environment

Q **How concerned are you about these potential economic, policy, social and environmental threats to your organisation's growth prospects?** ***(showing only 'extremely concerned')***



Source: PwC, Annual Global CEO Survey, 2019

Governing for growth

Governance issues and problems created by an uncertain operating environment are constant challenges for businesses operating in Africa. To demonstrate this point, research by PwC's Global Economy Watch team suggests that if other sub-Saharan African countries made the same efforts to improve their governance as Côte d'Ivoire (the country that has improved the most over the period from 2007 to 2017), Africa's overall GDP could grow by upwards of US$23 billion.[1]

The analysis considered the variation in economic growth and performance in measures of governance among 53 African countries in recent years and examined the relationship between the two.

Economic growth has differed wildly in recent years with countries like Ethiopia and Côte d'Ivoire having experienced consistent annual average real per-capita growth in excess of 5% since 2013. Others have struggled. Equatorial Guinea and the Central African Republic have seen declines of 9% and 5.2% a year over the same period.

Figure 7: Annual change in real GDP per capita, 2013-2017

Countries with the highest average annual GDP per capita growth		Countries with the biggest declines in annual GDP per capita	
Ethiopia	**7.1%**	Equatorial Guinea	**-9.0%**
Côte d'Ivoire	**5.7%**	Central African Republic	**-5.2%**
Djibouti	**4.9%**	Libya	**-5.1%**
Rwanda	**4.0%**	Burundi	**-2.0%**
Guinea	**4.0%**	Chad	**-1.9%**

Source: PwC analysis, World Bank

Economic growth has been particularly strong in East Africa (at around 3% a year since 2013). Central Africa, by contrast, saw annual real GDP per capita fall by an average of 1.3% over the period. North Africa and Southern Africa experienced very sluggish growth (of 0.4% and 0.8% a year respectively), while West Africa saw faster growth of 1.9% a year.

Variation in performance

Besides conventional drivers of growth, such as high net FDI inflows and strong commodity prices, political stability and perceived levels of corruption have also been influential. To demonstrate this, the PwC team modelled the performance of each country across the World Bank's six Worldwide Governance Indicators (2013-17)[2]:

- Voice and accountability;
- Political stability and absence of violence;
- Government effectiveness;
- Regulatory quality;
- Rule of law; and
- Control of corruption.

1 *PwC, Global Economy Watch, May 2019. https://www.pwc.com/gx/en/issues/economy/global-economy-watch/governing-for-africa.html*

2 *World Bank, Worldwide Governance Indicators, http://info.worldbank.org/governance/wgi/#home*

The team looked at how the countries' rankings have changed for each of these variables relative to one another over the past five years and then constructed an annual Composite Governance Indicator (CGI) based on an unweighted average of these six variables to highlight which economies have seen the largest improvements and the biggest declines in public governance since 2013.

Figure 8: Annual change in real GDP per capita and change in CGI percentile rank growth, 2012-2017

Source: PwC analysis, World Bank

Côte d'Ivoire and Rwanda have experienced some of the strongest improvements in these indicators. Both of these countries have placed institutional reform high on the political agenda. In contrast, countries that have experienced conflict or sociopolitical unrest fared particularly poorly, with scores declining in Mozambique, Zambia and Lesotho.

There is a positive correlation between economic growth and rising governance indicators with three of the fastest growing economies also seeing the strongest improvements in their worldwide governance indicators. This is also true for those with the weakest economic performance, with four of the five countries with the fastest declining per-head GDP also seeing declines in their annual composite governance rank over the last five years.

Given this scenario, improving governance across the continent could be key to its economic development, and the countries with the largest potential gains would be those with a comparatively high GDP per head, but a poor track record on governance. Going back to my initial discussion of the predictive power of CEO sentiment, it's not difficult to envisage how greater certainty and predictability in the operating environment would translate into improved business performance.

Leadership, risk and technology

Shirley Machaba

Regional Senior Partner for PwC in Southern Africa

Ongoing economic, social and political uncertainty is a perennial worry for CEOs globally, not least for those in Africa. Concerns over policy uncertainty, skills shortages, over-regulation and exchange rate volatility lead the long list of risks causing CEOs anxiety in the latest Global CEO Survey.

What stands out in these findings is that a consistently higher proportion of African CEOs say they are 'extremely concerned' about these issues compared to their global peers. While this is troubling both for businesses and the countries in which they operate, it is also noteworthy that the proportion of CEOs who are concerned has in many cases declined since our previous survey. So while, for instance, 39% of African CEOs were concerned about social instability in 2019 (global: 18%), this was a significant improvement on the previous year's result (50%), suggesting that in many jurisdictions conditions are 'less bad' than they were before.

While businesses across the continent have been adversely affected by declines in GDP growth and other macro factors, the threats CEOs consider most pressing are less existential (e.g. terrorism, climate change) and relate more to the ease of doing business in the markets where they operate. In short, we find CEOs focusing their attention more on the factors they can influence, if not control – with issues like policy uncertainty and the availability of key skills being highlighted.

Technology: Threat and opportunity

Business risk is everywhere – internal and external, interconnected and constantly changing. Advances in technology and innovation only add to this and are continuing to disrupt business operations. Among African CEOs, there is an increasing awareness of the need to manage cyber risks like cybercrime and cyberterrorism.

Pervasive digital transformation and innovation continues to increase risks for businesses, but innovations such as artificial intelligence (AI) and data analytics are also delivering operational efficiencies that may help offset many of these challenges.

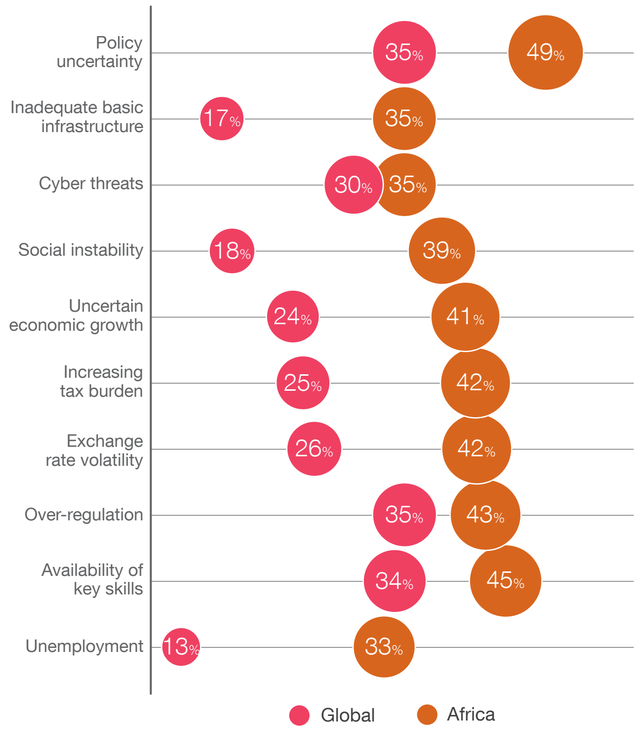
Arising from our research among executives globally are several key strategies we believe organisations should pursue to better manage their risks in this fast and ever-changing environment:

- **Build a more agile leadership team.** Leadership needs to adapt to better handle the volatility, uncertainty and complexity currently taking place in the business landscape. In so doing, companies will need to consider whether they have the right people sitting on their boards for today's risk environment. The right mix of board members might include, for example, those who have geopolitical expertise as well as relationships with trade and industry groups to manage policy and regulation implementations. Having board members with strong digital expertise would also be an advantage for businesses, as well as having experts update board members on digitisation and other technological developments.
- **Use technology to enhance risk management.** Risk management should be integrated across all parts of the business. Operational resilience is equally important to withstand shocks and potential risks. The ability to access data analytics and monitoring tools to increase this resilience is what will help business leaders and other decision-makers to adapt to the changing environment.
- **Target risk management at the company's use of new technologies,** in particular how it uses customer data and AI in a responsible way. The need to trust and rely on data and other emerging technologies, as well as the impact of national policies and regulations on companies' digital strategies is increasingly important.
- **Provide the right information at the right time.** Risk leaders need to ensure they give management the right information to make decisions. Business leaders need to also be aware that the market is moving faster than regulation and having a leadership culture to withstand risks as they emerge is essential. It should also be borne in mind that new technologies such as fintech and blockchain have few rules to regulate them. As a result, risk is increased around such technologies.

Risk is unavoidable, but by embracing organisational change and digital transformation, and by making greater use of data and digital capabilities to inform decisions, businesses can become smarter risk takers and drive greater value from their investments.

Figure 9: Levels of concern over many external risk are noticeably higher among CEOs in Africa

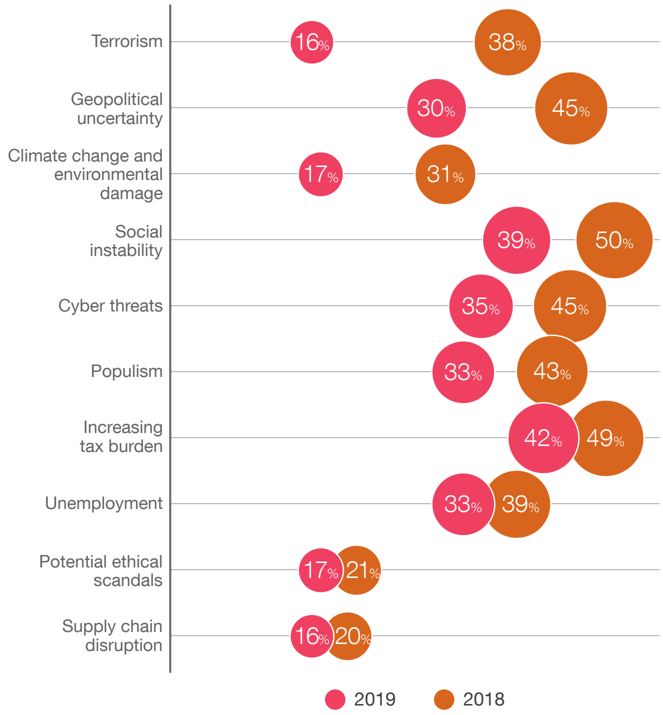
Q **How concerned are you about the following threats?** ***(showing extremely concerned)***



Source: PwC, Annual Global CEO Survey

Figure 10: The degree of anxiety among African CEOs about certain risks has improved since the previous year.

Q **Considering the following threats to your organisation's growth prospects, how concerned are you about the following?** ***(showing extremely concerned)***



Source: PwC, Annual Global CEO Survey

Digitally-fit risk management

In PwC's global 2019 Risk in Review Study, we surveyed more than 2 000 CEOs, senior executives, board members, and professionals in risk management, internal audit, and compliance to explore what differentiates risk functions when it comes to digital transformation.

Although technology risks are not new, the stakes are now much higher as digital roll-outs heighten risks beyond the technology itself. Emerging technologies are not only impacting the pace of change and the risk landscape, but also the role that risk functions play in organisations.

It is notable that 87% of chief executives who responded to our *Global CEO Survey* described the data about the risks to which their businesses are exposed as 'critical/ important' for making decisions about the long-term success and durability of their organisations. In contrast, only 22% said the data they currently received was comprehensive enough to adequately inform their decisions. This figure is unchanged in ten years, indicating that while organisations are increasingly data-rich, they remain insight-poor.

Our research suggests that when risk functions are digitally fit, the benefits an organisation receives multiply in the forms of faster progress and greater-than-anticipated payoffs on digital technology investments. Risk professionals need to consider investing more time and resources to become digitally fit – they will ultimately reap the rewards of such investments.

Find out more

Trade: A new horizon for growth in Africa

Uyi Akpata

Regional Senior Partner for PwC in West Africa

The results of PwC's latest Annual Global CEO survey suggest that business leaders, particularly those in Africa, are less certain about expansion outside of their current markets, with CEOs more focused on achieving operational efficiencies and organic growth within existing operations.

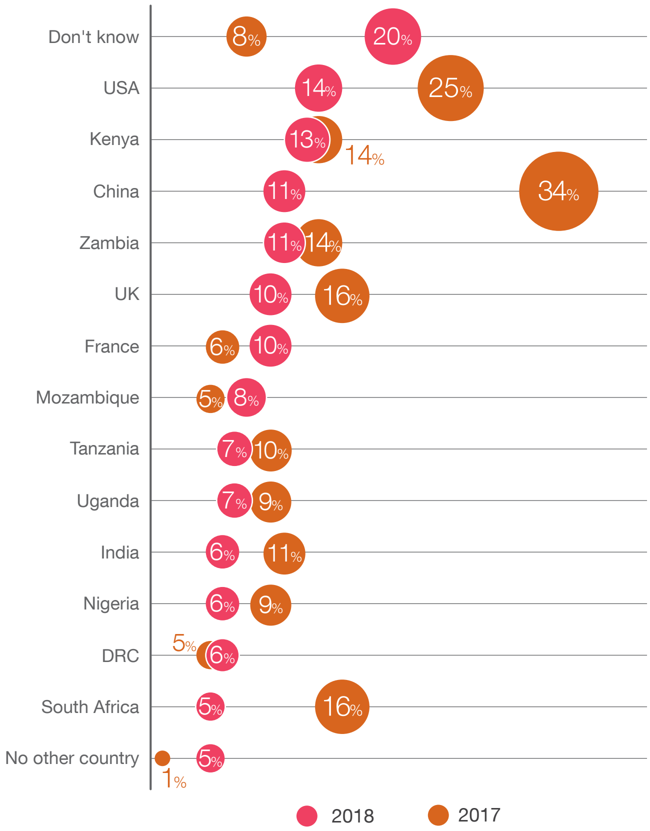
Ten years ago, many global and African companies were looking at Africa as the ticket to exponential growth. Banks, retailers, FMCGs, manufacturers and many others set out to make their fortunes on the African frontier. These days, business leaders are a lot more cautious when it comes to expansion and growth.

While slower-than-expected growth rates may partly explain this change in approach, we are also seeing trade conflicts and protectionism coming to the fore on the global stage. Many organisations are adopting a wait-and-see approach and there are several countries that stand to benefit from trade tensions elsewhere. While these developments introduce new obstacles to business and trade, there are also fresh prospects for revenue growth emerging due to new trade arrangements.

In Africa, we find countries looking to opening their markets and the African Continental Free Trade Agreement (AfCFTA) is at the centre of this activity.
The agreement establishes the Continental Free Trade Area (CFTA) – the largest in the world in terms of participating countries since the formation of the World Trade Organisation (WTO) in 1992.

Figure 11: African CEOs appear less certain about their expansion plans outside their home markets

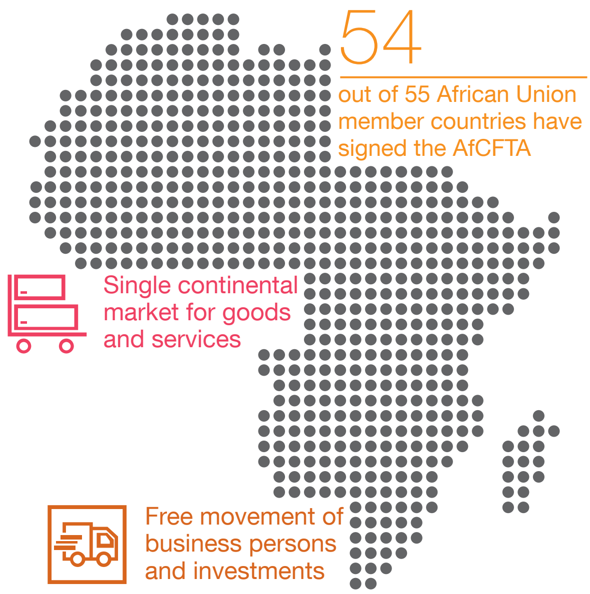
Q **Which three territories, excluding the territory in which you are based, do you consider most important for your organisation's overall growth prospects over the next 12 months?** ***(showing African CEOs)***



Source: PwC, 22nd Annual Global CEO Survey

The AfCFTA is poised to unify all 55 African countries with a combined population of over one billion people and combined gross domestic product (GDP) of more than US$2.5 trillion.

Figure 12: What AfCFTA means for Africa



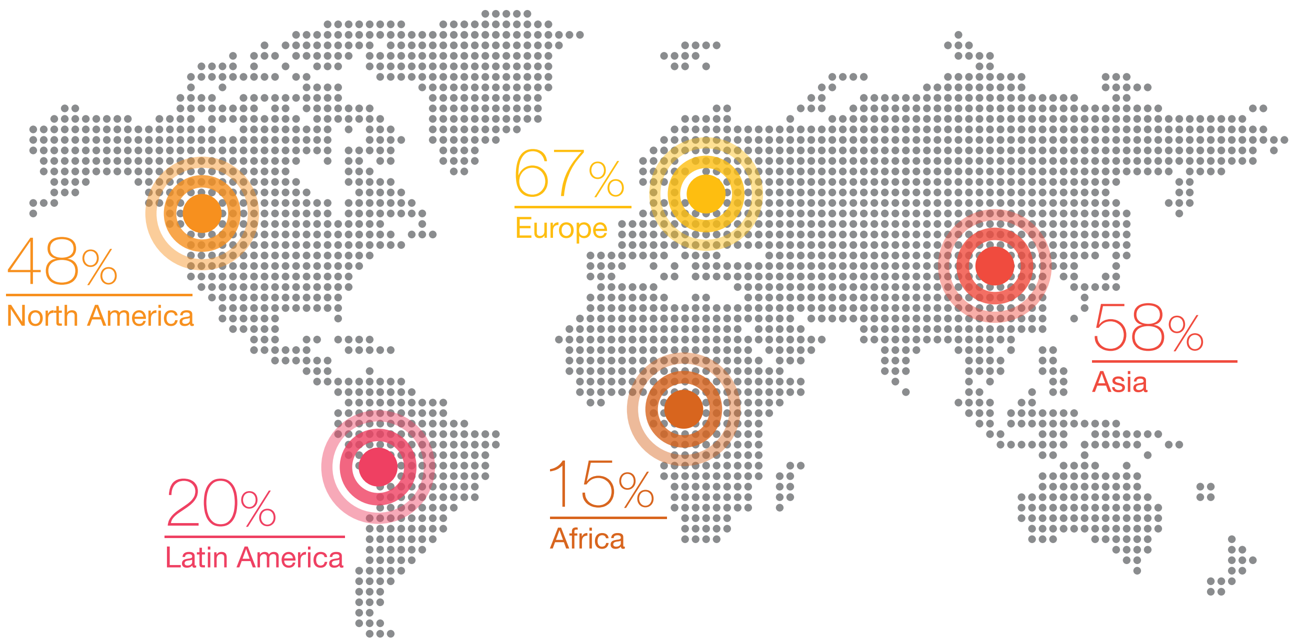
The African Continental Free Trade Agreement (AfCFTA) was introduced in March 2018, and came into effect on 30 May 2019. At the time of writing, Eritrea was the only country yet to sign the agreement.

The main objective of the AfCFTA is to create a single continental market for goods and services, with free movement of business persons and investments, paving the way for accelerating the establishment of a continental customs union.

While countries still need to iron out the details of the agreement, it is expected to be the world's biggest free trade area.

In general, African countries don't trade much with each other. Currently, trade in Africa forms less than 3% of global trade. It compares unfavourably to Europe (67%), North America (48%), Asia (58%) and Latin America (20%), which have drawn on vibrant intra-continental trade to sustain growth and economic development.

Figure 13: Intra-continental trade rates (%)



Source: Afrieximbank, African Trade Report 2018

This low trade figure is the result of several issues, but the one that stands out the most is the poor infrastructure on the continent, which makes it extremely difficult for countries to move goods and products between themselves. Many African countries also produce the same agricultural products and other similar commodities. Hence, they don't always need their neighbouring country's exports. There are also a host of other issues impeding the free flow of goods. These include bureaucracy and red tape, high tariffs on imports, and problematic border posts.

The importance of intra-African trade

Intra-African trade is important for the following reasons:

Trade partnership

It eliminates tariff and non-tariff barriers, as well as restrictions on investments.

Food security

It facilitates trade in food products and supports the development of international production chains.

Linkages

It establishes and strengthens product value chains and facilitates the transfer of technology and knowledge by way of spillover effects.

Stimulate infrastructure development

It incentivises and encourages infrastructure development and attracts foreign direct investment.

Economies of scale

It enhances competition between industries on the African continent through exploiting economies of scale and doing away with producers that are less productive.

Accelerate economic activity

It has the potential to promote diversification, thereby increasing the prospects for growth anc development of emerging markets into the global economy.

In 2017, the value of intra-African trade was estimated at US$135 billion, which represented growth of 9% from US$124 billion[1] in the previous year.

This growth was largely driven by South Africa, Namibia, Zambia and Nigeria, which jointly accounted for more than 37% of intra-African trade in 2017.

Figure 14: Top 10 Intra-African trade contributors (US$ billions)

2018		2017
23.3	South Africa	8.5
2.2	Namibia	4.6
1.5	Zambia	5.1
4.9	Nigeria	1.0
3.6	Egypt	1.9
2.9	Cote d'Ivoire	2.0
0.8	Botswana	3.9
2.0	Congo DR	2.2
2.2	Kenya	1.9
2.3	Morocco	1.6

Source: International Trade Centre, Trade Map 2017

1 *Source: International Trade Centre 2017*

The case of Nigeria

Nigeria is one of the main drivers of intra-African trade. In 2018, Nigeria's total trade value for goods and services was US$125 bn[2]. Of the traded products, only about 7% of trade was intra-African, with an estimated value of US$8.3bn.

In Nigeria, we see the market facing growing competition from businesses from other African countries with net inward flows of goods and services. Competitors can take advantage of existing trade agreements such as the ECOWAS Trade Liberalisation Scheme (ETLS) of the Economic Community of West African States (ECOWAS) to access the Nigerian and African market simultaneously, through an ECOWAS country like Ghana, which has existing trade agreements with Nigeria under the ETLS, allowing it to obey the Rules of Origin requirements.

Although Nigeria has the largest economy in Africa, there are several countries with businesses that have the resources and scale to compete with Nigerian businesses in terms of productive capacity, exports and logistics. Similarly, there are also smaller countries that can penetrate the Nigerian market.

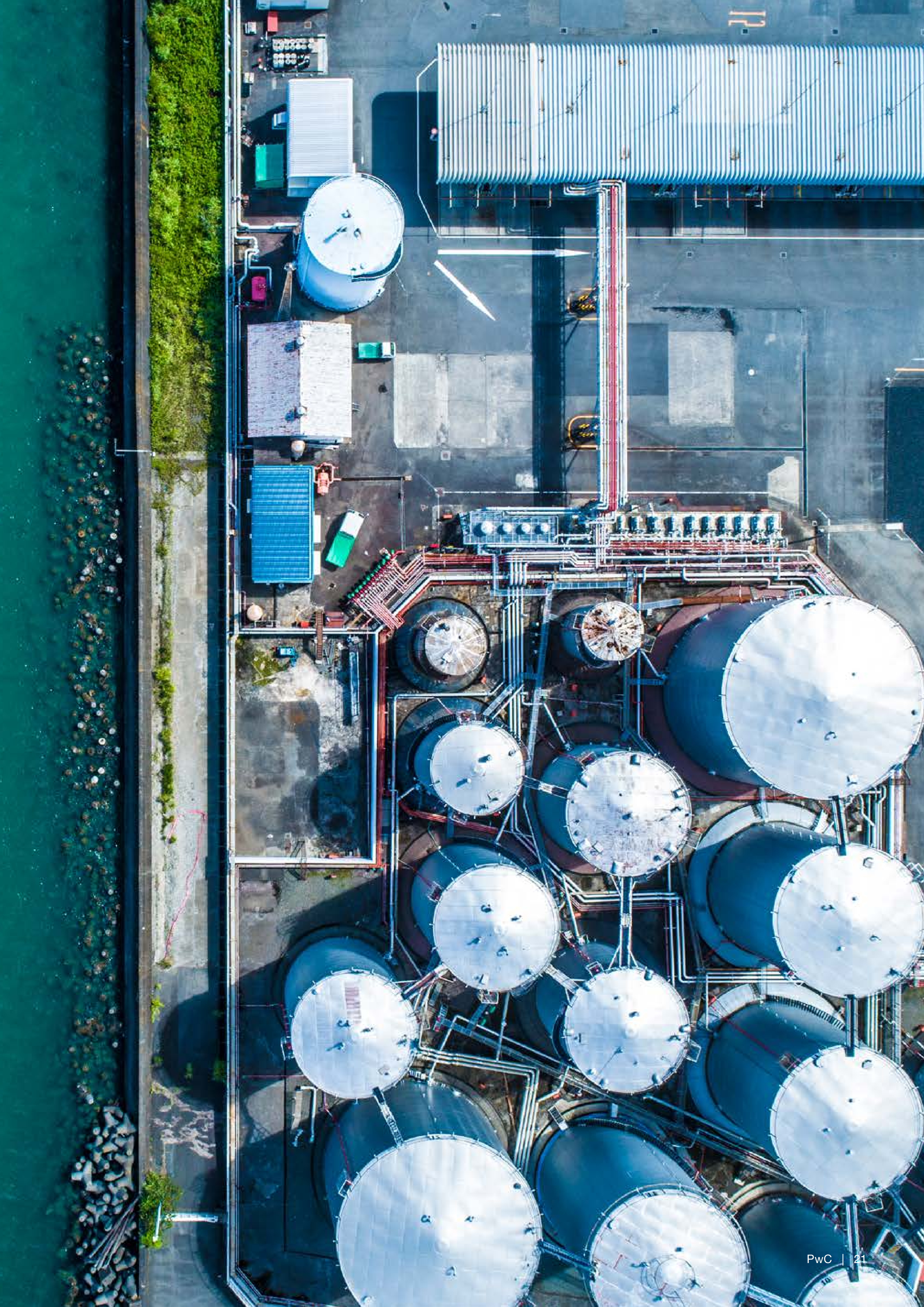
Accordingly, it is vital for businesses to adapt to this new form of competition on the back of the new trade environment created with the AfCFTA. Businesses must also be able to position themselves to take advantage of the new markets that have opened.

Conclusion

To boost economic growth in Africa, it is critical that African countries improve trading with each other and invest in infrastructure to drive trade. As barriers come down and competition increases, following the implementation of the new trade environment created by the AfCFTA, businesses will also need to apply innovative strategies to remain successful.

Now is the time for African countries to look for trade opportunities and forge a path to foster economic growth and sustainability for the benefit of all on the continent.

2 *Source: International Trade Centre*



Inclusive growth is an opportunity and a challenge

Peter Ngahu

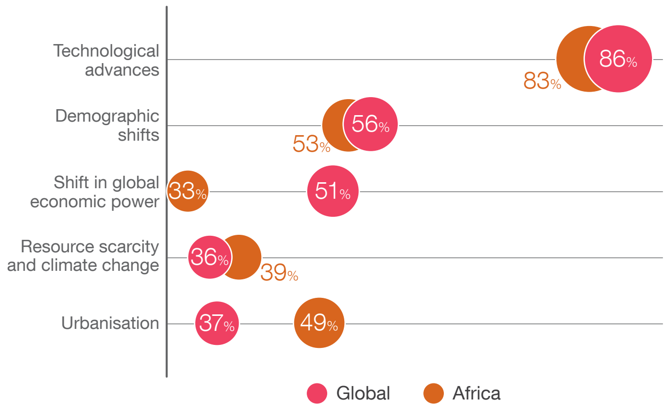
Regional Senior Partner for PwC in East Africa

One of the most relevant questions today is, 'How can we ensure that economic growth is more inclusive and equitable?' In Africa, this question arises almost everywhere we look: in political manifestos, governments' infrastructure and ICT master plans, technological advances bringing services to the masses and in education, healthcare and free trade agreements.

As much as we need policies and agreements, ultimately it is governments and companies and the people leading them who will determine the success of any effort to ensure inclusive growth. To shed more light on issues like these, PwC conducts an annual survey of CEOs globally and in Africa. Over time, we can see some trends emerging that speak to this issue of inclusive growth.

Figure 15: CEOs recognise technological advances among the most transformative global trends

Q **Looking backwards to the PAST five years, please rank the top three global trends from the following list, which you believe have transformed your business the most. (*Ranked top three*)**



Source: PwC, Annual Global CEO Survey

Looking back over the last five years, 83% of CEOs in Africa (global: 86%) ranked technological advances among the top three global trends that have transformed their businesses most significantly. Everywhere we look, we find technological advances that are addressing real challenges in Africa. Safaricom's M-Pesa is a world-leading mobile money application that operates on the simplest and the most sophisticated mobile devices alike. It has been the catalyst for a whole host of tertiary applications, from insurance services to gaming. In Kenya, you can easily go about your day without ever needing hard currency – for anything.

There are numerous other examples. Medicines are being delivered by drones in Rwanda. Foreigners can apply for e-visas to Kenya, Rwanda and Zambia, and e-government services are becoming the norm. Mauritius has distinguished itself for financial services and also for addressing challenges like cybersecurity and for developing solutions in data analytics, robotics and artificial intelligence. Everywhere we look, there is a renewed emphasis on so-called 'last-mile' connectivity, such as for electricity and improving rural roads, education and healthcare services. Technology plays a very significant role in ensuring that these services deliver value more efficiently and inclusively.

There is a downside, of course. Rapidly evolving technologies require new and specialised skills. In some cases, technological advances are displacing the need for human labour. And the productivity gains brought about by technological progress do not always translate into profit. Technology is not a cure-all and we must also change our behaviour and expectations if inclusive growth is to become a reality.

Expectations influence performance, as we have seen in our surveys of CEOs over the years. This year's results show that the proportion of CEOs who are very confident of revenue growth over the next 12 months has declined from 38% in 2016 to 27% in 2019. When asked about prospects for revenue growth over the next three years, the proportion of CEOs in Africa who are very confident has declined steadily from 52% in 2016 to 39% in 2019. Expectations very much depend on variables such as where your business is located and what industry you're in. But the bottom line is: sentiment matters. And it's predictive.

Overall, Africa has experienced a somewhat slower recovery in economic growth than expected, but still features six of the world's top 10 fastest growing economies. According to the World Bank, sub-Saharan Africa as a whole has not seen economic growth of more than 5% since the rebound of 2010. Although there have been ups and downs, we are still very far from the rates of growth that we saw before the financial crisis. Economic progress remains uneven, with considerable variation across countries.

In this environment, CEOs are increasingly cautious. The state of their economies, political uncertainty – these and other factors are casting a shadow over business expectations. Over the years, we have seen a general trend of CEOs knuckling down as they adapt to the macro environment in which they operate. The threats that they consider most pressing are more related to the ease of doing business. Issues like policy uncertainty, the availability of key skills and over-regulation are their top challenges.

The outlook

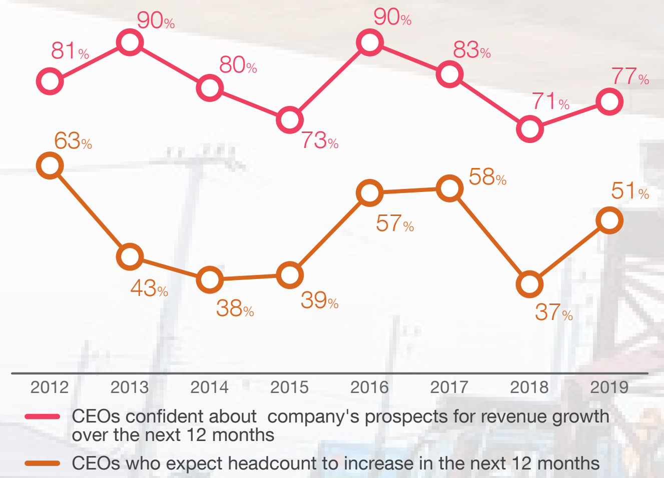
Given the subdued nature of CEO confidence and the challenges that their businesses face, what is the outlook for inclusive growth?

Globally, and in Africa, CEOs are responding overwhelmingly with internally-focused initiatives like organic growth, operational efficiencies, product innovation, robotics, digitisation and automation. In an operating environment that is often tough and rewarding in equal measures, it is logical for business leaders to focus on factors that they can control. They need the right people to drive these initiatives – and thus the prospects for increasing headcount, even in the face of uncertainty and risk.

Figure 16: Some correlation can be seen between CEOs' expectations for their companies' growth and headcount growth

Q **How confident are you about your company's prospects for revenue growth over the next 12 months?**

Q **What do you expect to happen to headcount in your company globally over the next 12 months?**



Source: PwC, Annual Global CEO Survey

It is also becoming clear that businesses with a clear purpose aligned to a collective sense of social responsibility are more successful in the marketplace and more attractive as employers. Talented people want to work for companies that they admire. These companies and their employees tend to congregate where they can leverage the network effect of other innovative, purpose-driven companies. Governments have a role to play in developing policies to incentivise these networks, including real efforts to fight corruption. Networks solve problems and, I would argue, networks are catalysts for inclusive growth.

At PwC, our purpose is to build trust in society and solve important problems, in an increasingly complex world. We help organisations and the people who lead them to focus on factors that they can control, and to manage uncertainty with best practices backed up by proven results.

In Africa, we have a lot of problem solving to do. Inclusive growth is a challenge, an opportunity and a necessity.

CEO insight

Dr Diane Karusisi

Chief Executive Officer, Bank of Kigali

Bank of Kigali is the largest commercial bank in Rwanda by total assets. It began commercial operations in 1966 as a joint venture between the Government of Rwanda and Belgolaise, a subsidiary of Fortis Bank (now BNP Paribas Fortis). Following Fortis' decision to divest from Africa in 2005, the Government of Rwanda increased its direct and indirect shareholding in the bank to 100%. As of 31 December 2018, the bank's total assets were valued at US$983.6 million, with a loan book of $636.9 million and customer deposits of $596.4 million.

Q How do you expect banking services to evolve over the next 10 years? How has Bank of Kigali evolved and where is it headed?

As Bill Gates famously said, "We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next 10."

It is difficult to predict where banking services will be in 10 years because we are seeing unprecedented disruption due to technological advancements, digital innovations and the evolution of customer behaviours and expectations.

In the digital era, customer experience is a differentiating factor – and not just for banks. People generally transact more and more through digital channels. The customer experience on our digital channels is therefore crucial. At the Bank of Kigali, we keep the customer experience in mind when we design digital solutions because we know that experiences on our digital channels are now just as important as experiences at our physical branch locations.

Our growth strategy has been driven by the objective of meeting our clients' financial needs through great customer experiences. We have invested in various convenient channels to deliver banking services including 75+ branches countrywide as well as digital channels so that anyone, anywhere can access our services. Superior customer service, speed and technology are vital to our transformation strategy which will drive continuous growth in our profitability and market share.

Q **Do you think that banks in Rwanda treat cybersecurity as the business risk that it is? What has Bank of Kigali done to manage this risk?**

Awareness of cyber risks is picking up at a crucial time when attackers are becoming more sophisticated. Banks are making the necessary investments in infrastructure and we discuss cybersecurity more frequently in our boardrooms. Recent regulation mandates banks to establish a board committee for IT that will also oversee the implementation of cybersecurity-related policies and procedures.

Banks have traditionally managed only industry-specific risks like credit, liquidity and operational risks. We are increasingly aware, however, that the risk landscape has changed. New innovations come with new associated risks. Our approach has been to work with stakeholders, auditors and the regulator, as well as to involve external consultants to review our risk landscape and make recommendations.

However, it is still a challenge to sensitise clients and staff on the risks posed by cyberattacks and to find personnel with the skills and expertise needed. There is certainly a gap in the local market for IT security experts. At Bank of Kigali, we are investing in training and professional certifications to build the capacity of our employees.

Information sharing between competing banks can be difficult and so instead, we share information with the regulator who compiles a database of cybercriminals and shares this widely within the industry. More work remains to be done to encourage collaboration and the industry as a whole should constantly update systems and data pools to improve the quality of information that could be used to anticipate potential attacks before they occur.

Q **How can banks 'go the extra mile' beyond compliance and monitor KYC (know your customer) more effectively?**

KYC requirements are increasing and all banks are carrying out KYC remediation and data cleansing to ensure compliance. At the same time, it is absolutely critical to engage our regulators as we develop and deploy advanced KYC technologies. As an industry, we also need to collaborate more effectively and to educate our clients more fully.

Quality KYC data is fundamentally important in the long run, but we need to absorb the cost burden now. As an industry, we should invest because it is in our best interest to go the extra mile and get more accurate and detailed information about our clients. Ideally, we would work to integrate our reliable sources of data even as we incentivise clients to update their information automatically.

At Bank of Kigali, we strive to gain an edge with the speed and convenience of the on-boarding experience as well as our actual services. Customers increasingly expect mobile technologies to deliver instant, convenient and affordable services. Digitising our customer on-boarding process as well as adopting a seamless and client-centric business process are our priorities.

Protecting our clients' privacy is a high priority for us. In my opinion, people tend to trust banks more with their data than they trust other types of companies in the digital economy. In fact, they even trust banks with their savings!

Q **How can banks prepare adequately for the challenges associated with regulatory change?**

In my view, one of the unknown factors in the banking industry over the next 10 years is regulation and how regulations will adjust to market disruptions. For example, regulation will determine whether banking services can be delivered by other service providers like fintechs or telecommunications companies.

In Rwanda, regulators have put in place new requirements and a revised banking law to reflect the technological changes in financial services. In 2018, the National Bank of Rwanda released new cybersecurity regulations requiring penetration testing, preventing data from being stored in the cloud and mandating two-factor identification where possible.

As the fintech sector matures and starts to compete directly with banks, we can expect that regulators will also adjust to keep pace with their technological advancements. It would be unfair to subject only banks and not fintech competitors to stringent supervisions. Regulators could face challenges related to privacy and tech-enabled financial manipulation and so certainly it would be preferable to discourage certain behaviours through regulation.

Given the complexity of regulatory and industry dynamics, there will always be diverging approaches in some areas. However, Rwanda is in a unique position because of its vibrant and development-driven economy, which allows more of a focus on synergies and avenues for quickly addressing misalignments. In addition to engaging regulators, industry players also design new business processes with regulatory change in mind.

Looking inside out for growth

Africa rising, or false dawn? Adapting to lower growth in African markets

Jonathan Cawood

PwC Strategy& Lead for PwC's East, West and South Market regions in Africa

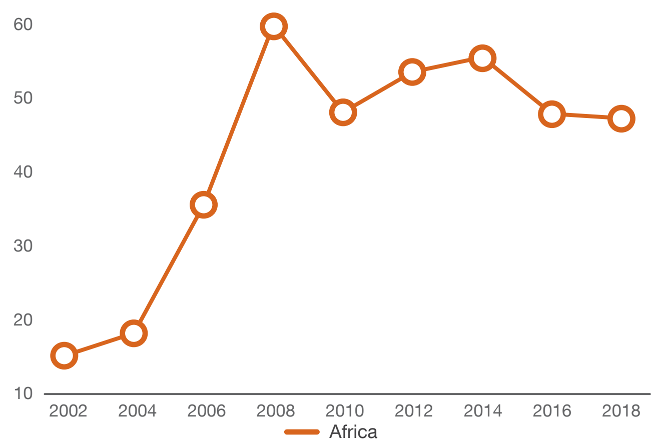
Christie Viljoen

Economist, PwC Strategy& South Africa

A few weeks before Christmas 2011, The Economist provided a gift to companies searching for the next frontier of expansion and revenue growth: "After decades of slow growth, Africa has a real chance to follow in the footsteps of Asia"[1], announced the magazine. At about the same time, the International Monetary Fund (IMF) was forecasting average real economic growth of nearly 5.4% per annum in the sub-Saharan African region over the 2012-2016 period. This was in line with pre-global financial crisis levels.[2]

Investment interest boomed alongside the 'Africa rising' narrative. Data from the United Nations Conference on Trade and Development (UNCTAD) indicates that foreign direct investment inflows into Africa increased from less than US$30 billion in 2005 to US$47 billion in 2011 and a peak of US$57 billion in 2015. Notably, apart from the period 2009-2010, there was very little downward pressure on African FDI from the global financial crisis.[3]

Figure 12: FDI inflows to Africa (US$ billions)



Source: UNCTAD

1 *'Africa rising', The Economist, 3 December 2011. https://www.economist.com/leaders/2011/12/03/africa-rising*

2 *'GDP growth (annual %)', The World Bank. https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.zg*

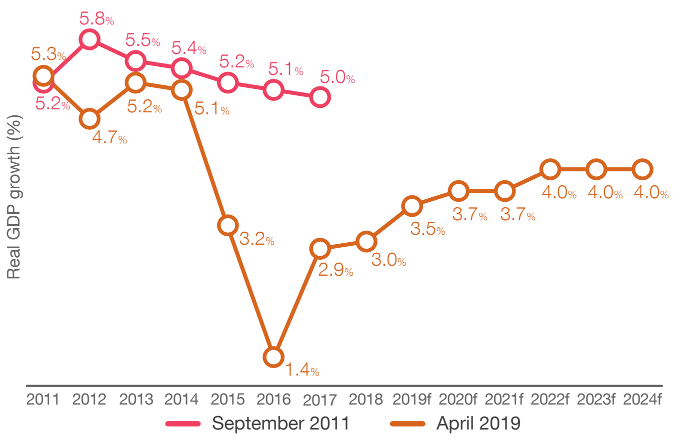
3 *'Foreign direct investment: Inward and outward flows and stock, annual', UNCTAD. https://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=96740*

Sub-Saharan African growth has been below expectations

However, the ‘Africa rising’ narrative was not as sunny as initially imagined. Average real economic growth was ‘only’ 3.9% during the 2012-2016 period – some 1.5 percentage points below the IMF projection. Furthermore, a correction in global commodity prices during 2015-2016 resulted in real GDP growth of only 2.4% per annum during the 2016-2018 period.

Forecast average growth of around 3.6% per annum during 2019-2021 is an improvement on recent trends, but notably lower than a level of +5% that was for quite some time thought to be a long-term growth level for sub-Saharan Africa.[4]

Figure 13: Then and now: IMF expectations for sub-Saharan African GDP growth (%)



Source: IMF

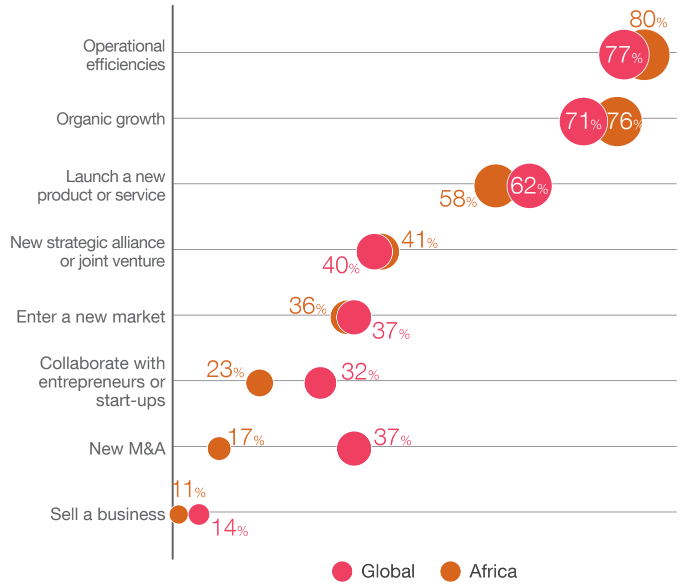
Based on the difference between initial growth expectations and reality, our analysis of IMF data suggests the African economy is currently up to 20% smaller (in nominal US dollar terms) than envisioned around the time of the publication of the ‘Africa rising’ article in 2011.

This would have caused some to reconsider their African investment plans: indeed, according to the UNCTAD World Investment Report 2019, foreign direct investment inflows declined from the peak of US$57 billion in 2015 to US$41 billion in 2017. An uptick to US$46 billion in 2018 was largely associated with a strong recovery in inflows to South Africa following the ousting of former president, Jacob Zuma.

Strategising for an uncertain future

The results of PwC’s *Annual Global CEO Survey* shows that 93% of CEOs in Africa are confident about their organisation’s prospects for revenue growth over the next three years – higher than the global average of 85%. Where will the growth come from? Largely from internal forces. CEOs in Africa identify operational efficiencies, organic growth and the launch of a new products and services as their primary drivers of revenue growth.

Figure 14: CEOs are looking for opportunities within their businesses to drive growth



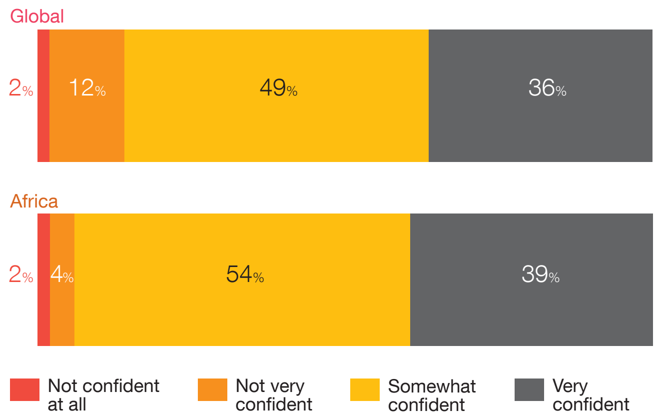
Source: PwC, 22nd Annual Global CEO Survey, 2019

Are these views based on a high-growth (+5%) ‘Africa rising’ scenario? What about a low-growth scenario as seen in recent years? What if long-term economic growth forecasts made this year are again too optimistic about African economies, and market growth does not keep pace with expectations? The slower growth scenario is a challenge to companies that are already committed to the continent with human, financial and physical capital.

4 ‘World Economic Outlook database’, IMF. https://www.imf.org/en/Publications/SPROLLs/world-economic-outlook-databases#sort=%40imfdate%20descending

Figure 15: African CEOs remain optimistic about their organisations' growth prospects in the medium term

Q **How confident are you about your organisation's prospects for revenue growth over the next 3 years?**



Source: PwC, 22nd Annual Global CEO Survey, 2019

The status quo requires two approaches from companies committed to Africa in order to find strategic direction on the continent. Firstly, a two-pronged scenario planning exercise to understand:

- The possible economic and political futures facing Africa over the next five to ten years; and
- The key uncertainty factors facing a specific organisation.

Secondly, the application of a cost management review[5], where a business model is implemented that focusses on:

- Enabling differentiating capabilities;
- Aligning their cost structures accordingly; and
- Organising for growth.

> You've got to get out of the prediction game. The thing we are talking to CEOs about is how do you do more scenario planning.
>
> *Bob Moritz*
> *PwC International Chairman*
> *January 2019*

The importance of planning around different scenarios

PwC's Strategy& developed three scenarios for sub-Saharan African growth towards 2024. The baseline outlook is similar to that of the IMF (April 2019), with expectations of real economic growth rising from 3% in 2018 to 3.5% in 2019.

An envisioned recovery thereafter should see economic growth rise to 4% from 2023 – a level below the initial +5% range envisioned in the 'Africa rising' narrative. According to the IMF, macroeconomic policies in the region are reasonably well calibrated in most countries to attain this 4% growth level over the medium term.[6]

The downside scenario sees Sub-Saharan African economic growth meander at or just below the 3% level over the medium to long term. This is based on a view that current macroeconomic policies fail to adapt to external shocks. This could include several possible shocks, including a significant slowdown in the global economy (as seen in 2009-2010) or a drop in commodity prices (2015-2016).

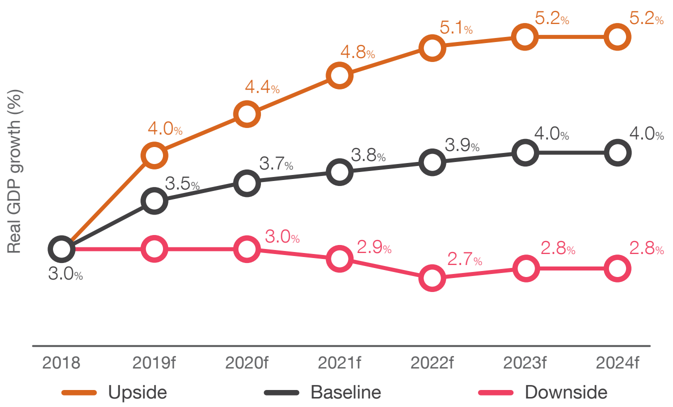
Sub-Saharan African countries are already at a growing risk of debt distress due to heavy borrowing and wide fiscal deficits, and would not be able to keep up with the baseline economic growth scenario if external shocks deepen their financial challenges.[7]

5 *This is based on PwC Strategy&'s Fit for Growth methodology.*

6 *'Sub-Saharan Africa Regional Economic Outlook: Recovery Amid Elevated Uncertainty', IMF, April 2019. https://www.imf.org/en/Publications/REO/SSA/Issues/2019/04/01/sreo0419*

7 *'African debt is on the rise – IMF', Business-Report, 8 May 2018. https://www.iol.co.za/business-report/international/african-debt-is-on-the-rise-imf-14841827*

Figure 16: Future growth scenarios for sub-Saharan Africa



Source: PwC analysis

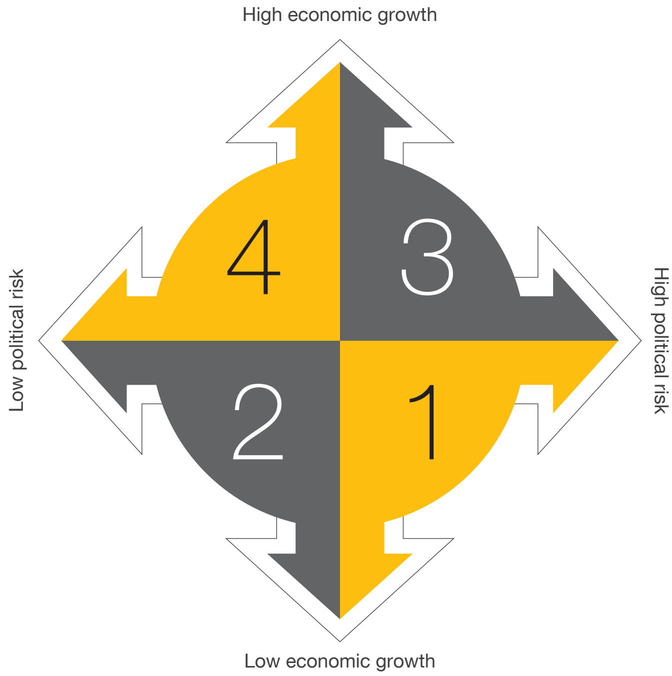
On a positive note, our upside scenario sees sub-Saharan African economies resume their 5% growth rate by 2022, with this rate of growth last seen in 2014. This scenario is based on growth-supporting reforms in the region's largest economies (South Africa and Nigeria, specifically) as well as a favourable global growth climate.

From a political perspective, the upside scenario assumes a decline in tensions in some of the region's conflict hotspots. About a third of African countries have been affected by conflict in recent years, and IMF calculations indicate that real GDP growth is, on average, about 2.5 percentage points lower where there is conflict.[8]

Based on these economic scenarios, which would be expanded upon in much greater detail in our client engagements, it is important to understand a company's key vulnerabilities in a 2x2 matrix.

By identifying the two biggest uncertainties with the likely highest impact on the organisation, a 2x2 matrix of these factors create four worlds based on different combinations on these factors. For example, if the two key factors are market growth and political risk, the 2x2 matrix would construct four worlds based on combinations of the following uncertainties: faster or slower economic growth, on the one hand, and increased or decreased political risk, on the other hand.

Figure 17: Key vulnerabilities matrix



Source: PwC analysis

One such world (1) would unfortunately see more political risk and lower economic growth. How would a company cope with this downbeat situation? The alternative world (4) would be faster growth and less political risk – a much more desirable situation. But reality is seldom placed perfectly in either of these two scenarios. Instead, it is quite possible that a company's African operations could face slower economic growth and less political risk (2), or even another option (3): higher economic growth but also greater political risk.

An organisation's risk appetite – be it political, legal or conflict in nature – will be instrumental in determining its market strategy in these four worlds. All four scenarios would need to be investigated and planned for. After all, if a downside scenario to 'Africa rising' was crafted in 2011, it would look like what we are currently experiencing.

8 *'Sub-Saharan Africa Regional Economic Outlook: Recovery Amid Elevated Uncertainty', IMF, April 2019. https://www.imf.org/en/Publications/REO/SSA/Issues/2019/04/01/sreo0419*

Transforming organisations to be fit for growth

Renovating the business model from within to enable growth requires cost cutting, restructuring and human renewal. Companies that are fit for growth focus on a few differentiating capabilities, align their cost structure to these capabilities, and organise their people to create growth within challenging market conditions – like those posed by a low-growth scenario in African economies. Strategy& research (based on engagement with hundreds of clients worldwide across dozens of industries) and experience shows that companies following such a formula generate the highest growth and financial returns.[9]

Differentiating capabilities are the combinations of processes, tools, knowledge, skill and organisation that enable an enterprise to outperform. Companies need to know what they are good at and identify these ‘lighthouses’ – clear beacons that all staff can see and direct them towards fulfilling the same objective. Not only is this clear to insiders, but companies that successfully identify their lighthouses and associated strategies also shine their identification signal to outsiders. [10]

It is around these lighthouses and strategies that cost structures should be formulated. Expenditure that strengthen a company’s differentiating features are good costs. It is even possible to increase these good costs while tightly controlling other costs. Systematically and objectively evaluating cost structures can release dramatic savings.

This, in turn, can increases profits even in challenging external environments, thereby increasing available funds for reinvesting into differentiating capabilities.[11]

However, companies not only need to plan and spend around these ‘lighthouses’, but also organise their people around them. A well-organised organisational model enables fitness and growth in two ways, namely by enabling and sustaining cost reductions, as well as creating the right conditions for managers to drive growth.

Managers – some in small offices spread across large African countries – should be empowered to act like partners within the business, with explicit financial and operational targets. They should also be given greater control over resources to achieve these targets.[12]

Taking action, taking control

Companies that do not adjust their strategies to external scenarios and differentiating capabilities will remain strategically adrift. In the challenging (and distinctive) environments that different sub-Saharan African economies pose to private enterprise, there is certainly no single scenario exercise or restructuring approach that will yield the best results in each market. Only a thorough strategy planning and execution process will move these businesses forward as they explore the opportunities offered on the African continent – whatever the growth pace might be over the long term.

9, 10, 11, 12 D Caglar, V. Couto & J. Plansky, 2017. Fit For Growth: A Guide To Strategic Cost Cutting, Restructuring and Renewal.

About Strategy&

Strategy& is PwC's integrated strategy consulting offering, focused on uniting strategy and execution to deliver immediate impact and lasting value.

Strategy& is a global team of practical strategists committed to helping organisations seize essential advantage. We do that by working alongside clients to solve their toughest problems and helping them capture their greatest opportunities.

These are complex and high-stakes undertakings, and often game-changing transformations. We bring 100 years of strategy consulting experience and the unrivalled industry and functional capabilities of the PwC network to the task. Whether you're charting your corporate strategy, transforming a function or business unit, or building critical capabilities, we'll help you create the value you're looking for with speed, confidence and impact.

How Africa can grow its innovative companies

Lullu Krugel

Chief Economist, PwC Strategy& South Africa

In Apple founder Steve Jobs' definition "innovation distinguishes between a leader and a follower".[1] In the era of the Fourth Industrial Revolution (4IR), innovation has never been more important and necessary to ensure that companies remain profitable and relevant, as well as supporting national economic growth.

When considering economic growth today, two factors can contribute to its increase: inputs and innovation. But these ideas are not new. The Solow-Swan model – which won Robert Solow the Nobel Prize in Economics back in 1987 – shows that growth comes from adding not only more capital and labour (inputs) but also from ideas and new technology (innovation).[2]

Innovation drives economic growth

Inputs, however, play a minor role in driving economic growth.[3] Innovation growth – and with it productivity improvements – accounts for the majority of long-term economic growth. The importance of using innovation as a driver of economic growth is proven throughout the history of the first three industrial revolutions.[4]

The First Industrial Revolution (1IR), beginning in 1784, was responsible for the innovative emergence of mechanisation. The Second Industrial Revolution (2IR, from 1870) saw the increased usage of electricity and mass production with the help of gas and oil. The Third Industrial Revolution (3IR), commencing in the late 1960s, contributed to the largest ever increase in global gross domestic product (GDP) growth through innovation in electronics, information technology and automation.[5]

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1 *Forbes, 2013. 'Innovation Distinguishes Between A Leader And A Follower'. https://www.forbes.com/sites/bwoo/2013/02/14/innovation-distinguishes-between-a-leader-and-a-follower/#7a4d591c2844*

2, 3 *Riley, G, no date, Understanding The Solow Economic Growth Model, https://www.tutor2u.net/economics/reference/economic-growth-neo-classical-growth-the-solow-model*

4, 5 *Sentryo, 2017, The 4 Industrial Revolutions, https://www.sentryo.net/the-4-industrial-revolutions/*

The Maddison Historical Statistics Project provides information on comparative economic growth and income levels during the first three industrial revolutions. The project estimates that nominal global GDP increased 11-fold between 1870 (2IR) and 1970 (3IR), based on Geary-Khamis dollar calculations. Furthermore, between 1970 and 2017, nominal global GDP increased by 370%.[6]

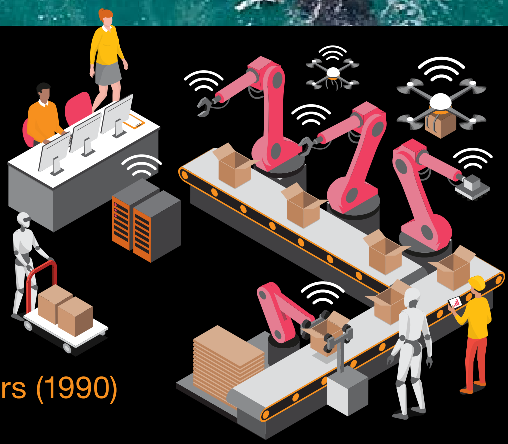
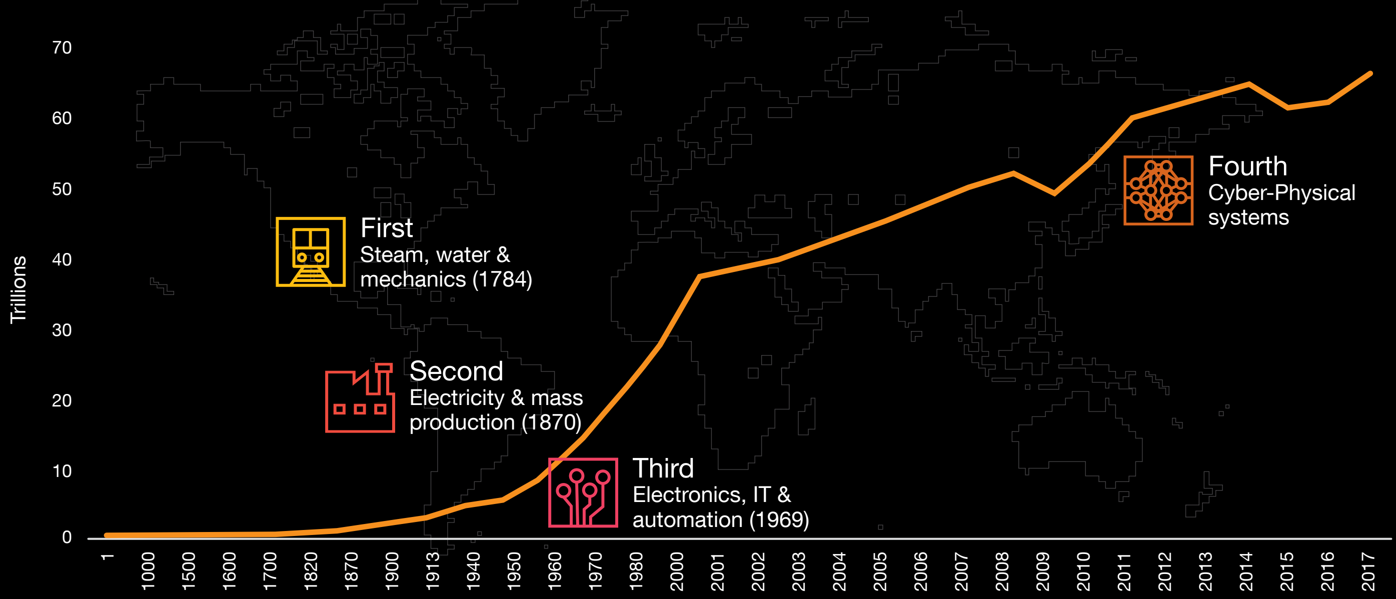


Figure 18: World GDP in International Geary-Khamis dollars (1990)

The 2nd Industrial Revolution initiated a global GDP boost

World GDP in International Geary-Khamis dollars (1990)



Source: WeForum - What is the fourth industrial revolution? by Nicholas Davis, World Bank

6 *Groningen Growth and Development Centre, 2018. Maddison Project Database 2018. https://www.rug.nl/ggdc/historicaldevelopment/maddison/releases/maddison-project-database-2018*

What do innovative companies do right?

The need for innovative environments – to ensure companies remain relevant within their respective markets – is at a historic high. Former World Bank Vice President for Africa, Makhtar Diop, noted during a speech in November 2017 that “innovation is absolutely key to African stability and growth in the coming decades.”[7]

However, some 69% of global respondents to the PwC’s 22nd Annual Global CEO Survey recognise the speed of technological change – a proxy for innovation – among the leading threats to their organisations. In Africa, 63% of respondents indicated that they were somewhat or extremely concerned about the speed of innovation.

PwC’s 2017 report ‘Reinventing innovation: five findings to guide strategy through execution’[8] surveyed 1 200 executives in 44 countries to better understand how leading companies manage innovation initiatives. The results pointed to five key insights:

- **The relationship between a company’s level of innovation spending and economic success is tenuous at best –** the way you spend your innovation money is more important than how much of that money you spend
- **Random acts of innovation rarely pay off –** bringing people from the business strategy side of an organisation into the innovation sandbox from the start is critical to making innovation pay off in the long term.
- **Innovative companies aren’t going it alone –** they are pushing the boundaries of innovation both inside and outside their organisations by breaking down traditional barriers, tapping a much wider ecosystem for ideas, insights, talent, and technology, and incorporating the customer throughout the innovation process.
- **The X factor –** human experience and insights of all kinds help shape and deliver new ideas, solutions, products and services that ultimately bring value to markets and businesses.
- **Tech innovation leader or follower –** companies are looking to technology to help create markets for novel products and services that don’t yet exist and to meet needs that customers don’t yet know they have (e.g., the previously unknown/unmet need for smartphones or wearables).[9]

7 *Diop, M, 2017, Innovation in Africa, World Bank, https://www.worldbank.org/en/news/speech/2017/11/30/innovation-in-africa*

8, 9 *PwC, 2017. Reinventing innovation Five findings to guide strategy through execution. https://www.pwc.com/us/en/advisory-services/business-innovation/assets/2017-innovation-benchmark-findings.pdf*

PwC’s Innovation Benchmark Report

Find out more

In a global study of more than 1 200 companies, we asked executives about their innovation strategy, operating models, culture, metrics and more to understand how innovating companies are seeking to create business value and financial returns on their efforts.

Growing support base for African innovation

Innovation funding in Africa is at a historic high: according to the African Tech Start-up Report 2018, some 210 tech start-ups were funded in 2018. The increase of 32.1% on the previous year in funded start-ups collected a total of US$ 334 million. Despite Kenya leading the African countries in which innovative companies are most likely to successfully grow, the report identifies Nigeria as the continent's new leading funding hub.[10]

Figure 19: Most funded start-up sectors across Africa, January-June 2018

	No. of start-ups funded
Fintech	25
Healthtech	13
Agritech	10
E-commerce	9
Software as a service	7

Source: African Tech Start-up Report 2018

Nigeria's burgeoning innovation story has been made possible by investments from the public sector. The participation of the private sector is only possible through government support: the Nigerian government inaugurated the National Research and Innovation Council (NRIC) in 2014 to accelerate the growth of entrepreneurship and innovation nationally.[11] In 2016, the NRIC Bill was passed into law solidifying the government's vision of innovation as an economic driver.

As such, multiple innovation hubs have been funded and opened, including the Microsoft African Development Centre focused on attracting 500 engineers by 2023 to address the country's growing need for innovation in the spaces of fintech, agritech and off-the-grid energy supply.[12]

In addition, PwC announced in May 2019 the launch of its Experience Centre in Nigeria to assist the country in addressing its youth unemployment through skills development, with a focus on the fintech sector. Some 64,9% of African CEOs told PwC that they are not able to innovate effectively due to the unavailability of key skills. This is higher than the global average of 55.4%.

> "Innovation is like a garden – you need to create an environment where it can flourish."[13]
>
> *Vicki Huff, PwC New Ventures Global Leader*

10 *Disrupt Africa, 2019. African Tech Start-ups Funding Report 2018. http://disrupt-africa.com/funding-report/*

11 *Ndiomewese, I., 2019, Nigeria has a National Research and Innovation Council that oversees matters of innovation in the country, https://techpoint.africa/2019/04/05/national-research-and-innovation-council/*

12 *Shapshak, T., 2019, Microsoft Launches $100m Development Centres In Nairobi And Lagos, https://www.forbes.com/sites/tobyshapshak/2019/05/13/microsoft-launches-100m-development-centres-in-nairobi-and-lagos/#7d089ca2c2a8*

13 *strategy+business, 2018. How innovation happens. https://www.strategy-business.com/blog/How-Innovation-Happens?gko=a1e96*

PwC launches Experience Centre in Lagos

PwC's new Experience Centre in Nigeria is one example of a space dedicated to enable local entrepreneurs to meet and collaborate on new and disruptive ideas. For an innovative West African company looking to increase its chances of growth, this hub provides an opportunity to join in conversation with other organisations that are geared towards disruptive ideas. Through the Experience Centre, launched in June 2019, PwC seeks to help clients address some of the elements associated with allowing innovative companies to grow.

The Experience Centre focuses on clients' innovation capabilities by creating an environment to conceive experiences, services and products that respond to customers' demands. The centre – the first of its kind by a professional services firm in West Africa – combines creativity, research, existing knowledge and strategic insight with a new structured way of solving problems. This centre supports PwC's clients' teams in exploring, designing and building innovative and user-centric solutions, ranging from re-imagining customer experiences to fully transforming business models and creating new eco-systems.

Drivers of innovation in Africa

In the context of the 4IR, the World Economic Forum's (WEF) 'Global Competitiveness Report 2018' introduced the Global Competitiveness Index 4.0. The new methodology behind the report integrates well-established aspects of competitiveness with new and emerging levers that drive productivity and growth. "It emphasises the role of human capital, innovation, resilience and agility, as not only drivers but also defining features of economic success in the 4IR."[14]

One of the indicators included in the Global Competitiveness Index 4.0 is a measurement for growth of innovative companies. Based on a survey question "to what extent do new companies with innovative ideas grow rapidly?", the WEF ranked countries by how accommodating their operating environments are to innovative companies.

There are many levers that drive growth and innovation – and these are often not the internal capabilities of an innovative company. Mr Diop warned in 2017 that external complementarities necessary to ensure success are often lacking in African countries.[15] The already-identified challenge of availability skills is an important issue, specifically digital skills. The Global Competitiveness Report 2018 cautioned that 'investing in technology without investing in digital skills will not yield meaningful productivity gains'.

Figure 20: Growth of innovative companies: Top 10 African countries

Global ranking		African ranking
23	Kenya	1
34	Guinea	2
40	Ghana	3
45	Rwanda	4
46	Uganda	5
47	South Africa	6
53	Egypt	7
57	Tanzania	8
61	Nigeria	9
70	The Gambia	10

Source: WEF Global Competitiveness Report 2018

14 *World Economic Forum (WEF), 2018. Global Competitiveness Report. http://www.cdi.org.pe/pdf/IGC/2018/The_Global_Competitiveness_Report_2018.pdf*

15 *Diop, M, 2017, Innovation in Africa, https://www.worldbank.org/en/news/speech/2017/11/30/innovation-in-africa*

Enabling innovative companies to grow

What are the other external factors that will allow innovative companies in African countries to grow? PwC's Strategy& used data from the Global Competitiveness Report 2018 and conducted correlation analysis on metrics that were identified as potentially driving the rapid growth of innovative companies. The following table indicates the correlation results obtained from the panel data set for all 140 countries covered by the report, with digital skills an important associate of innovative company growth.

There are no big surprises in these results. The embracing of disruptive ideas and the availability of financial backing for innovative companies are among the most important elements needed to support the growth of these organisations. Looking to the role of the public sector, rules that protect property rights and the future orientation of government are also strongly correlated with this growth.

Figure 21: Correlation analysis: growth of innovative companies

Metric	Growth of innovative companies
Growth of innovative companies	1.00
Companies embracing disruptive ideas	0.90
Venture capital availability	0.82
Financing of SMEs	0.82
Intellectual property protection	0.80
Innovation capability	0.77
Future orientation of government	0.75
Digital skills among active population	0.75
Efficiency of legal framework in challenging regulations	0.75
Skillset of graduates	0.72
Efficiency of legal framework to settle disputes	0.71
Ease of finding skilled employees	0.66
Corruption perceptions	0.65
Burden of government regulation	0.59
Fixed-broadband internet subscriptions	0.52
Extent of conflict of interest regulation	0.40
Ease of hiring foreign labour	0.25
Press freedom	0.25

Source: WEF Global Competitiveness Report 2018, PwC analysis

Boosting growth of innovative African companies

The correlation analysis identifies the key factors (according to the WEF report) that go hand-in-hand with the growth of innovative companies. In a forthcoming thought leadership publication (planned for release in October 2019), PwC will introduce Strategy&'s GRAVITAS (Geographic Risk Assessment, Visualisation and Information Tool, Analysis and Strategy) methodology for understanding the impact of such externalities on an innovative company. It will also consider what levers can be pulled to mitigate these risks.

In the forthcoming publication, Strategy& will apply its GRAVITAS methodology to analyse the factors that pose a risk to, or could support the growth of innovative companies in African countries. Using Bayesian Network modelling, the methodology will show the impact of the elements identified in the above correlation analysis on the probability that innovative companies can grow successfully within a country.

Case studies on South Africa and Rwanda indicate that by focusing on specific aspects, the probability of achieving growth for an innovative African company can be significantly increased. In fact, this could improve a country's ranking by up to 20 positions on the global WEF ranking – and into the top 20% of countries – for growth of innovative companies.

CEO insight

Mteto Nyati

Chief Executive, Altron

South African-listed Altron is a technology holding company with a direct presence in Africa, Europe, the Middle East and Australia. Through its principal subsidiaries, Allied Technologies Limited (Altech) and Bytes Technology Group (Bytes), the group's primary focus is in providing innovative telecommunications and information technology solutions to the fintech, healthtech, safety & security, and learning & development sectors. The group employs more than 8 500 employees globally.

Q In 2018 there was optimism around growth, but that changed in 2019. What are your thoughts on this, and where do you see business going in the next few years?

What is happening is being driven largely by developments in the US, and in Europe. Countries have started thinking more about their own issues and less about global issues, which is the same sentiment driving the Brexit movement for instance.

This trend is an attempt to stop globalisation as people have become uncomfortable with the level of competition it has created, and which we're now seeing in trade wars between countries. This has stopped growth in global markets. Political agendas are at the centre of these trade wars and growing nationalism also plays a part, with certain groups trying to protect their interests as they perceive a threat starting to be posed by minorities.

Q Given all these global developments, where do you see growth for Altron?

We have presence in the UK, Australia and Africa. Our strategy was always that – regardless of what is happening in the market – we see an opportunity in our existing customers.

We are also following the global trend where we see companies reducing their number of suppliers. Companies want to do more with the few strategic suppliers they keep on their books. This means they are looking at keeping those suppliers that can offer them a comprehensive one-stop-shop kind of service. This is the space within which Altron is playing as we are an IT company able to offer that type of one-stop-shop service to companies of all sizes.

We tend to become the preferred suppliers of most client companies. So we plan on consolidating our relationships with our existing customers, which will guarantee our growth regardless of what is happening in the market.

Q **There is increased pressure for the private sector to help government solve socio-economic problems. Do you think business is playing its role in creating jobs, and do private companies fulfil some of their responsibilities in helping to solve the country's socio-economic problems?**

We are a company connected to what is happening around us. We know that we need to balance our goal of making profit with playing a positive role in society. The corporate social investment (CSI) areas we have chosen to concentrate on are healthcare, safety and security, financial inclusion and skills development.

To us, CSI is something we live every day, hence we have embedded that thinking in the way we run our business. For instance, our subsidiary Netstar not only concentrates on the business of vehicle tracking and recovery, but also helps with dealing with safety and security issues, and coming up with innovations that help with fighting crime in the country. The goal is to create products that are in line with our business, but also talk to the real issues facing the country.

On skills development, we are building innovations for the market, which in turn address our customers' training and development needs. We are able to balance the need to develop new innovations for ourselves as a business as well as developing them for the market at large.

We know that our customers have a huge skills shortage, and that is why we are partnering with other technology companies in efforts to certify and train people around cloud computing, for instance.

Q **Which threats and risks are you most concerned about as a company that operates in Africa?**

We need leadership capability for us to scale as our business grows and becomes more complex. To further boost our leadership capability, we work with an external service provider to offer executive coaching to our leadership to equip them and make them fit for purpose.

General skills-availability is another challenge we are faced with. We plan to address the leadership and skills shortage through the partnerships we have with other technology companies. We also run graduate programmes where we sponsor, and give bursaries to, deserving students and later give them permanent employment in our company.

Policy uncertainty can also be a concern, especially when it comes to the issue of spectrum. However, as a resourceful company, we are able work around this challenge.

Q **How can we deal with the problem of skills shortage?**

We are not in a developed country so we have to work with what we have. Instead of experienced professionals, we mostly have graduates that still need further development.

In other words we need to work with what we have to get to where we are going. It's critical to invest in upskilling people and create opportunities for them to gain the experience they need.

There are people available and willing to work who do not have jobs because they are either not trained properly or do not have the right kind of experience. We have to accept that it is the cost of doing business to invest in upskilling people.

Q **Do you see the signing of the African Continental Free Trade Agreement having a positive impact in terms of Altron's growth strategy?**

Almost half of our business comes from our own IP. The major difference between us and other major companies is that we have developed our own IP instead of using a service provider's.

We are fully aware that it is in our interest to export our IP to other countries. Therefore a deal like the Africa Free Trade Agreement is important, as it will make things easier, given our export orientation as a company.

Q **How has your experience been coming into Altron as an outsider? Especially as you had to shake things up and refocus the business**

When you take on a project like this you must not have a knee-jerk reaction to things. You should apply your mind properly in everything you are doing. You need to ensure that you have good reasons for taking decisions so that you can earn goodwill from people who have been in the company longer than you. Some people might see you as a threat so you need to win them over.

For me this has been a fulfilling journey. The experience has been pleasant because I have an inclusive way of doing things – understanding that the project of South Africa is informed by the constitution, which is about acceptance and inclusion of all the different people that call the country home. That way people will be supportive of you and what you are trying to do because you want to make them part of your project.

Closing the information and skills gap

Artificial intelligence and the future of the finance function

Jean-Pierre Young

PwC's Advisory Technology services and the firm's Consulting Leader for the East Africa Region

Alex Muriuki

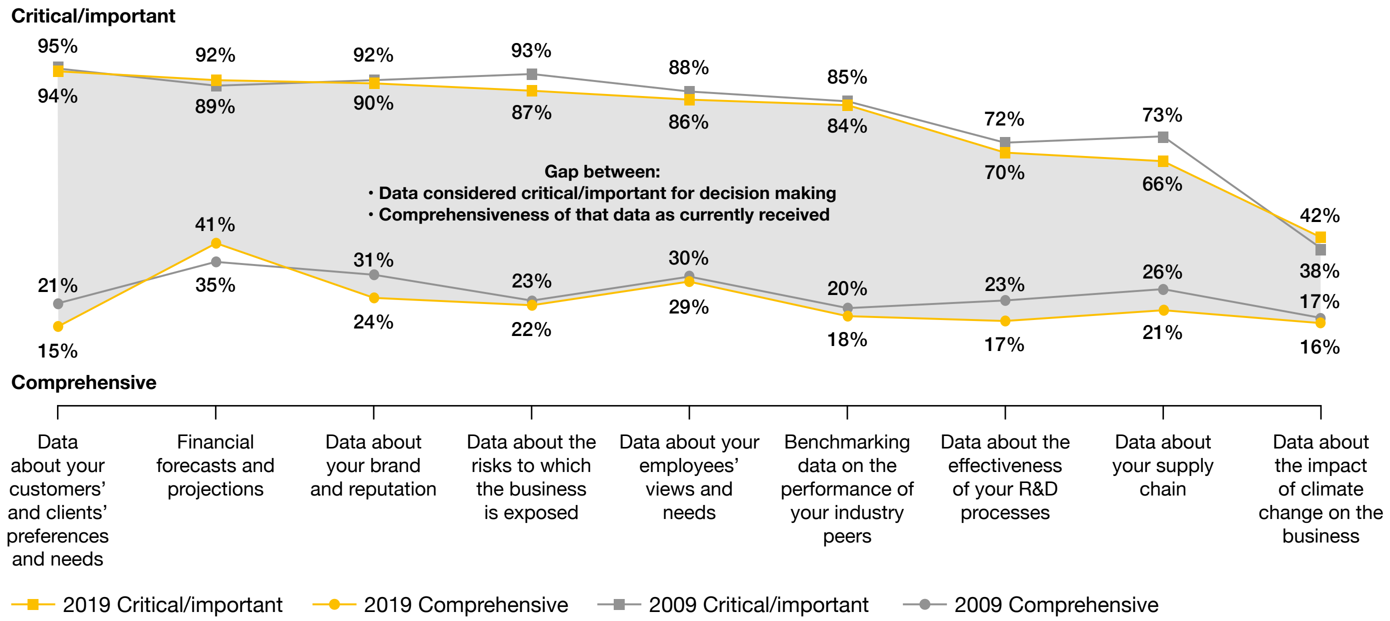
Associate Director with PwC's Advisory Technology services in the East Africa Region

As CEOs turn to what they can actively control inside their organisations, they confront shortcomings in their own capabilities, especially information and skills gaps. One of the more striking findings in this year's survey is the fact that the 'information gap' – the gap between the data CEOs need and what they get – has not closed in the 10 years since we last asked these questions.

To demonstrate this, we divided the data CEOs use to make long-term business decisions into categories to show how 'critical' or 'important' that data is versus how 'comprehensive' it is. We then compared results from 2009 with those from this year's survey, which are shown in the figure below.

Figure 22: Despite significant investment, CEOs globally still can't access the data they need

Q **Thinking about the data that you personally use to make decisions about the long-term success and durability of your business, how important are the following? (showing only 'critical/important') How adequate is the data that you receive?** ***(showing only 'comprehensive' among global CEOs)***

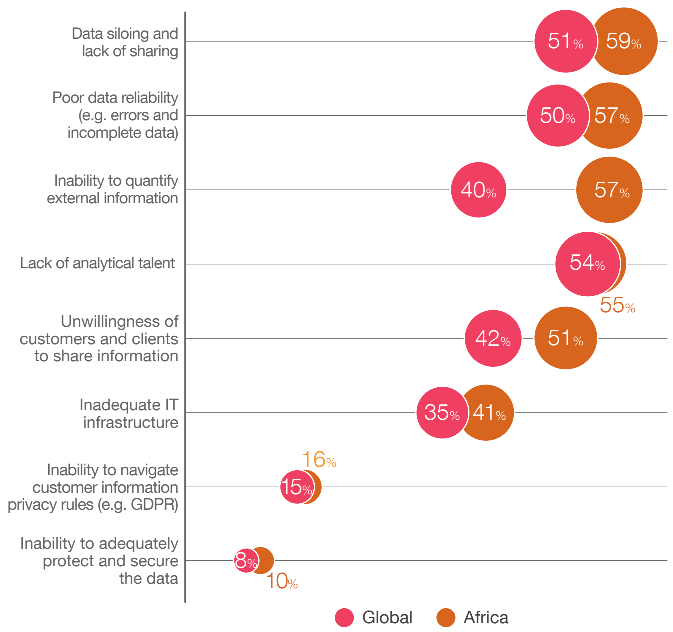


Source: PwC, 22nd Annual Global CEO Survey

Regardless of their investment in people and technology, our findings indicate organisations are struggling to gather and convert data into useable and actionable intelligence. Among CEOs in Africa, the main reasons given for this are people-related: 'data siloing' and 'poor data reliability' followed by the 'inability to quantify external information' and 'lack of analytical talent'.

Figure 23: CEOs believe the human factor is behind many of the difficulties in turning data into useable and actionable intelligence

Q **What are the primary reasons that the data you receive is not adequate or that you do not receive the information?**



Source: PwC, 22nd Annual Global CEO Survey

While CEOs recognise client and customer insights as the most critical to effective decision-making, we also see business leaders leaning on their finance functions to assume more responsibility and to deliver a more meaningful 'partnership' with their organisations. Senior decision-makers want a consultative relationship with their finance chiefs, not just a sequence of spreadsheets or scorekeeping of financial accounting and reporting. And as our survey findings show, these measures are not meeting their needs. To meet expectations finance functions need to develop new skills and capabilities such as innovative thinking, digital business models, predictive analytics and creativity. In this article, we focus on the potential of artificial intelligence.

The promise of artificial intelligence

Artificial intelligence (AI) and other emerging technologies can help provide your finance function a leg up. But what do we mean, exactly, by artificial intelligence? When IBM's Deep Blue defeated Garry Kasparov as world chess champion in 1997, Deep Blue relied on a rule-based approach to analyse and evaluate every possible position on the chessboard – an 'if x then y' approach. Garry was displaced as world chess champion, but otherwise the global workforce remained mostly unchanged by Deep Blue's victory.

Today, artificial intelligence is disrupting how we work and it is finding its way into finance functions. When Google-backed AlphaGo beat the world Go champion, Ke Jie, in 2017, it relied on deep machine learning. Rather than recreating the human learning experience, which is experiential, or relying on rule-based programming, like Deep Blue's chess championship, AlphaGo's machine learning derived its insights from exposure to large amounts of data.

Using that data, AlphaGo was trained through a machine learning process. The more data, the more effective the training and the better the learning. And the deeper the intelligence. The ancient game of Go has more possible moves than there are atoms in the known universe; to win, AlphaGo needed intelligence, not rules.

AlphaGo's success is just the beginning. Imagine a 'digital assistant' alerting you that expense claims submitted by an employee are fraudulent or helping you with your cash flow planning and projections. Imagine training a machine to learn from that data, so that the quality of output improves next time. Imagine the improved efficiency and reduction of costs. Imagine your processes becoming 'self-improving' and improving automatically over time. This is not the future, it's the possibility today.

The automation journey of most business functions, including finance, has typically followed a three-stage process. First came the moving of paper processes and records to digital form and ushered in the age of accounting systems and ERPs. When this was done well, on average it resulted in a 40% increase in efficiency. As systems matured, more advanced functionality evolved such as automatic reconciliation leading to incremental increases in efficiency to about 70%. The next stage is the AI augmentation leading to improvements of up to 94%. At what stage is your business and where would you like it to be?

AI in finance

Machine learning can apply AI to finance organisations in any number of ways, but broadly there are four categories of applications:

1. AI can work to automate end-to-end processes such as automatically learning from history and automatically clearing payments. Another example would be automatically reading scanned invoices from suppliers, capturing them for processing and identifying errors.
2. AI can help to automatically detect and rank information that can be applied to areas such as fraud detection. AI can help detect unknown fraud patterns by learning from data from past fraud history.
3. AI can derive knowledge from historical information and help increase the accuracy of predictive scenarios such as financial information forecasting.
4. Machine learning can help provide proactive context-sensitive support by providing digital assistants to help boost the productivity of financial experts. As an example, digital assistants such as AI-enabled chat bots can help respond to information requests made to the finance function.

In his book, AI Superpowers: China, Silicon Valley and the New World Order, Kai-Fu Lee likens artificial intelligence to electricity. Thomas Edison discovered how to harness the power of electricity in 1879, but it required progress in fossil fuel generation and the efforts of entrepreneurs, engineers and governments to invest in research and infrastructure to generate the power required to charge a smartphone today.

Artificial intelligence offers tremendous potential to change our world, just like electricity did. And it's happening now because we have never had as much computing power, as much data or the machine learning algorithms that we do today. Getting value from artificial intelligence and machine learning in your organisation is about clean, accurate data – and lots of it.

AI is about enabling people.

People will benefit from the automation of tasks and the intelligence derived from data. AI will change the nature of work, not the need for work. It will require new skills and a new mindset. It is not a panacea to all problems and will still require human oversight. Machines need to be trained and managed, just like people.

Finance functions and the organisations that they support are poised to win from machine learning. Successfully navigating the transformation journey may require a partner who can help you identify the opportunities for your business, help you define a business case and support you to implement it.

We all want finance to provide our organisations with powerful insights and finance teams want meaningful work. No one wants to spend late nights in the office during critical reporting periods – apart from machines, who don't notice.

Making Africa work

Dion Shango
Territory Senior Partner for PwC's East, West and South Market regions in Africa

The robots are coming and millions of people will be laid off. Automation will create more jobs than it destroys. The Fourth Industrial Revolution will accelerate inequality. New technologies will enable Africa to catch up with the rest of the world. The headlines regarding emerging technologies that we read today are as attention-grabbing as they are contradictory, and the only clear conclusion they all point to is that no one really knows where these developments are ultimately going to take us.

From nuclear bombs to nuclear medicine, technologies have the potential to be used to do good or harm. That's because they have no inherent morality. So while technological change has always been disruptive, the ultimate impact of the current revolution will very much depend on how we as business, government, civil society and ordinary citizens choose to use it and manage it.

The unprecedented speed of change precipitated by the Fourth Industrial Revolution is being driven by the mutually interdependent forces of artificial intelligence, the Internet of Things (IoT), network-based logic, augmented and virtual reality and quantum computing, which are expected to shape the next decade.

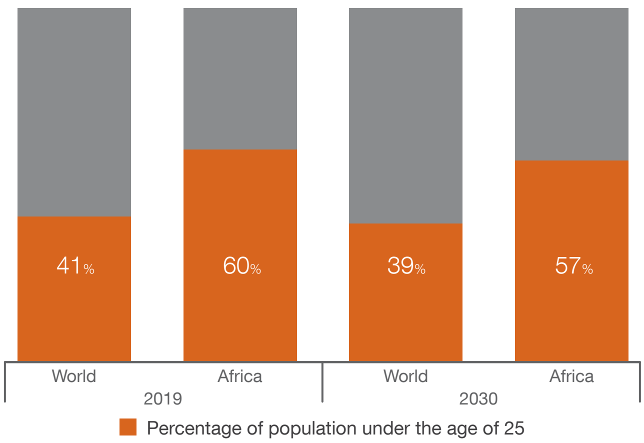
Such technologies are expected to bring more advancements in the next 10 years than in the last 250. This will no doubt lead to a range of potential socio-economic impacts, resulting in major disruptions to labour markets, growth in new occupations, ways of working, skills requirements and tools to augment workers' capabilities.

Global trends meet African realities

While this is unfolding, Africa will also be experiencing unprecedented demographic changes. From now until 2030, the continent is projected to expand the size of its workforce by more than the rest of the world combined, as its young population enters the world of work.

The World Economic Forum estimates that 15 to 20 million young people will join the African workforce every year for the next two decades.[1] By 2030, Africa will be home to more than a quarter of the world's population of under 25, who will make up 60% of the continent's total population. By then, 15% of the world's working-age population will be in Africa and the continent's urbanised population will exceed 700 million (more than 50%).

Figure 24: Africa's demographic dividend



Source: World Economic Forum

1 *World Economic Forum, The Future of Jobs and Skills in Africa: Preparing the Region for the Fourth Industrial Revolution, 2017 .http://www3.weforum.org/docs/WEF_EGW_FOJ_Africa.pdf*

What makes these statistics more striking is that Africa will be unleashing this considerable human capital at a time when the rest of the world is getting older. On the other hand, the continent's economic prosperity and social stability will be inextricably linked to what becomes of these young people.

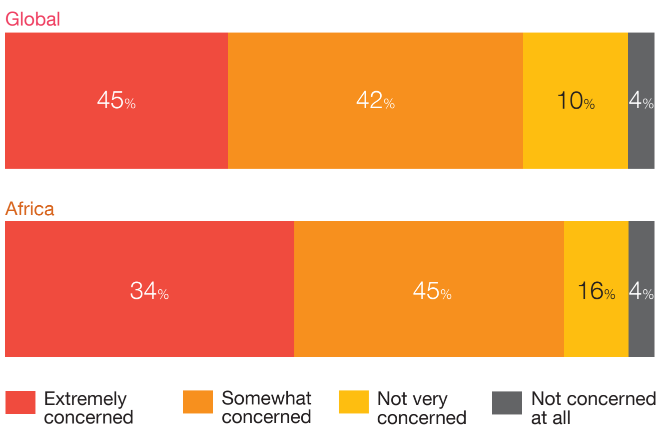
So while the continent faces unprecedented technological disruption, it also needs to recognise the urgency of this opportunity to drive inclusion and economic growth through the development and adoption of future-ready strategies for education and job creation.

By leveraging the demographic opportunity, Africa has the potential to:

- Release new economic possibilities created by future industries and labour markets.
- Dramatically raise labour productivity and per-capita incomes.
- Diversify its economies.
- Become an engine for stable economic growth, high-skilled talent and job creation.

Laying a foundation for the continent's current and future workforce requires a deliberate policy approach, private sector commitment and institutional reforms. It is vital for all sectors to invest in building skills, not just for today, but to establish a sustainable pipeline of talent to meet future skills needs.

Figure 25: CEOs in Africa are most concerned about the skills shortage



Source: PwC, 22nd Annual Global CEO Survey, 2019

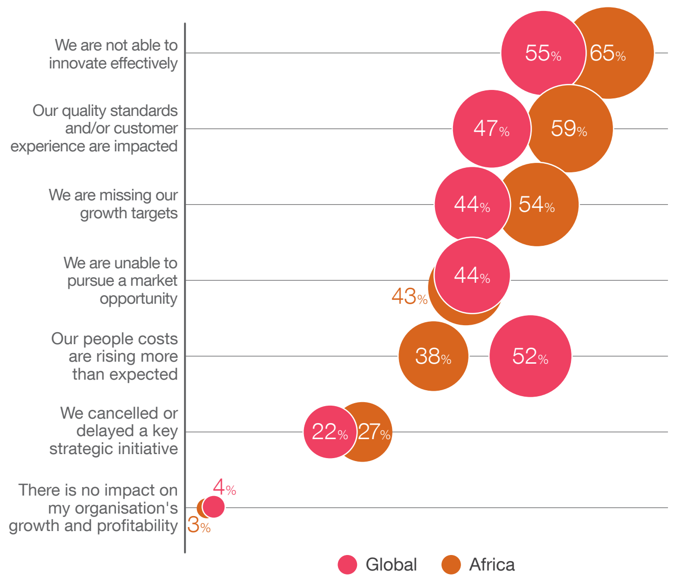
Feedback from business leaders confirms that they are already struggling to find the skills they need, and not just in Africa. In PwC's latest Annual Global CEO Survey, no less than 79% of global CEOs said they were concerned about the availability of key skills. Among African business leaders this figure jumped to 87%, with 45% noting that they were 'extremely concerned'.

The current lack of skills is having real consequences. Of the CEOs who were extremely concerned about the availability of key skills, 65% of CEOs in Africa (global: 55%) said the skills shortage was preventing them from innovating effectively, while 59% (global: 47%) conceded that their quality standards and customer experience were being undermined. In addition, 54% (global: 44%) confirmed that they were missing their growth targets because of inadequate skills.

Only 3% of CEOs in Africa (global: 4%) we surveyed said skills availability was not impacting on their organisations' growth and profitability.

Figure 26: Skills shortages are having a profound impact on business performance

Q **What impact is availability of key skills having on your organisation's growth prospects?**



Source: PwC, 22nd Annual Global CEO Survey, 2019

The message business leaders are sending is clear. We need to act. Now. They also appear to be heeding their own advice, with 47% of African respondents (global: 46%) recognising significant retraining and upskilling as the most significant interventions needed to close skills gaps in their organisations. Twenty-two percent of CEOs in Africa (global: 17%) also identified establishing a strong pipeline of skills direct from educational institutions as an important step.

The right people, today and tomorrow

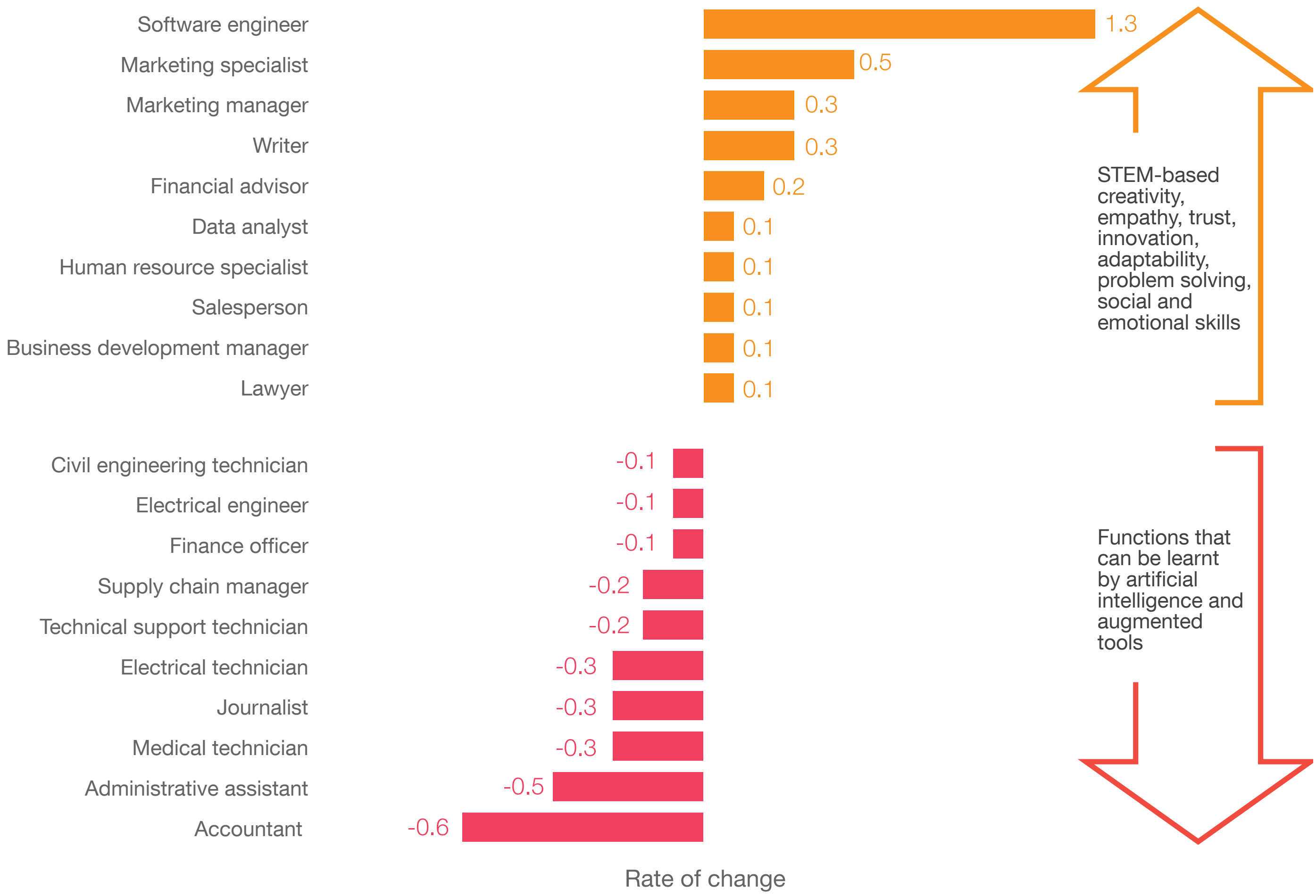
To make training and upskilling initiatives pay off, organisations need to define their current and future workforce needs, taking into account the impact of emerging technologies across their value chain, from strategy to execution, and preparing their workers to be fit for purpose.

Businesses also need to adapt to remain sustainable and the skills gap is a critical barrier to organisations successfully exploiting the promise of new technologies. Recent research suggests that the companies that are innovating the most are also ones that are growing and creating more jobs.

These developments are impacting the nature of jobs and the skills required, creating opportunities and demand for new roles, which could be translated into a positive growth trajectory for Africa. To achieve this Africa needs to expand its pool of highly-skilled employees through the development of cognitive STEM-based skills (science, technology, engineering and mathematics) as well as non-cognitive soft skills like sense-making and social intelligence competencies.

It will be imperative for employees of the future to demonstrate the skills that machines cannot learn. Non-cognitive, character competencies, as opposed to routine learning and knowledge-based skills, are likely to be the qualities most valued. It will no longer be about 'what you know', but more about 'what you do' with that information, through the utilisation of value-based expertise that will enable employees to remain relevant in a more technologically-enabled workforce.

Figure 27: Top 10 emerging and declining roles observed in recruitment trends in sub-Saharan Africa, 2014-2017



Source: WEF, The Future of Jobs Report, 2018

Businesses should be cognisant of agile employee profiles that could drive their organisations forward. The employees of the future are diverse in their profiles and organisations need to be agile in order to attract and retain this new workforce. Companies that innovatively rethink their organisational design, in a digitally-enabled world, will have a competitive advantage.

We can speculate about where the Fourth Industrial Revolution will lead us, but it will take immense cooperation, negotiation, selflessness and vision to shape the coming technology revolution to be an agent of positive change. We should start by putting people first by protecting them, not the jobs they fill, by nurturing agility, adaptability and a culture of lifelong learning. Only then will we be able to future-proof our people and our organisations.

In a scenario where machines are doing more of the routine, mindless tasks and employees are lauded for their humanity, the future promises to be vastly better than the present. Ironically, it will take other quintessentially human qualities to determine whether such an outcome is achieved. For today's young people to realise their future potential, including those in Africa, the power of new technologies will need to be matched by the wisdom and sound judgement of those charged with managing the perils and promise they introduce. Only then will we be able to make Africa work like we know it can.

A message for leaders in Africa

Africa's economies, like its peoples, are diverse. Such diversity creates opportunity, which can be capitalised on in the face of change and adversity. The coming technological revolution will have a disruptive effect on all economies and there are several things that we in Africa can consider as we strive to thrive in the face of disruption:

1 Skills, partnerships and opportunities

- Embrace technology as a force of good as it will affect every level of the business and its people. A depth of understanding and keen insights into the changing technology landscape is needed.
- Leaders need to prepare their employees today for the future opportunities and skills required for the future workforce. This can be effectively executed through public-private partnerships, which are powerful tools for change.
- The development of digital skills is paramount and while all industries are being digitally disrupted, it's also an opportunity for a growing digital economy.

2 Nurture the right skills

- Automation will affect every level of the business and its people.
- Nurturing the right talent will ensure that we correctly capitalise on the right skills for businesses throughout Africa.

3 Importance of the human element

- Focus on the humans and the humane. Organisations should prioritise people rather than jobs.
- Jobs can always be created and modified, but the right human capital cannot.
- Organisations have a responsibility to people and not to the jobs.
- Nurture agility, adaptability and re-skilling.

4 Improving workforce digital IQ

- As people live and work longer, digital training and retraining of existing workforces is particularly crucial.

5 Flexibility allows creativity to flourish

- Make decisions based on values and purpose. Plan for a dynamic future and ensure adaptability and flexibility in workforce solutions.
- Create a continuous learning culture.

6 Experiment

- Lead by example in the face of adversity and transition.
- Utilise and optimise challenges to drive change in Africa.
- Plan for a dynamic rather than a static future.

CEO insight

Dr Amy Jadesimi

Managing Director, LADOL

LADOL (Lagos Deep Offshore Logistics Base) is building and operating the world's first Sustainable Industrial Special Economic Zone (SSEZ) in the Port of Apapa, Lagos, Nigeria. The Zone has been developed out of a disused swamp and began operations in 2006. Since then, the infrastructure and facilities have vastly expanded. The Zone now provides a 24/7 efficient, safe and secure location from which local and international companies can start operating immediately. Initially focused on the oil & gas industry, LADOL is now focused on serving companies in other sectors to create a circular economy within the Zone.

Q Where do you see the global economy going over the next year?

There are a lot of areas where conflicts are brewing, which have international implications. We have a lot of risk built into stock markets in the West; and have a lot of debt and equity market risk in that regard.

But if you look at Africa, there is a recognition now that people have to invest in the continent in a smarter way because the growth for the world should come from Africa.

And over the last decade there has been agreement that there are African companies who can and should now be the loci for investment. Investing in these companies will unlock Africa's potential. But we are not at a point where the mechanisms of transferring that money through equity and debt have been fully fleshed out, so the real growth for Africa is still a few years away.

Q How do you think the African Free Trade Agreement will impact your business?

International exports are important for us. Most of our business historically has been driven by the petroleum sector. However, we're investing heavily in infrastructure and facilities for the non-petroleum sector – everything from medicine to housing to green energy and component manufacturing.

One of the things we would like to see beefed up in the agreement is the emphasis on local content. We don't want the agreement being used as a mechanism for international countries to bring finished goods into Africa. We have to make sure that our local content is protected and is given time to grow and develop.

Q What threats and risks are you most concerned about?

We should all be very concerned about climate change. The advantage we have in Nigeria is that we're developing things pretty much for the first time. We can build them in a way that is sustainable in spite of the coming volatility in weather patterns, knowing that climate change is a reality. That is what we did with LADOL. The level of sand-filling, the level of our roads and walkways and drainage are built with the knowledge that there's going to be a higher risk of high rainfall.

Generally, I would say Africa is in a good position because we have an opportunity to build the correct infrastructure for the world we're living in now and into the future.

Q Do you think corporates should become more involved in working with government and NGOs?

Government should not be involved in people's businesses to the extent that they are no longer proper private companies. In Nigeria we have the unfortunate situation of quasi-public companies funded from the national budget. Instead, government should have policies encouraging banks to lend to the private sector. We need a real private sector that is as large as the public sector, with both working together to grow the economy.

NGOs and charities operating in low-income, high-growth countries in general are a bad idea unless they're sustainable. A lot of international charity is counter-productive. This has been recognised by the UN World Food Programme where, instead of giving people food, they've now started giving them electronic cards to make local purchases where possible. I think that is a step in the right direction, but I think the next thing is, instead of giving them money, make it a loan. Short-term disaster relief is a different matter.

Q How do you see unemployment, particularly among young people, affecting the country, society and business?

I think by 2030 we will have the largest and youngest population in the world. I see this as a demographic dividend as it is a positive that we have so many young people because every person is an engine of opportunity, growth and prosperity.

With what the Europeans call the 'migrant crisis', the world is even more aware of the need to have young people employed here. The solution and the implementation of that solution is down to us Africans. A lot of Nigerian companies are focused on how the country can leverage the private sector to create employment opportunities for these young people in a sustainable way. The public sector has employed as many people as it possibly can. However, the private sector is still too small and would need to grow to absorb the young people.

Q What advice do you have for businesses that want to enter new African markets?

If you're coming into Nigeria, you have to have a medium-to-long-term focus. Ideally, you should find qualified, transparent, compliant local partners and local staff.

You've got to respect the market you're coming into, respect the people and give them credit for knowing the best way to proceed. You cannot afford to miss the boat on the West Africa play. The opportunity risk of not being in Nigeria is far higher than the perceived risk of being in Nigeria.

We're in a situation where, because the West is so developed, they're making money from leverage. But, actually you're supposed to make money from the business you do, and you leverage, in order to do your business. And if you look at it through that lens, you want to be in countries where people are saying it's tough because that's where businesses can solve problems and grow.

Q In your role as CEO, what key issues have you had to take a stand on?

The biggest issue we faced was around monopoly. The ship owner's association took a stand against a quasi-private company monopolising the industry. We also had to take a stand in terms of local content to make sure that the shipyard in LADOL was built. Fortunately, under this government monopolies have been outlawed.

We are taking another stand now to make sure that government and the people of Nigeria get credit for the shipyard, since we discovered it was funded largely by Nigeria.

Real local content lowers costs, and if you lower costs, you attract investment and also enable Nigerians to make investments and grow the economy. We realised that people thought local content was expensive because we were paying foreign companies the money that is meant for local content, who then took it out of the country.

I really support the talk of expanding local content efficiently into other industries as well, as this will create win-win-win scenarios – for the country, the public and private sectors as well as the international companies because we want a wealthy and prosperous Nigeria.

Research methodology

The Africa Business Agenda is based on a survey of 83 CEOs in Africa. The survey draws on the survey questionnaire used in PwC's 22nd annual Global CEO Survey of 1 378 CEOs worldwide. The use of a common set of survey questions allows us to benchmark the views of CEOs in Africa against global averages.

The survey was conducted during the last quarter of 2018 and the results form the basis of this report. For the purposes of the publications, 'Africa' results refer to the average of the 80 CEO surveys carried out in Africa.

In some cases, percentages may not add up to 100% due to rounding and some respondents choosing not to answer questions.

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PwC in Africa

PwC’s extensive African footprint means we’re there for you, wherever you do business.

At PwC, our purpose is to build trust in society and solve important problems. In Africa, we’re the largest provider of professional services with close to 400 partners and over 9 000 people in 34 countries. This means that we’re able to provide our clients with seamless and consistent service, wherever they’re located on the continent.

Our in-depth knowledge and understanding of African operating environments enables us to put ourselves in our clients’ shoes to offer tailored tax, assurance and advisory solutions for every business challenge.

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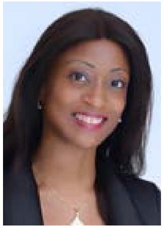

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