Africa Business Agenda

Tech-enabled digital transformation

May 2024

pwc

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Embracing human-led, tech-enabled reinvention to drive growth in Africa

The Africa Business Agenda: Thriving in an age of continuous reinvention 2024 report illustrates how businesses are capitalising on opportunities presented by technological progress to drive profitability, efficiency and innovation. CEOs in sub-Saharan Africa reported an impressive 15% revenue growth in the most recent fiscal year, surpassing their global peers who reported an average of 12% revenue growth during the same period. The past year's performance has boosted forward-looking sentiments, with 52% of Africa's CEOs reporting growth prospects in their territories over the next 12 months. Our analysis also highlighted that adopting new technologies to enhance capabilities is impacting how CEOs in sub-Saharan Africa are capturing tangible value – with an associated positive impact on profit margin of 1.4%.

The accelerated development and widespread implementation of cutting-edge technologies are driving a profound shift across the world. Generative artificial intelligence (GenAI) is poised to reshape industries, redefine work processes and offer unprecedented opportunities to enhance competitiveness and unlock new value. Cloud computing, through its scalability and flexibility, continues to empower organisations to streamline operations, foster innovation and deliver exceptional customer experiences. As we navigate the brave new world of existing and emerging tech, it is imperative for business leaders to understand the implications of these technological advancements and strategically position their organisations to thrive amidst change.

Over the last five years, these actions impacted (to a large or very large extent) the way CEOs' companies create, deliver and capture value.

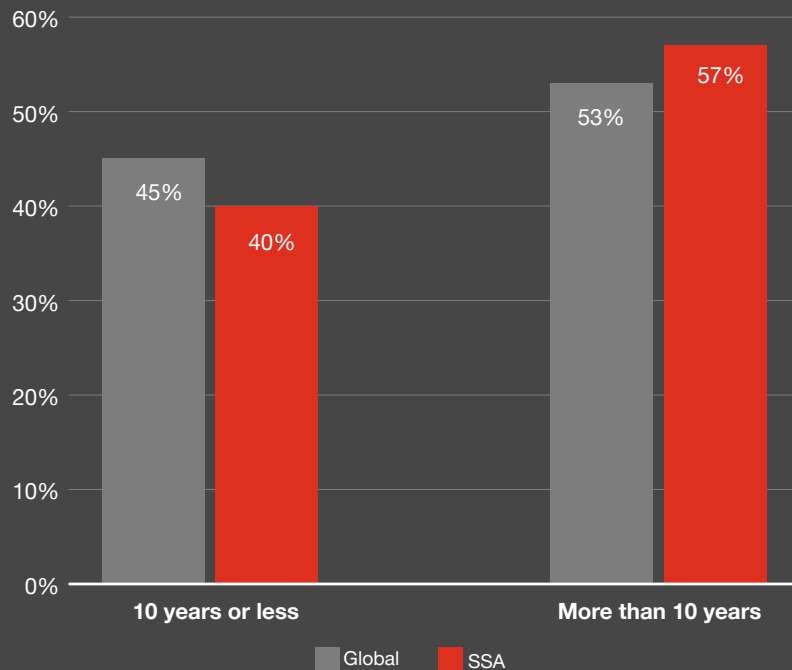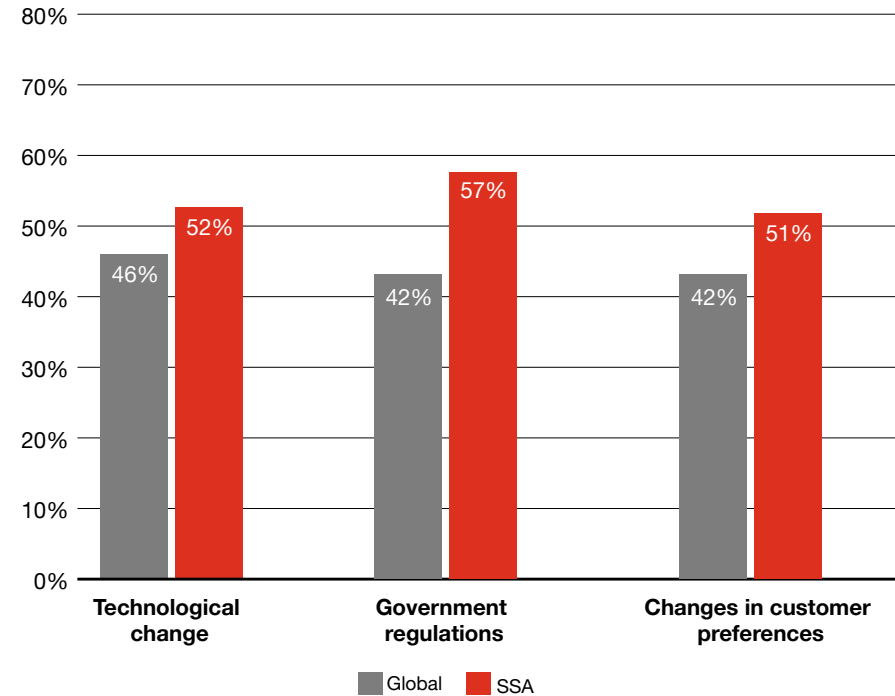|	Global	SSA
Adopted new technologues	42%	56%
Developed a new in-house technology	33%	34%
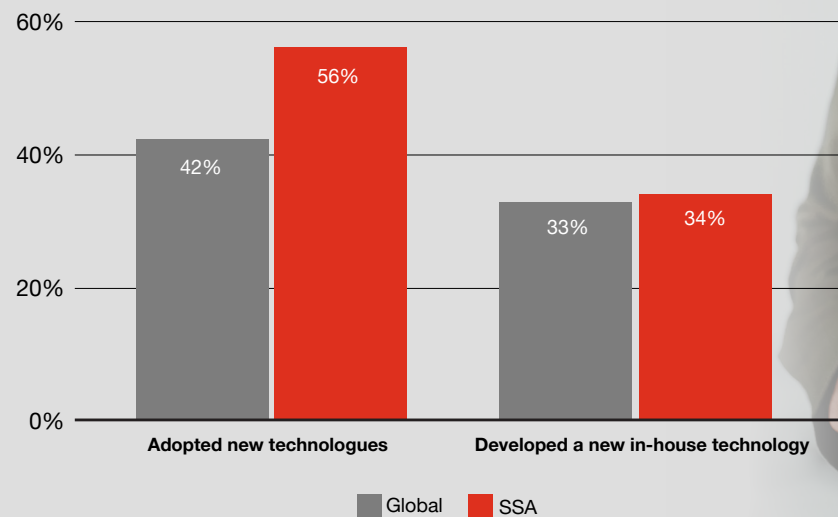
Dion Shango

Territory Senior Partner,
PwC Africa

This reinvention imperative has been amplified by concerns regarding organisational longevity. Forty percent of Africa's CEOs, up from 25% last year, doubt that their company's current path will keep them economically viable a decade from now. These concerns persist even though CEOs in the region have become more optimistic about the near-term economic outlook. Some 45% of CEOs globally expect a decline in economic growth, while only 34% in Africa share the same view. Just over half (51%) of CEOs in Africa anticipate an improving global economy in 2024, far outpacing the global average of 38%. This relative optimism is fuelled by a more buoyant regional growth outlook, with 52% of Africa's CEOs projecting revenue growth in their own territories over the next 12 months compared to 44% globally.

Question: If your company continues running on its current path, for how long do you think your business will be economically viable?

Legend: Global, SSA

Bar chart values:
- 10 years or less: Global 45%, SSA 40%
- More than 10 years: Global 53%, SSA 57%

Top three factors influencing value creation over the next three years.

Legend: Global, SSA

Bar chart values:
- Technological change: Global 46%, SSA 52%
- Government regulations: Global 42%, SSA 57%
- Changes in customer preferences: Global 42%, SSA 51%

The strategic actions taken by Africa's CEOs over the past five years reflect the agility and resilience with which business leaders on the continent deal with disruption.
There is pressure for these businesses to transform: 52% of Africa's CEOs – more than the global average of 46% – anticipate that technology will have a large impact on how they create, deliver and capture value. Changes in customer preferences, climate change and regulatory shifts are also likely to exert far greater influence on the reinvention plans of Africa's CEOs than they did before. This has arguably made CEO's in Africa more prepared for the uncertain world in 2024 compared to their global counterparts.

However, the impetus to reinvent is only intensifying. CEOs in Africa expect more pressure in the next three years from technological change, climate and other megatrends.
To adapt at the pace required, leaders in Africa must take an outcomes-focused approach, leveraging technology as a strategic enabler to enhance human capabilities and drive sustainable growth. As existential pressures mount, CEOs in Africa must undertake bold moves to reinvent their business models as well as the operating models and technologies that enable them.

GenAI: Transforming industries and driving value creation

> **"** As more organisations in Africa begin to recognise the transformative potential of GenAI, it is crucial for leaders to approach its adoption with a strategic mindset, focusing not only on short-term gains but also on building the necessary skills, infrastructure and governance frameworks to ensure long-term success.
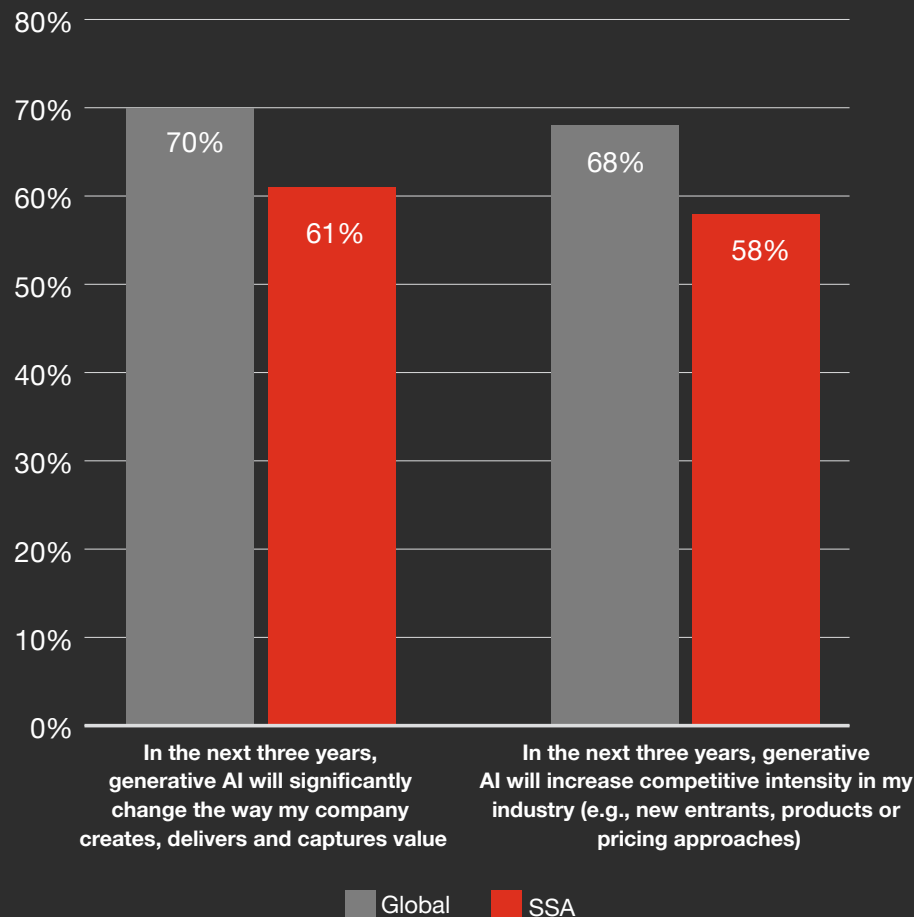>
> Femi Madariola,
> **Partner, Technology Consulting, PwC Nigeria**

The speed and scale at which generative artificial intelligence (GenAI) is evolving is nothing short of astounding, with new AI models being adopted across various business sectors and redefining the way we conduct business. And while most organisations use these technologies to enhance the efficiency of mundane tasks, the true prize lies in GenAI's capacity to augment human inputs and uncover new sources of value. The increased adoption of GenAI requires CEOs in Africa to foster a spirit of responsible experimentation and empower employees to pilot AI in ways that solve problems, increase productivity and advance strategic objectives.

As this ground-breaking technology gathers momentum, CEOs in the region are increasingly recognising its potential to fuel growth and competitiveness. However, the adoption of GenAI across companies in Africa remains in its early stages, with only 27% of CEOs reporting organisation-wide implementation, compared to 32% globally. Furthermore, the potential impact of GenAI is expected to be even more substantial in the near future. Over the next 12 months, 51% of Africa's CEOs anticipate that GenAI will enhance the quality of their companies' products and services, slightly lower than the global average of 58%.

To what extent, if at all, are the following factors inhibiting your company from changing the way it creates, delivers and captures value?

	Global	SSA
In the next three years, generative AI will significantly change the way my company creates, delivers and captures value	70%	61%
In the next three years, generative AI will increase competitive intensity in my industry (e.g., new entrants, products or pricing approaches)	68%	58%

Legend: ■ Global ■ SSA

GenAI is rapidly gaining traction in Africa, with 33% of CEOs reporting changes to their technology strategies due to this transformative technology, mirroring the global trend of 31%. The technology is expected to revolutionise industries across the board. In financial services, GenAI can enhance fraud detection, augment risk assessment and personalise customer interactions, leading to improved efficiency and cost savings. Healthcare stands to benefit from AI-assisted early disease detection, personalised treatment planning and drug discovery. Some retailers are also leveraging GenAI for personalised product recommendations, optimised pricing and enhanced customer service. Manufacturing and logistics can use GenAI to optimise supply chains, predict demand and improve production efficiency. These are just some examples of the many use cases for AI (whether GenAI or **one of the many other types of AI techniques**) that will continue to evolve at an increasingly rapid pace.

GenAI offers more than incremental efficiency gains; it can unlock transformative opportunities and create new markets and customer experiences. CEOs who focus on creating AI-fuelled products and services can differentiate their organisations and help generate new revenue streams, aligning with their short-term strategic priorities.

"By being outcome-focused about technology and viewing it as a tool to serve business growth goals, executives can better position their organisations to realise the full potential of their AI investments. More importantly, building a solid foundation now will allow companies to accelerate growth as capabilities continue to evolve.

Laolu Akindele,
Partner, Technology Consulting, PwC Kenya

Ethical AI: Navigating risks and challenges

"While GenAI presents immense opportunities for value creation and business transformation in Africa, it is crucial for organisations to be cognisant of the capabilities, limitations and risks associated with this emerging technology. Understanding and mitigating these risks will be essential to ensure the responsible and sustainable deployment of AI solutions.

Christiaan Nel,
Africa AI Leader, PwC South Africa

The current limitations of GenAI, such as hallucinations, biased outputs and lack of consistent logical reasoning, underscore the need for a careful and considered approach to adoption. Ensuring data privacy and protection is equally paramount, requiring robust safeguards and compliance with regulations. As the technology continues to mature, understanding and navigating its shortcomings will be critical to unlocking its full potential and ensuring safe, reliable deployment.

Forty-eight percent of Africa's CEOs agree that AI may increase legal liabilities and reputational risk, compared to 46% globally. Organisations will therefore need to focus on building and maintaining trust with stakeholders when adopting these new technologies.

Companies must establish clear policies and procedures to mitigate potential legal risks and protect their brand reputation. This will require more robust data governance frameworks and clear guidelines for data collection, storage and usage. Organisations also need to engage employees in the AI adoption process, fostering open communication, transparency and collaboration. This includes involving employees in the design and deployment of AI solutions, seeking their input and feedback, and addressing any concerns or apprehensions they may have about the impact of AI on their roles and responsibilities.

By taking a proactive and strategic approach to managing the risks associated with GenAI, businesses in Africa can position themselves to unlock the full potential of this transformative technology while ensuring its responsible and sustainable deployment. A commitment to ethical and responsible AI will be essential in driving long-term value creation and fostering trust among stakeholders.

AI and the future of work

> **"**
> Rather than replacing human workers, AI offers organisations an opportunity to reimagine their operations, unlock new avenues for growth and empower employees in ways previously unimaginable. The future now belongs to those who can effectively integrate human ingenuity with the capabilities of AI, forging a path towards a more efficient, adaptable and technology-enabled workforce.
>
> Dr Dayalan Govender,
> **Africa Organisation and Workforce Transformation Leader, PwC South Africa**

The impact of GenAI on the workforce cannot be overstated. The increasing adoption of AI technologies is undoubtedly reshaping job roles, altering skill requirements and creating new opportunities for workforce development. To successfully leverage GenAI, organisations must align initiatives with their overall AI strategy, assemble cross-functional teams, identify impactful use cases, curate proprietary data and adhere to robust ethical principles and governance frameworks. Upskilling and reskilling initiatives that focus on AI literacy, data analytics and digital skills will also be crucial to ensure that employees can effectively leverage these technologies and thrive in an AI-assisted work environment.

As the future of work unfolds, businesses must adapt to the changing nature of jobs and the potential impact on employment. While 21% of Africa's CEOs anticipate headcount reductions due to GenAI, compared to 25% globally, the long-term job creation potential should not be overlooked. Only a human-centric approach to AI implementation, involving employees in the design and deployment of solutions, will foster the trust, transparency and collaboration needed to deploy these technologies in the workplace. Doing so effectively can unlock new opportunities for innovation and can create a more resilient and adaptive workforce.

Large Language Models (LLMs) offer an unprecedented opportunity for humans to interact with technology in a way that was never truly possible before: through natural language. At the same time, the digital divide has been one of the major hurdles for the African continent over the past few decades, compounded by unreliable access to the internet and electricity. Today, the use of GenAI holds the potential to accelerate Africa's development by democratising access to digital skills through AI-assisted learning and creativity. GenAI will continue to provide a more intuitive interface for navigating information and technology – and as the use of technology becomes more accessible and user-friendly, it can empower individuals across the continent to acquire new skills and truly participate in the digital economy.

However, this also underscores the urgency for African businesses to adapt and embrace GenAI. Organisations globally are already leveraging these technologies to gain a competitive edge, and falling behind during this technological shift could have severe consequences. It is a pivotal moment for organisations in Africa to recognise the transformative potential of GenAI and take proactive steps to integrate it into their strategies. Failure to do so may result in a widening gap between those who harness the power of AI – and those who are trailing behind.
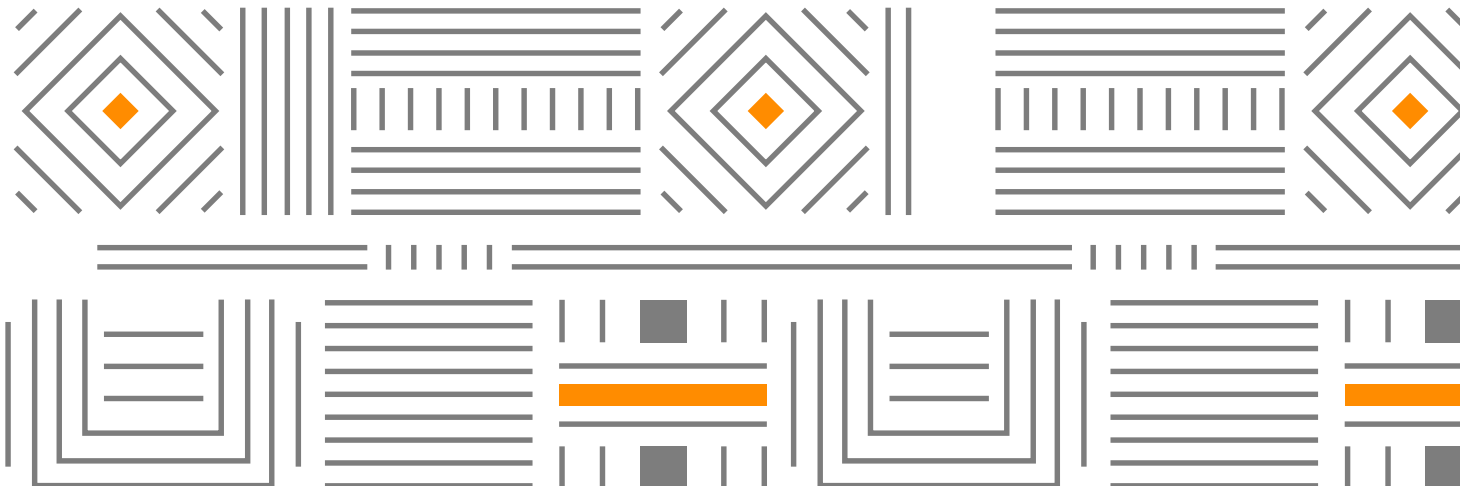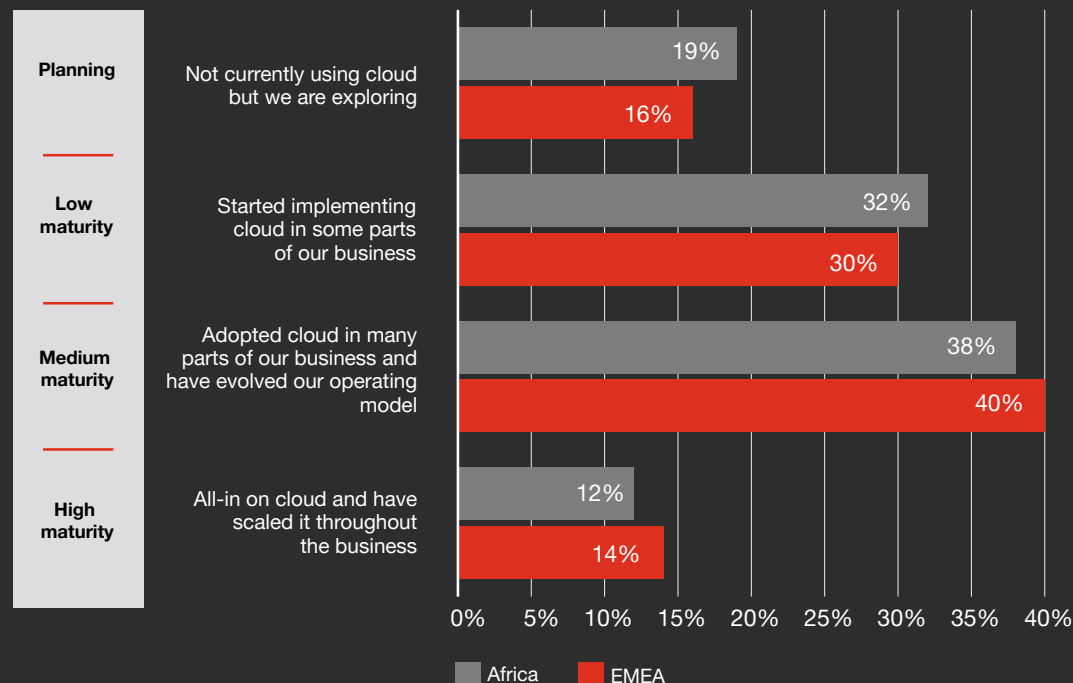
Cloud transformation: Empowering innovation and operational efficiency

Cloud computing has emerged as a fundamental enabler of digital transformation in Africa. PwC's recent Africa Cloud Business Survey 2023 reveals that organisations in the region are already realising significant value from their cloud investments and are allocating substantial budgets to accelerate their journey. The top priorities for cloud investment, including customer experience, innovation and operational efficiency, highlight the strategic importance of cloud adoption in driving growth and competitiveness.

The potential benefits of cloud transformation are far-reaching. By leveraging cloud technologies, businesses can deliver seamless, personalised experiences, enhance stakeholder trust and foster innovation in products and services. Cloud adoption also enables operational efficiency gains through streamlined processes, cost optimisation and real-time data-driven decision-making. However, successful cloud transformation requires a holistic approach that includes aligning initiatives with business objectives, investing in talent development and prioritising security and compliance.
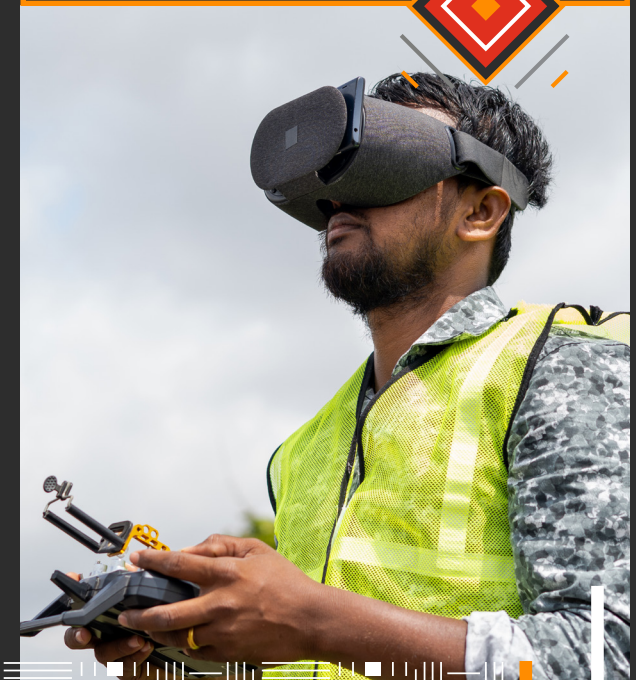
More than 80% of respondents in Africa indicated a 5% to 15% or greater rise in cloud investment for 2023. This increased investment is particularly directed towards enhancing customer experience and fostering innovation. The top five areas that businesses in Africa have prioritised for increased cloud investment are customer experience (CRM, digital customer portals, applications, chat bots), innovating new digital products and services, cloud strategy, digitising supply chain, and manufacturing and finance transformation (e.g., legacy modernisation of ERPs, SAP on hyper scaler).
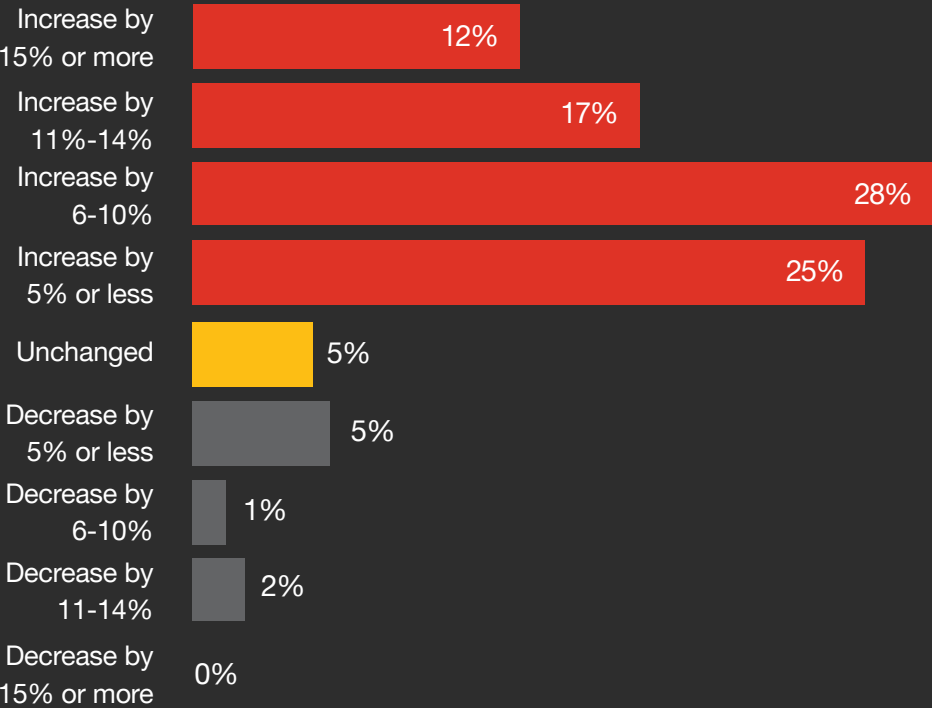
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As businesses across EMEA and Africa prioritise their transformation journeys, the cloud is a key enabler. This shift is crucial in a landscape where agility, productivity, and innovation are not just value-adds but necessities for competing in a globally connected market. Progress towards cloud adoption may require a phased approach, considering existing infrastructure and the need for upskilling, but the end goal is clear: leveraging cloud scalability and innovation to meet diverse business needs while managing costs effectively.

Mark Allderman,
**Africa Cloud and Digital Leader,
PwC South Africa**

Cloud maturity in Africa

Maturity	Statement	Africa	EMEA
Planning	Not currently using cloud but we are exploring	19%	16%
Low maturity	Started implementing cloud in some parts of our business	32%	30%
Medium maturity	Adopted cloud in many parts of our business and have evolved our operating model	38%	40%
High maturity	All-in on cloud and have scaled it throughout the business	12%	14%

Legend: ▬ Africa ▬ EMEA

As Africa navigates the cloud landscape, collaboration and partnerships are crucial. Engaging with experienced service providers and technology partners can provide valuable expertise and support throughout the migration process.

How is your organisation cloud budget changing in 2023?

Increase by 15% or more	12%
Increase by 11%-14%	17%
Increase by 6-10%	28%
Increase by 5% or less	25%
Unchanged	5%
Decrease by 5% or less	5%
Decrease by 6-10%	1%
Decrease by 11-14%	2%
Decrease by 15% or more	0%

↑ 82%   ↔ 5%   ↓ 8%

> "Increasing cloud adoption, especially in the near term, is not only key to giving businesses the edge when it comes to leveraging cloud scalability and innovation to meet diverse business needs, but is becoming increasingly recognised as an enabler of economic growth across Africa.
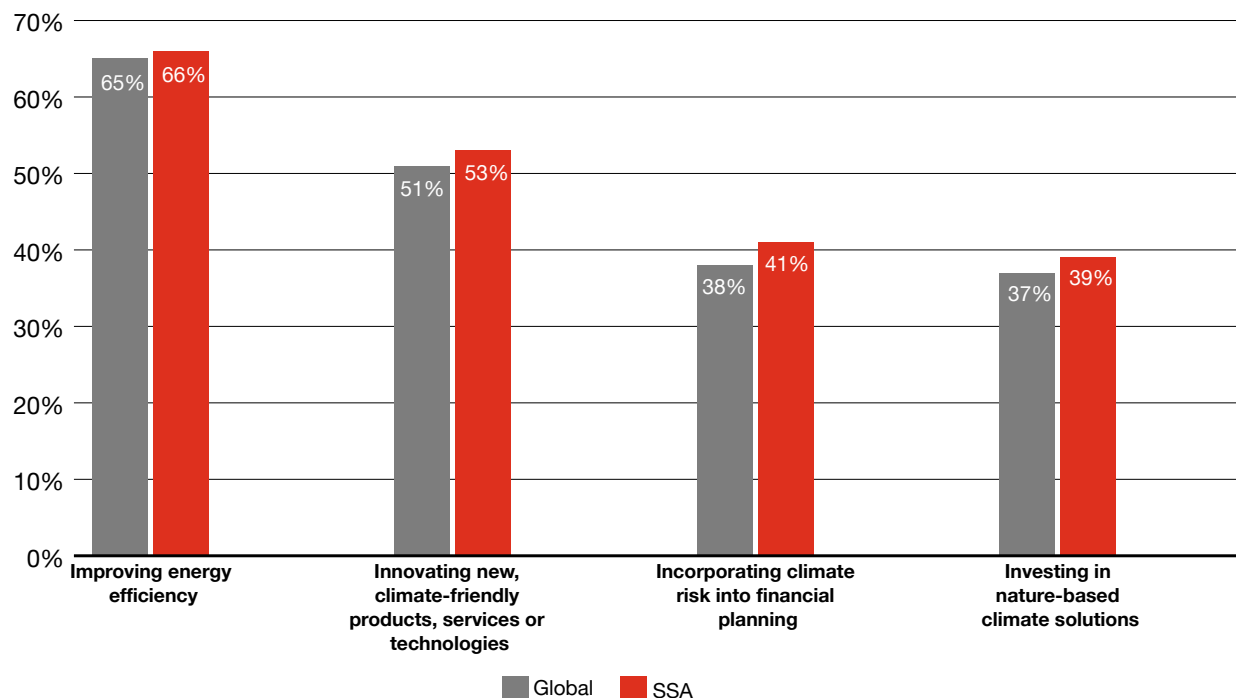
Tshifhiwa Makhari,
Cloud Transformation Leader, PwC South Africa

Climate resilience: A tech-enabled approach to sustainability

Among the megatrends compelling CEOs in Africa to reinvent their organisations for future relevance, none is more consequential than climate change. Our survey reveals significant activity underway as leaders seek to embed sustainability into their business models and build climate resilience. Africa's CEOs stand out in innovating climate-friendly products and services, with 74% engaged in these efforts (global: 71%). Integrating climate into financial planning is also gaining traction, with 41% of CEOs in Africa on this journey, although 18% have yet to embark.

Which of the following best describes your company's level of progress on each of these actions? (Respondents reporting "in progress").

	Improving energy efficiency	Innovating new, climate-friendly products, services or technologies	Incorporating climate risk into financial planning	Investing in nature-based climate solutions
Global	65%	51%	38%	37%
SSA	66%	53%	41%	39%

As the urgency to act against climate change grows, technology is emerging as a powerful tool to build resilience and drive sustainable practices. By aligning technology investments with sustainability goals, businesses in Africa can drive meaningful progress towards a low-carbon future while enhancing their competitiveness and long-term viability.

This may involve setting ambitious sustainability targets, investing in renewable energy and fostering a culture of environmental responsibility throughout the organisation. Collaborating with stakeholders across the value chain, including suppliers, customers and local communities, can amplify the impact of sustainability initiatives and drive systemic change.

As Africa faces the dual challenges of economic growth and climate resilience, businesses have a crucial role to play in shaping a sustainable future.
By embracing technology-enabled solutions and integrating sustainability into their core strategies, companies can unlock new opportunities for innovation, efficiency and long-term value creation while contributing to the well-being of people and the planet.

A journey of reinvention: The way forward

The convergence of technological advancements, shifting consumer expectations and pressing societal challenges presents both opportunities and imperatives for reinvention. GenAI, cloud computing and other emerging technologies offer immense potential to drive growth, efficiency and innovation. But success is not just about adopting the latest tools; it's about leveraging them strategically to enhance human capabilities and solve real-world problems. It's about putting people at the centre of digital transformation, investing in skills development and fostering a culture of continuous learning and adaptability.

As business leaders in Africa navigate this exciting and challenging landscape, they must do so with a sense of purpose and responsibility. This means prioritising ethical and responsible technology deployment, ensuring data privacy and security, and contributing to a more sustainable and inclusive future for all.

The journey of reinvention is not a solo endeavour. It requires a community: collaborating across industries, sectors and borders. By working together, sharing knowledge and driving collective action, we can unlock the full potential of technology to create value, solve complex challenges and build a better tomorrow.

Business leaders must embrace the transformative power of human-led, tech-enabled reinvention. It's an invitation to be bold, to experiment and to learn. In the face of unprecedented change, the most successful businesses will be those that adapt, innovate and lead with purpose. By harnessing the power of technology to augment human potential, we can build a more resilient, sustainable and prosperous future for Africa and the world. **The imperative to reinvent can no longer be delayed; our time to act is now.**

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