The Africa Business Agenda



October 2013

3rd edition

Doing business in Africa – from the perspective of CEOs and PwC executives on the continent





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Research methodology

The Africa Business Agenda is based on a survey of 301 CEOs in Angola, Botswana, Cameroon, the Republic of the Congo (Congo Brazzaville), the Democratic Republic of the Congo, Gabon, Ghana, Côte d'Ivoire, Kenya, Mozambique, Namibia, Nigeria, Rwanda, South Africa, Tanzania, Tunisia, Uganda, Zambia and Zimbabwe. We used the same survey questionnaire as PwC's 16th annual Global CEO Survey of 1,330 CEOs worldwide. Our Africa CEO Survey of 301 CEOs was conducted from November 2012—June 2013 and those results form the basis of this publication. Most surveys were conducted face to face. In the publication, 'Africa' results refer to the average of the 301 surveys in Africa, weighted by each country's GDP. In some cases, percentages may not add up to 100% due to respondents who chose not to respond.

To better illustrate the CEO agenda in Africa we also conducted in-depth interviews with over 30 CEOs in Africa, including CEOs in Mauritius and Algeria, where we did not conduct the survey. In-depth interviews occurred from January-June 2013. CEOs' insights cover a wide range of topics, from prospects for growth to evolving industry and market dynamics as well as risks and priorities over the short and medium terms. They are quoted widely in the report.

Our extensive network of experts and specialists provided additional input into the analysis of the survey. PwC leadership team members from all market regions contributed their perspectives. The views they express are their own and not necessarily those of the firm.

The Publisher and Project Leader, Suresh Kana, and the Lead Project Manager, Emily Ansell, would like to thank all of our contributors as well as the Editor and South Market Regional Project Manager, Catherine Ensor, and the Francophone Africa Regional Project Manager, Sarah Healy, who provided invaluable support.

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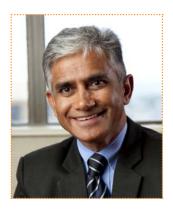
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Surveys conducted by markets	
Africa	301
Angola	10
Botswana	9
Cameroon	10
Republic of the Congo	10
Democratic Republic of the Congo	10
Gabon	10
Ghana	17
Côte d'Ivoire	6
Kenya	31
Mozambique	2
Namibia	10
Nigeria	30
Rwanda	15
South Africa	56
Tanzania	20
Tunisia	10
Uganda	20
Zambia	15
Zimbabwe	10





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Africa means business

A key feature of the post-2008 recession has been the increase in prominence of Africa as an investment destination. With Africa already showing a higher-thanaverage growth rate, a significant number of multinationals have declared their organisations' intentions of growing their presence in Africa. Now in its third year, The Africa Business Agenda clearly illustrates this point, with increasing interest from investors looking to establish a foothold on the continent. PwC is also fielding a number of enquiries from our clients regarding opportunities for investment and doing business in and across the continent.

Engaging with our clients as they develop and execute their business strategies provides a standpoint from which we can share in and learn from their ventures. At the same time, we are also executing our own African strategy. PwC firms in Central Africa and Southern Africa voted to create an integrated PwC Africa business that has been governed, led and managed by a single leadership team since 1 July 2012.

The Africa Business Agenda enables us to share high-level insights with you to understand how opportunities and challenges differ on the continent. Africa is regarded as the growth continent of the 21st century by economists and analysts. Telecommunications, consumerfacing industries, resources, agribusiness and infrastructure are identified as some of the sectors that will drive growth and attract international trade and investment on the continent.

Against this backdrop, sub-Saharan Africa offers the most advantageous platform for prospects for future growth and investment, with inflows of foreign direct investment reaching record highs and GDP growth averaging 5.1% this year, according to the International Monetary Fund. There is consensus among sub-Saharan leaders that future growth can only take place if there is engagement between the private sector and government, as well as the global economy.

In this publication, you will find that our survey of 301 CEOs in Africa and various in-depth interviews with leaders in business and government endorse this view. The *Agenda* shows that the majority of CEOs in Africa are optimistic about the prospects for revenue growth over the next 12 months. In addition, 85% of CEOs expect their operations to grow this year.

To have a better understanding of the information contained in this publication, it is useful to place the African operating environment in context and what it means to do business on the continent. In some sectors there have been high growth rates, such as telecommunications. In others, such as electricity, fundamental change is in progress. In the energy and mining sectors there has been increased interest and investment on the part of international players, increasingly from China, India, the Middle East and Brazil.

At the regional level, the Southern Africa economy is largely dominated by Africa's largest market, South Africa, which has managed to weather the recent economic uncertainty mainly due to its prudent fiscal and monetary policies. The country has a well capitalised banking system, effective regulatory systems, and a well-established manufacturing base. In its 2012-13 Global Competitiveness report, the World Economic Forum ranked South Africa first for the strength of its auditing and reporting standards, efficacy of boards and regulation of securities exchanges. The National Development Plan (NDP), launched in 2011, aims to eradicate inequality and poverty in South Africa by 2030. One of the main targets of the NDP is to create 11 million additional new jobs.

The Economic Community of West African States (ECOWAS) is enjoying advances in rapid growth, with Nigeria and Ghana considered two of the most promising emerging markets globally today. Oil is considered a draw card for investment and other means for attracting investment into the region are also on the table. Recent discoveries of natural resources in Mozambique, Namibia and Botswana are expected to drive regional infrastructure developments.

However, some African countries are still not investing and expanding. Through our various interactions with business leaders, the following are cited as challenges: a lack of infrastructure on the continent; the threat of uncertain or volatile growth to businesses; bribery and corruption; and over-regulation. Most CEOs do not believe governments are doing enough to assist businesses.

Since its launch in 2001, the African Union and the New Economic Partnership for Africa's Development (NEPAD) have developed and agreed on numerous policies. With more political support and feasibility of regional projects, new sources of funding are available in the form of international and local funders, as well as pension funds, pooling of funding and partnering arrangements.

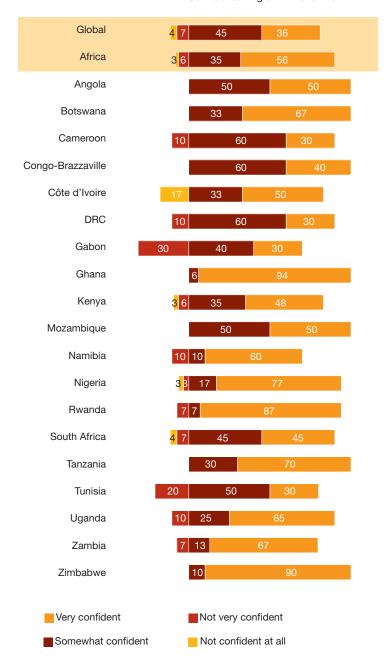
Africa is a complex continent with different economies and industries. Doing business on the continent can be daunting, but we are able to navigate our way through diverse and difficult environments by calling on a range of skills, which places us in a unique position to turn challenges into opportunities. The *Agenda* provides insight into a number of perspectives. I hope you find it useful and as always, we look forward to your feedback and any suggestions.

Suresh Kana

Figure 1: Short-term confidence is high

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

Confidence in growth - short term



11 months. A greater percentage of CEOs in Ghana (94%), Rwanda (87%) and Nigeria (77%) report very strong confidence, while CEOs in Gabon, Tunisia and Côte d'Ivoire are less confident of growth.



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The Africa Business Agenda in Francophone sub-Saharan Africa

Francophone sub-Saharan Africa appears today, more than ever, to be a final frontier of the global economy. With expected real GDP growth rates of, for example, more than 6% over the next five years in the West African Economic and Monetary Union and 5% in the Central Africa Economic and Monetary Community, economic growth is becoming a reality for most of the countries concerned, supported by ambitious government development plans. The interest of investors, seeking profitability that they can no longer achieve in more mature economies, is undeniable. Public-private partnerships (PPP), which for a long time were penalised by an absence of regulation and specific legislation as well as a certain lack of understanding as to how to share risks and returns, certainly have a promising future.

This edition of *The Africa Business Agenda* benefits from a significant contribution by CEOs from Francophone Africa who are setting a business agenda that is not dissimilar to that of the rest of the continent regarding the key areas of agility, growth, risk, development and leadership.

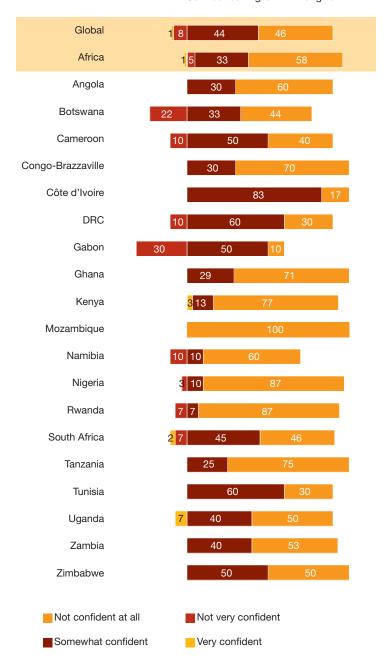
In this document you will see how companies such as the SNBG in Gabon are adapting their strategies in the face of change in the forestry sector (the agility agenda). You will see the vision of groups such as Sodeico in HR services, extending their presence from the DRC across the continent (the growth agenda). Many companies such as SIFCA explain how they have developed a proactive approach to risk management (the risk agenda), and several clear messages come forward regarding the importance of a stable economic environment with tools such as the IPSAS norms for public accounting (the development agenda).

Finally, we have also seen how companies in the face of a shortage of trained management in the region have acted to develop their own high-quality leaders, including the example of France Telecom/Orange which created its first international campus in Africa based in Dakar, established to train managers from across Africa (the leadership agenda). We believe in their vision and are inspired by their energy and their will to succeed. As happens with all inspiring leaders, we are driven by the shared vision and want to help make it happen. We hope that by participating in this development, by sharing and contributing to the thought process of decision-makers across the region, we can help you achieve these ambitions.

Figure 2: CEOs also positive in the longer term

Q: How confident are you about your company's prospects for revenue growth over the next three years?

Confidence in growth - Long term



Most CEOs in Africa consistently express optimism about their medium-term growth prospects, as compared to the short term. In Mozambique (100%), Nigeria (87%), Rwanda (87%) and Kenya (77%), a greater percentage of CEOs are very confident of growth.



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The Africa Business Agenda in the Maghreb

Countries of the Maghreb have their own perspective on growth on the continent and we are delighted that so many were willing to participate and share their optimistic views. Over the last few years, we have seen the region becoming a critical hub for development in many areas. North Africa benefits not only from a favourable geographic location, close to European markets, but also from a history of dynamic commercial development and relative economic wealth compared to many other countries across the continent.

Although the region has undergone significant change since the Arab Spring that started in December 2010, CEOs remain focused on the business agenda: identifying and managing risk, positioning their companies to take advantage of opportunities and maximising their operations to deliver value and grow their companies. As we have seen in the Africa CEO forum held for the first time last year in Geneva, CEOs from the Maghreb are key participants in the development of business on the continent.

Although there are many historical trade and investment links with Europe, the region has recently seen the arrival of a range of investors from other regions, in particular from China and the Middle East. But the most interesting development from an African perspective is the growth of 'local champions', or companies that were founded in the region and that are now expanding with the priority being to develop full pan-African coverage.

We were deeply impressed by the wealth of the experience and examples provided by groups from the Maghreb during The Africa Business Agenda interviews. One of the underlying key success factors in their approach is to respect the African identity and values: as we see the development of industry-focused companies, such as BMCE in financial services or Inwi in the telecom sector, many multi-sector groups such as Cevital have also achieved doubledigit growth that has continued for the past few years.

Although the perspective is slightly different to that of other regions, the ideas and examples provided by Maghreb CEOs are motivating and insightful. We believe that the success stories shared provide inspiration not just to other companies from the Maghreb but to all African leaders seeking to develop their businesses.





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Business agility in Africa

Confidence is very strong among Africa's CEOs. Confidence is inspired by growth potential across every industry sector and in every market in Africa. Even so, there is a great deal of variation among companies that wish to harness this potential. The main underlying factor allowing companies to realise their full potential in Africa is agility.

These companies may have some exposure to risks, but they have designed their responses, procedures and safeguards effectively. They implement deliberate growth strategies based on an evolving understanding of the places where they operate, their customers and supply lines. And they employ the best and the brightest to achieve their objectives. Not only that, but their high-potential talent tends to stick around.

Not every company gets all of this right all of the time. But what we have found in our Africa CEO Survey and in subsequent in-depth interviews is that agility in response to change, challenge and opportunity is the deciding factor between companies that thrive in Africa and those that are merely doing business.

What does agility mean in practice? When it comes to evaluating opportunities, it means not only

understanding market dynamics as they are now, but also understanding the ability to see around the corner and anticipate changes in customer preferences and changes within economies that will drive growth. For example, we know from our survey that roughly a third of CEOs in Africa are focused on new product and service development, while another third say that organic growth in their existing domestic market is their main growth opportunity. The remaining third are split between organic growth in existing foreign markets, new foreign markets and new business relationships like mergers and acquisitions, joint ventures or strategic alliances.

To understand this better, we need to look at specific markets and industries. In Rwanda, for example, an overwhelming 73% of CEOs say that new product or service development is the main growth opportunity. Clare Akamanzi, Chief Executive Officer of Rwanda Development Board, tells us that 'companies are responding to customer needs with new products and services that go beyond the conventional'.

The economy is becoming more sophisticated very rapidly, there is more competition between segments and 'customers want to choose', she says. Ms Akamanzi relates a story about a major multinational retailer with East African origins that stocked its shelves in Kigali with imported high-end products, and watched as they were snatched up in record time. The retailer had guessed right that Rwandans would want more choices, even if it meant paying a premium.

Deeper market insight in Africa

It is not enough to know your customers, CEOs say. Instead, you have to anticipate what they will want tomorrow—perhaps even before they know themselves. This helps to explain why 46% of our survey respondents are concerned about shifts in consumer spending and behaviour. We find that in most of the fastest-growing markets in Africa, companies are comparatively more conscious of shifting consumer preferences; CEOs in Rwanda (87%), Ghana

(82%), Congo-Brazzaville (80%) and Botswana (78%) are far more concerned about shifting consumer preferences, for example.

Among CEOs who cite organic growth in existing domestic markets, we find that this is consistent with the 85% of CEOs who expect their operations in Africa to grow this year. Growth opportunities vary by market, industry and region. There are a few trends, however, that show how agile companies are growing their market share at home.

First and foremost, companies in our survey are focused on growing their customer base. In many markets, a large pool of underserved customers means there are significant growth opportunities. Customers located in rural, sparsely populated areas and the youth are the most difficult to reach (or retain as loyal customers, in the case of younger populations), but they also represent the next frontier for many companies seeking growth.

Reaching new populations of consumers is not the same as serving them well, however. In our survey, we also asked CEOs in Africa whether enhancing customer service is a top-tier investment priority. Many said yes, but we found that in several markets, like Nigeria, a significantly smaller percentage of CEOs are focused on this area.

Emmanuel Onyeje, Managing Director of Microsoft Nigeria, explains that many companies in Africa are focused on a large pool of underserved customers which creates an opportunity to increase the size of their businesses. 'If the market was more mature, they would go deeper with customer service,' he says. This trend is not uniform, since even in Nigeria companies like Microsoft must compete on service due to the nature of their relationship-based, service-oriented and technologyintensive businesses. Still, Mr Onyeje's comments provide insight about a market dynamic that shapes investment priorities for many companies in Africa.

Maintaining market share

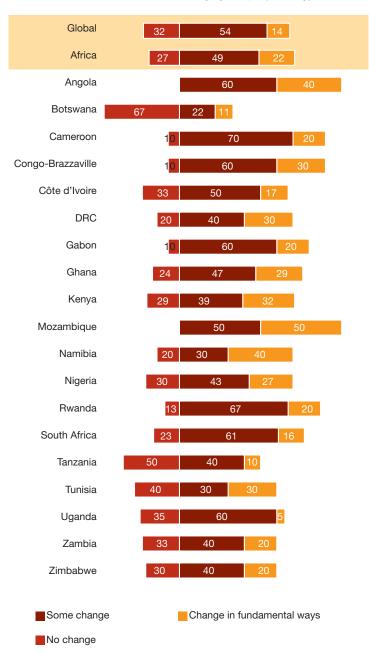
Another aspect of agility is how organisations maintain market share, especially where competition is strong or growing. In our survey, we ask if CEOs feel that 'new market entrants' are a threat to growth and 48% say that it is.

We find that this is particularly true in markets that are part of strong regional economies, like among member states of the East African Community. A total of 65% of CEOs in Uganda say that new market entrants are a threat to growth, for example. But in South Africa, which has a much more dominant position in the SADC community, 43% of CEOs say that they are concerned. Over the last three years of the survey in South Africa, that percentage has risen 18%, however. New market entrants in Africa are sometimes African in origin; many are global players and increasingly they are from other, larger emerging markets like India, China and Brazil

Figure 3: Most CEOs plan to change their company's strategy

Q: To what extent do you anticipate your company's strategy will change over the next 12 months?





Most CEOs anticipate changing their company's strategy over the next 12 months. Angola (100%), South Africa (77%), Kenya (71%) and Rwanda (87%) lead, while CEOs in Botswana (67%), Tanzania (50%) and Tunisia (40%) plan to make no change to their company's strategy over the next 12 months.

Inward focus on agility

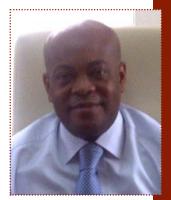
Building more agile organisations is also an inward exercise. CEOs told us about organisational efficiency and outsourcing as well as strategy and decision-making processes. Threequarters say that they anticipate changes to their organisational structures this year and 32% have recently outsourced a business process or function.

Frank Ireri, Managing Director of Housing Finance in Kenya, a leading provider of mortgage financing, anticipates that his company's strategic change programme and new core banking system will have a fundamental impact on operations. He points specifically to how this strategy will impact employees at Housing Finance, who need modern systems to execute the company's growth strategy. Not only do these systems improve operations but they also impact employee morale. People want to work for organisations that deploy the most effective technologies, systems and processes—especially young people, he says. Increasingly, these systems and technologies will be available as mobile applications so that Housing Finance staff can access databases and close customer deals on the move.

Mr Ireri also told us about the impact of outsourcing on the financial services sector in Kenya, which is moving towards a model of outsourced customer service centres. Data processing is likely to remain in-house due to confidentiality and security concerns. Not only are markets like Kenya becoming hubs for outsourced service centres, but companies operating there are also increasingly looking at outsourcing as a strategy themselves. In many cases, their outsourcing partner could even be a neighbour—perhaps one flight down in their new office tower in Lagos or Nairobi.

These are a few of the ways that companies in Africa are leveraging agility to succeed and surpass the competition. Strategic decision making tends to be decentralised, with inputs from multiple business units. As companies and economies mature, CEOs will focus on fewer, more impactful initiatives but there is still a persistent and common understanding among all of our survey respondents that agility in the face of change is a winning strategy for growth.

Q: Why do you think CEOs in Africa are so much more confident about the growth outlook than CEOs globally?



"For me, the first reason is past experience. For the last ten years Africa has been one of the regions of the world where, together with Asia, growth has been highest. The second reason, The second reason, I believe, is that there is so much that can be done. This needs to be financed and there will be significant development of new sectors of activity and of jobs. The third reason is the demographic growth."

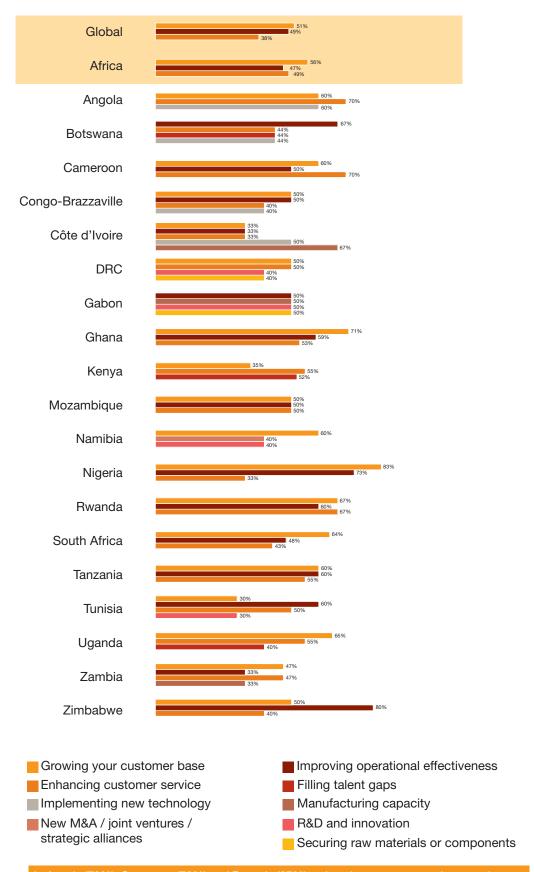
> Roger Owono Mba, Administrator and Managing Director, Banque Gabonaise de Developpement The Banque Gabonaise de Développement is one of the oldest Gabonese financial institutions and the only one totally dedicated to social development. Its mission is to provide its technical and financial support to any project promoting social and economic development in Gabon.



Figure 4: Customers and operational effectiveness are top investment priorities

Q: What are your top three investment priorities over the next 12 months?

Investment priorities



In Angola (70%), Cameroon (70%) and Rwanda (67%), enhancing customer service was also



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Harnessing technology, realising opportunity

We are witnessing increasingly more use of technological innovation to address the many challenges and opportunities faced in Africa. For the most part unhindered by legacy IT infrastructure. Africa is well placed to take advantage of new developments and leapfrog to the latest technologies. Technology enables agility and growth, helps companies to manage and address risks and impacts talent development and retention. 'Talent is key to business,' says Aliko Dangote, President and CEO of Dangote Group. 'Without the right technology, there is no way that you can grow your business beyond a certain level.'

Interest in public sector technological solutions delivered through e-Government implementations, as well as private sector solutions such as mobile banking and cloud solutions, continues to grow.

Nearly a quarter of survey participants highlighted technology as key to their business strategies. A total of 87% of CEOs in Africa say that they anticipate increasing their technology investment this year and technology is a top-three item on their boardroom agenda. But technology is also critical to achieving their other priorities. These include growing their customer base, improving operational efficiency and enhancing customer service, where technology can deliver a single view of the customer. Other priorities encompass data analytics/big data to predict trends and technology to support standardisation and automation of both back office and service delivery processes.

CEOs are interested in the outsourcing of business processes and functions, with 32% planning to do so during the next 12 months. Organisations that can deliver reliable, scalable outsourced services will be well placed to respond to increasing demand for both technology and business process outsourcing as a service in Africa.

Since most CEOs expect their companies to grow inorganically, hosted solutions and technology-as-a-service (software or infrastructure) offer an opportunity to scale up without significant capital investment following the conclusion of an alliance, merger or acquisition.

Some developments have become indispensable in supporting Africa's growth:

Mobile technology

The Financial Times recently reported that in a seven-year period mobile phone subscriptions had risen to 475 million from 90 million in sub-Saharan Africa. Mobile technology has changed not only the nature of communication, but also the state of banking, commerce and investment on the continent. From enabling access to communications via the mobile phone, to more sophisticated mobile banking, e-health and farming applications, mobile technology offers a transformative opportunity for business in Africa.

Market leaders such as Kenya, South Africa and Morocco are attracting global interest. For example, two well-known global technology players have established their Africa headquarters in Nairobi. This investment is leading to the development of hi-tech hubs that are tying corporates in with local tech labs and universities. We believe these hubs will further accelerate innovation in Africa and lead to economic growth.

Opportunities: Delivery of services via mobile devices, development of Africa-appropriate applications, driving growth through innovation.

Challenges: Penetration of mobile devices is lower than often reported and connectivity challenges remain, particularly in rural communities. Many Africans are still excluded from the benefits of growth and development.

Cloud technology

The advent of the cloud offers significant opportunities in African markets. Corporates have recognised a variety of exciting solutions for the market utilising cloud technology.

Microsoft recently launched the SME4Afrika programme, a small business solution that will provide a comprehensive package for local SMEs.

The solution includes a PC, laptop or slate, Microsoft Office 365 broadband access and a number of online services.

Opportunities: The 'pay-as-you-go' model for cloud solutions reduces technology costs to a business, enables flexibility to scale business and frees up company personnel to focus on their core business

Challenges: Connectivity challenges for online solutions, data security concerns, regulatory requirements and the existence of and integration with legacy software solutions require companies to carefully assess their path to cloud or outsourced platforms.

 Information management and business intelligence
 A significant challenge in Africa is access to relevant, up-to-date information. As the internetenabled mobile sector continues to grow, significantly more data will become available

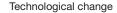
Opportunities: Businesses that can utilise analytics to commercialise this data will be afforded significant opportunities in customer relationship management and talent management as well as operations. Similarly, the public sector has significant opportunities to manage and utilise large volumes of data for planning, service delivery and analysis.

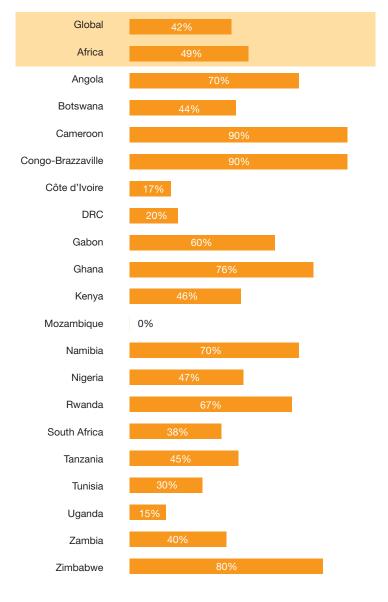
Challenges: Individual data privacy concerns, institutional concern about sharing data across private and public sector, regulatory challenges.

In order to deliver technologyenabled business solutions, we can expect to see an increasing level of strategic partnerships with technology partners such as Microsoft, Oracle, HP and SAP partnering with business service providers such as PwC.

Figure 5: CEOs concerned about speed of technological change

Q: How concerned are you, if at all, about the speed of technological change?





% concerned

The speed of technological change was identified as an important threat by CEOs across most territories.

Q: How is technology influencing the agility agenda in Africa?



"Orange is now developing new services for the internal market: with the Groupement Orange Service (GOS, a grouping for Orange services) and the techno-platform (a platform of mutualised services in Africa) Orange is now capable of launching new services very rapidly."

Mamadou Bamba, CEO Orange Côte d'Ivoire

Founded in 1996, Orange Côte d'Ivoire was the first Groupe France Telecom subsidiary in Africa. Orange is a major economic player in Côte d'Ivoire and a leading telecommunications company, with five million clients.



"In the technology industry, we see a lot of opportunities because of the transformation that is happening in Nigeria. Infrastructure developments, electronic payment systems and broadband access all encourage growth. Whereas traditionally the public sector has been the biggest spender in this region, at least in the short term their focus is not on efficiency and transparency so we're looking at fast-moving businesses to sustain growth and in particular uptake by the financial services sector.

Investments in technology and infrastructure are top of people's minds, such as efficiencies in communications, access to reliable power and investments needed in infrastructure. The government needs to do more to make the environment more conducive to investment, but in the private sector technology is quite interesting and competitive. People see the value of it.

Companies in Nigeria are looking at how to become more cost-efficient and more scalable with regard to operations. So we find that our customers are looking to move things out into cloud services to properly scale their operations. A lot of technology investments in the past were around getting the fundamentals right. Now it's about scalability.

We're beginning to see investment in smart devices in the sense that I think companies are focused on trying to reach more customers. CEOs want to be mobile and connected to their organisations, and they want the same for their sales forces, to build a customer relationship using applications from any device anywhere they go. So we're seeing more investment in information and agility, mobility and customers.

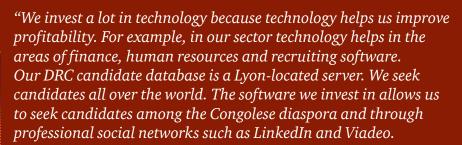
Globally, there is a real push towards customer service and a lot of companies are trying to cut costs from an IT perspective and move towards an outsourcing model. We are still very positive about the opportunities in Nigeria even though it is not as connected as it should be to markets globally. Nigeria is a large-impact market in terms of customer service. Customers want services like consumer finance and consumer technology services, and there is a large pool of underserved customers. If the market was more mature, companies would go deeper with customer service. At Microsoft, we are focused on expanding our customer base but in the enterprise space we also have to go deeper with our customers."

Emmanuel Onyeje, Managing Director, Microsoft Nigeria Microsoft Nigeria helps people and businesses realise their full potential through devices and services for home and work.



Slim Othmani, CEO NCA Rouiba

Created in 1996, NCA Rouiba is a family-owned group with approximately 450 employees and a leader in the Algerian fruit juice market. In 1990, the company was the first to use Tetrapack in Algeria.



Another side of technology relates to the simple investments required in computers, websites, etc. This type of investment is a priority in our sector. Our competitors have three times more employees than we do, but technology allows us to be really efficient.

Mbanzi Mumpondo, CEO Sodeico, Democratic Republic of the Congo

"Technology is a key factor to improve our performance. Intervention and operation times are reduced. Introducing computational intelligence in networks makes us more efficient. And beyond networks, the penetration of technology solutions also includes technicians' equipment. This leads to a better balance between the increase of our workforce and the introduction of new technologies."

Jean-David Bilé, VP and General Manager, AES Sonel, Cameroon

Consumerism and its related changes have an impact on distribution channels, with customers increasingly expecting a choice of channels to interact with insurers. Face-to-face distribution remains important, but the mobile phone as a channel is fast becoming more popular. This is one of the driving forces for the recent strategic distribution partnership between MMI's Metropolitan International division and Bharti Airtel. Through this partnership, Metropolitan International is able to market and sell its products directly to Airtel's customers through its extensive telecommunications networks in Ghana, Kenya, Nigeria, Tanzania and Zambia.

Nicolaas Kruger, Group CEO of MMI Holdings, South Africa

MMI Holdings is a South African-based financial services group listed on the Johannesburg Stock Exchange. The core businesses of MMI are long-term and short-term insurance, asset management, savings, investment, healthcare administration and employee benefits. MMI has a presence in 12 African countries outside South Africa, offering a wide range of products through its Metropolitan International business.







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Operational effectiveness in Africa

Operational effectiveness issues are often underestimated or perceived as non-urgent matters in markets experiencing major growth. In this context, it often appears more critical to gain market share by opening new points of sale or launching new products. Operational effectiveness is mentioned as the second-most-important investment priority among CEOs in Africa; over half say that improving operational effectiveness is a priority.

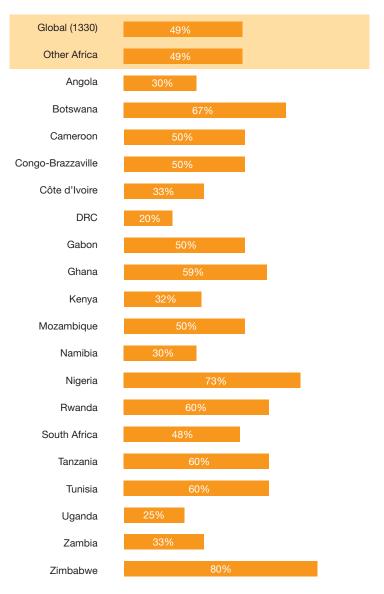
Pursuing this growth strategy may become risky if operational effectiveness and therefore operational costs are not properly controlled. The obvious risk is to generate non-profitable growth. Intensifying competition in markets such as telecoms or banking in Africa makes operational effectiveness capabilities a key competitive advantage.

That is why many African CEOs are now launching cost optimisation initiatives including, organisation simplification, processes streamlining, purchasing and sourcing rethinking, and HR and finance transformation.

Figure 6: Improving operational effectiveness a priority for many

Q: What are your top three investment priorities over the next 12 months?





Many CEOs across the continent feel that improving operational effectiveness is Rwanda and Tanzania.



Clare Akamanzi

Chief Executive Officer, Rwanda Development Board

The Rwanda Development Board works to fast-track economic development in Rwanda by enabling private sector growth. It works with and addresses the needs of companies of all sizes and both local and foreign investors.

Q: Is the operating environment in Rwanda conducive to greater agility among companies operating there?

The Government of Rwanda's plans over the next five years include an ambitious growth rate target of 11.5%. The commitment to arrive at that rate requires the private sector to drive growth. Right now we're working very hard to determine what needs to happen and develop business ideas with the private sector Our country has the drive and vision to grow and it inspires individual companies.

Considering the macroeconomic environment in Rwanda, there is no reason to worry about growth. The economy is stable, the exchange rate is stable and inflation is at a level of 7%. There are no immediate threats that companies see in the short to medium term and it reinforces their optimism going forward.

Related to that, there is a drive to keep reforming the business environment and a sense that the best is yet to come. With a positive future growth trajectory and no immediate misfortunes, it really is up to a company to take the next step.

Q: Which investments in customers and technology enable greater agility?

There are a lot of new players in the market now so companies are thinking about how to compete for and prioritise customers. With the opportunities in the East African Community, companies in Rwanda are thinking more carefully about what they are exporting and what they produce. Other companies are looking at Burundi and eastern Congo and thinking about how to sell services and expand into these markets. A focus on quality services and the customer base together with customer input and competition are all factors that have become top of mind for businesses.

I think customers are looking for convenience and reliability with new products and services. Generally, companies are responding to customer needs with new products and services that go beyond the conventional. We're seeing the market moving away from basic demands and the consumer becoming more sophisticated so that many retailers find that items that they weren't sure Rwandans would buy are moving off the shelves. It's more than just the basics because incomes are increasing and there is more competition in the market place. Customers want to choose and because of that, companies have to think about how to keep their client base happy.

When it comes to technology, some sectors have embraced it, but not all. Technology is an expense that companies have to think about in terms of its impact on operations. As businesses become more sophisticated, they invest more in technology because it is part of the growth trajectory.

In Rwanda, technology development will be helped by 4G internet connectivity and a policy of countrywide connectivity within three years, now that the government has partnered with Korea Telecom. Reliable, affordable connectivity will allow innovators and businesses to come up with solutions for this market.

Q: Is social media requiring companies to be more agile?

Social media has become very popular in Rwanda. Almost all government institutions use social media and it has become a common way of communicating. Our President is very present on Twitter, for example. Organisations like ours also take it very seriously. If there is a comment in the newspaper about a company, the outreach and impact on perception is not as immediate as social media. Even on radio, the feedback and interactivity are not as powerful as they are on social media, which is very fast in terms of interaction. One person reads something and posts a comment and before you know it there is another and another, very quickly, and it becomes a conversation.





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CEOs throughout Africa have unanimously confirmed that they see high growth potential in Africa. How do they intend to capture that growth? What are the priority business agenda actions to be launched? The CEO interviews brought to light a range of strategies. We believe some of these may be replicated successfully by other players across different countries or sectors. The priority actions show how a range of factors can weigh in on the overall approach.

In some sectors there have been very high growth rates. For example, in the telecom sector, the level of mobile phone penetration has increased by 20% per year for each of the past five years. In others, such as electricity, fundamental change is in progress, with 25% of the African network out of service and most of the network more than 40 years old. The current annual infrastructure investments across the continent are estimated to be \$27 billion in power, \$15 billion in water and \$10 billion in transportation per year.

In the energy and mining sectors there has been increased interest and significant investment activity on the part of international players, increasingly from China, India, the Middle East and Brazil. The increasing population and GDP growth are expected to lead to a surge in consumer demand. Signs of increased consumer purchasing power on the continent can be seen in the success of Casablanca's Morocco Mall, one of the five largest shopping malls in the world, which opened in 2011.

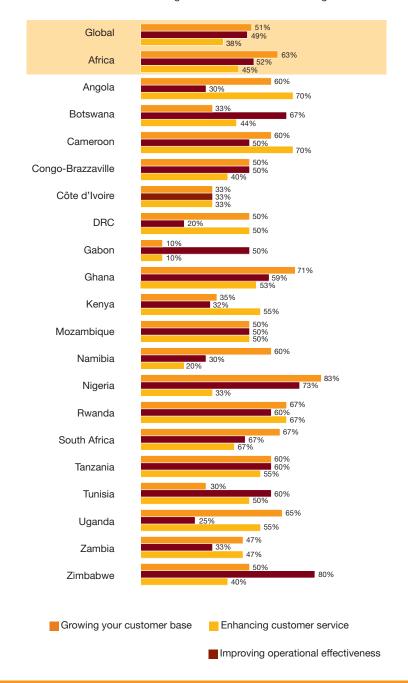
In sectors such as banking, insurance, automobiles and consumer goods, CEOs are scrutinising their markets to adapt and take advantage of the most attractive pockets of growth for their companies.

Issad Rebrab, the CEO of Cevital, has now seen double-digit growth in his group's revenues for the past 12 years. Bertrand Vignes of SIFCA and Brahim Benjelloun of the BMCE are two of many business leaders who explained to us how they are now expanding operations beyond the traditional national borders, pursuing pan-African development strategies. Aliko Dangote has gone further, and is now planning to launch his group on the London Stock Exchange.

Figure 7: Customers remain a critical focus area

Q: What are your top three investment priorities over the next 12 months?

Growing customer base and enhancing service



and growing competition in their markets, a number of African countries stand out for the emphasis their CEOs are placing on gaining new customers and

New product and service development

Three types of best practice have been identified among companies interviewed who put an emphasis on new product development.

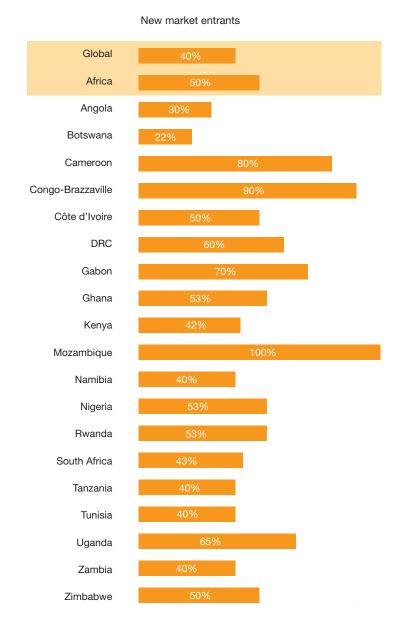
First was the development of new products in order to anticipate market needs. A typical example is that provided by Cevital, which identified the need for several types of consumer goods. It is now developing a plan to set up a production facility in Africa to manufacture three million refrigerators, one million washing machines and 500 000 air conditioning systems, with 80% going to export markets with a view to meet demand across the continent

Second was the adaptation of existing products to meet new needs identified in the market. The insurance company NSIA has seen an opportunity among potential rural customers with limited revenues who are interested in alternative forms of coverage. It is adapting a product range to meet the needs of these potential clients and develop this large untapped market.

Third was capturing more valueadd by undertaking beneficiation
activities instead of just extracting
and selling basic products.
Following a change in legislation,
the major forestry player SNBG
(Société Nationale des Bois du
Gabon) has completely changed
its model. Previously it sold basic
logs to clients who undertake
transformation activities. Today
it has invested in the most recent
slicing, sawing and unrolling
equipment that allow it to capture
more added value. It now sells
transformed products to clients
who used to be the end clients of
their previous intermediaries.

Figure 8:

Q: How concerned are you, if at all, about new market entrants?



% concerned

Just as many CEOs are focused on reaching new customers and securing customer relationships, a significant number are also concerned about the impact new market entrants may have on their businesses. While barriers to entry may protect existing businesses in some countries, increasing competition is a reality in others.

"We wish to reinforce our presence on the continent while respecting the values of the African identity. It is for this reason that the Bank of Africa is Malian in Mali, Senegalese in Senegal, Ugandan in Uganda."

> Brahim Benjelloun, Director and **Delegate General** Manager, BMCE, Morocco

Increased share of existing markets

Many CEOs have told us how they intend to increase market share. SIFCA in Côte d'Ivoire, which is focused on the areas of rubber, palm oil and sugar, is developing brands and adapting packaging in a way that corresponds to the standard of living and consumption habits of retail consumers in each country.

The Cameroon national electricity company, AES Sonel, is working with the government to improve the level of direct access of the population to electricity networks (as opposed to allowing unauthorised rogue connections) and improve overall network coverage. Many companies have realised that it often costs more to win a new client than to hold onto an existing one and are working to improve client loyalty, while continuing to work on winning new ones. The approaches used vary from an increased focus on quality (SNBG) to regular client feedback processes (BMCE) and the winning of internationally recognised quality certifications (NSIA).

New geographic markets

African CEOs are increasingly looking beyond their national frontiers. The first step tends to be regional, to the countries that are most easily accessible and most easily understandable. Ismaïl Mabrouk, the president of the €1 billion-ayear group he founded, first focused on other countries in the Maghreb before developing further in Africa. NSIA, the insurance company based in Côte d'Ivoire, grew first in neighbouring francophone countries before extending to lusophone Guinea-Bissau and now into the anglophone countries.

The rapidly growing Moroccan-based BMCE is pursuing an ambitious trans-African development plan with the objective of having 'a presence in all 54 countries', all while respecting the national identity and maintaining a local identity in each country, according to director general, Brahim Benjelloun.

Compared to global results, technology has a slightly lower rating for African CEOs but still remains a top-three agenda item. Depending on the company's sector, the order of importance can change. For IT and telecom players, for example, technology can be first. As Mamadou Bamba, the CEO of Orange Côte d'Ivoire told us, 'technology is not with the rest of the list of agenda items for us as it is an essential item that is fundamental and inherent to all our activities as a telecom player'.

Technology can also have a significant role to play in helping companies capture value, as experienced by Serge Rufin Okana, the CEO of SNBG, who used state-ofthe-art technology to capture more downstream operations as well as improve the traceability of the wood products his company manufactures. As might be expected, Africa's CEOs in general put less emphasis on the role of R&D and innovation, reflecting the overall orientation of companies across the continent.

Finally, the fact that sourcing is not a major concern again rings true, given the characteristics of the continent. In an environment rich with resources (which are coveted by many other countries across the globe), African priorities rest squarely on the issues of optimising, developing and selling them and finding the right people to manage these processes in the most efficient way possible.





Philippe Couderc

Partner in Transaction Services, PwC France

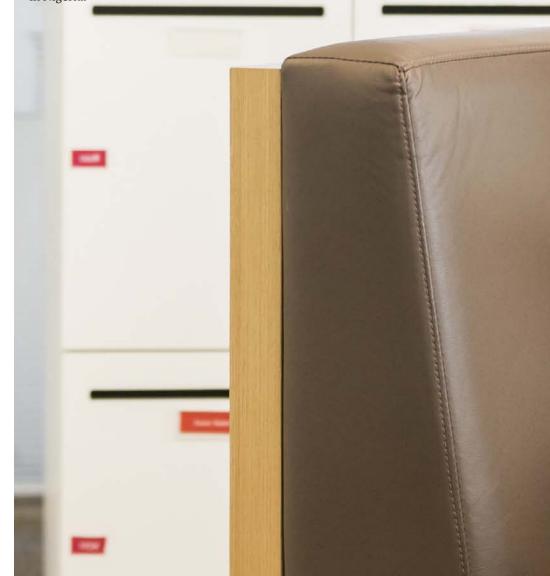
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Driving growth through mergers and acquisitions

Overall, growth by acquisition is not generally the highest priority for African CEOs. Compared to CEOs globally, it appears relatively less important on the agenda compared to organic growth and optimising existing operations. This low level of M&A activity is confirmed by transaction value data for the continent, which represents well under 5% of all transactions globally (compared to, for example, 40% of total transaction value in the US and 30% in Europe in 2012).

Nevertheless, non-African companies have long been active in Africa, particularly in the areas of natural resources (especially oil and mining), telecoms and the financial sector. Some of the largest transactions of the past year have involved major non-African groups such as ConoccoPhilipps, ENRC, QNP, Danone and Orange. Chinese companies are increasingly present and are active in some of the largest transactions, for example the Sinopec acquisition of 20% of OML from Total in Nigeria.

But some African companies are beginning to see acquisitions as a means of growing faster and extending their reach across the continent. A notable example in 2012 was the acquisition of 63% of Dangote Flour Mills by the South African Tiger brands. Several CEOs explained how their development has been boosted by strategic acquisitions and this trend is helping them secure a presence and local expertise in the countries where they seek to extend their reach.









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Unlocking Africa's wealth through appropriate, affordable and sustainable infrastructure

A legacy of underinvestment and regional fragmentation

Infrastructure is a critical enabler of economic growth. At the same time, lack of infrastructure undermines productivity, raises production and transaction costs, and hinders growth by reducing the competitiveness of businesses as well as the ability of governments to pursue economic and social development policies. A substantial percentage of CEOs in our Africa survey say that inadequate infrastructure is a threat to growth. In the Congo-Brazzaville, the Democratic Republic of the Congo, Ghana, Mozambique, Tanzania and Zimbabwe, 80% or more of CEOs say that inadequate infrastructure is a threat to growth.

The far-reaching effects of Africa's infrastructure backlogs include:

- Constrained headline growth at least 2-3% per annum;
- Inter-regional trade and consumer market fragmentation – inter-Africa trade is 6-8% compared to Asia and Europe at 28% and 60% respectively;
- Impeded diversification of economies – extractive and natural resource industries remain the primary economic drivers, which limits growth, job creation and the multiplier effects on infrastructure investments, sustainability and country competitiveness;
- Inflated costs costs of logistics, power and bureaucratic red tape increase the cost of African products and the cost of doing business in Africa;
- Political risk ultimately, the lack of infrastructure affects the quality of life of citizens – and as we've learned from the Arab Spring, the threat of social unrest linked to this is real.

These factors contribute to African countries being among the least competitive in the world. This is a problem that requires continental and regional collaboration, planning, solutions, funding, partnerships and implementation.

Factors driving demand for infrastructure

A number of factors are driving the increased demand for infrastructure, including oil and gas discoveries, mining, political change and the opening up of economies as well as increasing global interest in Africa's growth potential.

In West Africa, Nigeria, with its growing economy and significant population, continues to spread its commercial interests.

In the South, while growth in South Africa remains subdued, its infrastructure expansion plans, particularly in the power and transport sectors are significant.

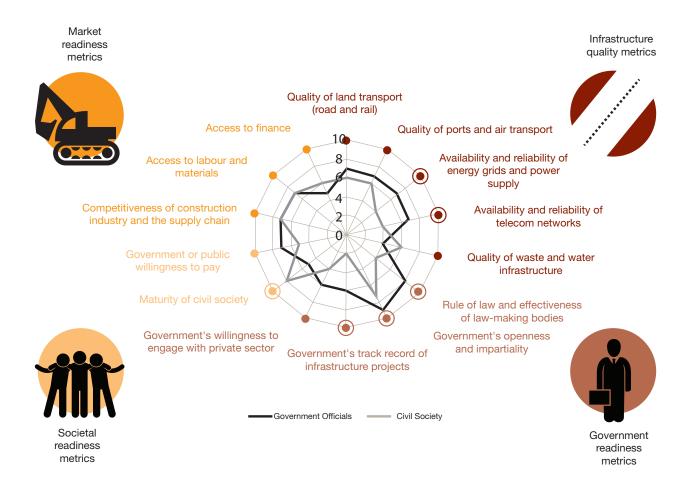
Recent discoveries of natural resources in Mozambique, Namibia and Botswana will drive regional and corridor-type infrastructure developments.

These factors are amplified by slow growth in mature markets, greater democratisation, availability of capital and increasingly more positive approaches towards foreign investment.

Critical issues

Most African countries are not investing enough, hampering their growth prospects and increasing the burden on future generations. Through our interactions with developers, funders, concessionaires, agencies and ministries, the following are cited as critical challenges: lack of finance, particularly at the early stages of project development and feasibility; lack of capacity within the entities responsible for central planning; bringing projects to the market, managing procurement, delivering the execution and operation stages; governance and transparency challenges, weak regulatory and policy environments and managing competing projects; and priorities and trade-offs.

The framework shown here is useful for taking stock of the infrastructure gaps, challenges and opportunities.



Positive prospects

Since its launch in 2001, the Africa Union and the New Partnership for Africa's Development (NEPAD) have developed and agreed numerous policies and programmes. Recently, the Programme for Infrastructure Development in Africa (PIDA) was initiated with the NEPAD Planning and Coordinating Agency (NPCA), the African Union Commission and the African Development Bank in collaboration with several other African stakeholders, including the regional economic communities and member states.

More than 50 significant regional projects have been identified by PIDA to deal with the projected 8- to 14-fold increase in demand by 2040 for road and rail transport, from 265 million tonnes up to two trillion tonnes through the ports and from 128Gw to 700Gw of electricity. Similar growth is expected in the urban, ICT and water sectors.

These corridor or multi-country programmes for infrastructure development will provide the basis for the industrial, manufacturing and agriculture sectors to fulfil their potential and contribute to economic growth.

With greater political support and feasibility of regional projects, new sources of funding are available from international and local funders, sovereign wealth funds, pension funds, bond issues, pooling of funding and partnering arrangements.

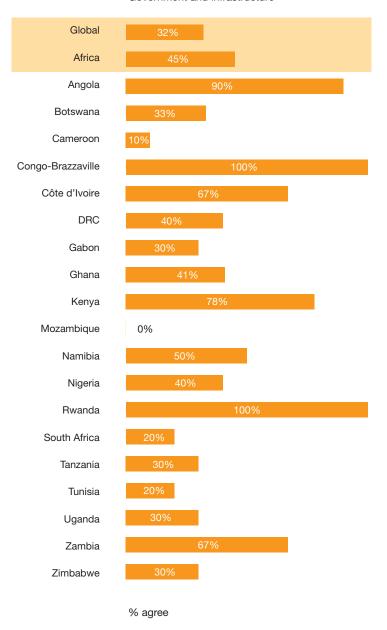
China, the African Development Bank and the World Bank continue to be major players in infrastructure funding, with the latter two organisations having established much-needed project preparation funding facilities to assist governments and agencies in bringing projects to market more successfully.

Those countries that can realise the benefits of regional cooperation and development will be best placed to break through their most challenging development barriers. But their success will depend on the establishment of clear political support, a formal legal and regulatory structure, a procurement framework that can be understood by both procurers and bidders, and a credible project timetable.

Figure 9: Most CEOs believe governments could be doing more

Q.16: Thinking about the role of government in the country in which you operate, how strongly do you agree or disagree that the government is taking adequate steps to improve the country's infrastructure?

Government and infrastructure



With the exception of countries like Rwanda, Congo-Brazzaville, Angola, Kenya and Côte d'Ivoire, most CEOs in Africa do not believe that governments are doing enough to improve infrastructure. However, as the global average of 32% suggests, this is not a condition peculiar to Africa.

While the importance of infrastructure as a driver of development cannot be overemphasised, African CEOs also identified ensuring financial sector stability (50%) and reducing poverty and inequality (58%) as areas in which governments should be taking more decisive action.



Aliko Dangote

An in-depth interview with Aliko Dangote, President and CEO of Dangote Group, Nigeria

Aliko Dangote is President and CEO of Dangote Group, one of the most diversified business conlomerates in Africa. The Group's activities encompass cement manufacturing, sugar and salt refining, flour and semolina milling, pasta and noodle manufacturing, poly products manufacturing, port management and haulage logistics, real estate and the Dangote Foundation.

Q: How confident are you about growth prospects going forward, in Nigeria and Sub-Saharan Africa overall?

business strategy has been to look at the country's imports and invest in critical areas of need. By so doing, we ECOWAS.

today is sub-Saharan Africa and I

Q: How do you balance growth trajectories with profitability?

That requires a huge investment.

Q: What are some of the risks to growth that worry you?

cash and after two years or so we

are two other areas that I am more need the right attitude to get there.





Anton van Wyk

Risk Assurance Leader for PwC Central and Southern Africa

+27 (0) 11 797 5338 anton.b.van.wyk@za.pwc.com The financial crisis saw over \$50 trillion in wealth being wiped out as well as several banks. The rise of emerging markets combined with globalisation, the impact of data technologies, the increased influence of external stakeholders and continued repercussions from the aforementioned global crisis all now combine in a landscape of uncertainty and complexity.

The fast-changing African marketplace is causing many companies to initiate business transformation programmes to better position themselves and also to allow a clearer strategy regarding risk appetite, risk attitudes and approaches, while considering investing or operating on the continent.

Company boards and management in Africa are now, more than ever, under pressure to reform how risk is assessed and then to monitor the effect of such risk on their organisation's performance. Threequarters of CEOs in our Africa survey say that they anticipate changes to their risk management strategy this year. Each director should understand the company's key risks and be comfortable that management is appropriately addressing those risks.

When 2011 brought the tsunami in Japan and floods in Thailand, many companies were surprised at how these distant disasters affected their supply chains. Around the world. companies realised they needed to address unexpected or unplanned risks. It's the same for directors, as they are concerned about the risks that are around the corner, ones their companies cannot see yet.

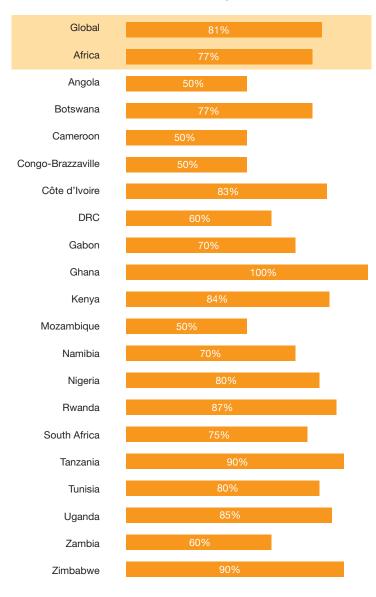
This points to the need for proper crisis management plans. In our survey, CEOs are roughly split between those who say that risk management is centralised (54%) and those who say it is decentralised (44%) in their organisations. The majority say that they dedicate more risk management resources to predicting high-impact events (56%); fewer say that they dedicate resources to recovering from risk events, should they occur (41%).

Tarek Cherif, President of Groupe Alliance in the chemicals and construction sectors and of CONECT, an employer representation organisation in Tunisia, puts an emphasis on a predictive approach and on selectivity with regard to risk management. Growth accompanied by high risk is, according to him, 'incompatible with the size of our companies, which tend to be small or medium sized, as the appearance of a significant risk could push them under'.

Figure 10: Economic conditions seen as a significant risk

Q: How concerned are you, if at all, about the threat of uncertain or volatile economic growth?

Uncertain or volatile growth



% concerned

At least half of all CEOs in every country surveyed are concerned about the threat uncertain or volatile growth poses to their businesses. However, the average level of concern for the continent is still slightly lower than the global average.

Other significant risks identified by respondents include bribery and corruption (76%), over-regulation (69%) and government response to fiscal deficit and debt burden (66%).

Risk management priorities

CEOs need to make sure:

- The company's strategy is right;
- Management understands and appropriately handles key risks;
- The company operates ethically;
- The company produces results that are reasonable, given the resources it is using and the risks it is taking;
- The company only engages in major transactions and relationships that are likely to add value;
- The company has an effective management team that understands the risk landscape in Africa;
- The company communicates reliable information to allow shareholders and stakeholders to make informed decisions; and
- The board has the directors, committees, information and meeting time it needs to carry out its other responsibilities effectively.

Companies in Africa may face other risks in the years ahead, including continued recessionary pressures, global financial shocks, resource nationalism, legislation, changes in political leadership, social or political unrest, cyber security breaches, weak or falling commodity prices, supply chain and infrastructure capacity (including power), global market shifts, currency volatility, access to capital and fraud.

These risks are not new to companies and CEOs operating in Africa. Many of them have sophisticated risk management policies in place, and so the changes that they anticipate are not fundamental in nature. Even so, CEOs must consider strategic responses to the risk landscape, including:

Building in risk resilience to respond to unexpected, cascading risks

Organisations can push harder to build resilience to emerging risks, which might include 'horizon scanning', early-warning systems, scenario planning and flexible riskappetite statements.

Africa's business environment will remain unpredictable, ambiguous and fast moving, demanding that companies operating in Africa will need structures that are resilient to risks when and where they occur. This may mean more focus on a risk-aware corporate culture that challenges conventional (Western) approaches and promotes better emerging risk management aligned to emerging-market thinking.

People and performance

Organisations can take holistic measures like developing riskrelated performance incentives and conducting skills audits to identify resource gaps. One benefit of a more appropriate relationship between risk and performance is giving an organisation and its management the confidence and incentive to take 'smart' risks, rather than completely suppressing risk appetite and making executives overly risk averse.

A correlation between risk and performance, and now reward, means change may be required in several areas of a business. Performance measurement tools and techniques may require redesign, and this would include a far greater inclusion of non-financial measures than is presently seen. The operation of remuneration and risk committees and how they monitor and measure performance may also require an overhaul.

Technology and cyber risks

Africa is not immune to business results being impacted by a minefield of cyber risks, including system failures, security breaches, the viral effect of social media and intellectual property abuse (privacy). Addressing growing risks from digital technology and social media, organisations will need to seriously increase their use of intellectual property, brand and reputation audits.

African companies need to assess whether they have structured programmes in place to track and respond to unfavourable social media feedback and proper controls for any new digital approaches such as cloud technology and 'bring your own device' arrangements.

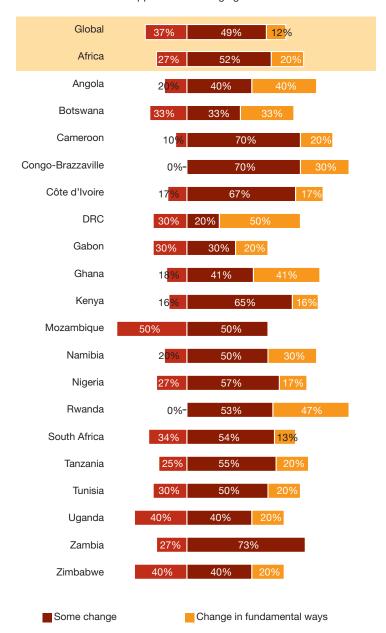
Next-generation risk analytics

Across the continent and across industries, organisations can draw on sophisticated techniques to identify hidden patterns and risk linkages in large sets of data. These tools can include integrated risk data warehouses and risk dashboards. These dashboards allow executives the ability to assess events-driven changes and emerging risks.

Figure 11: Businesses are changing their approach to managing risk

Q: To what extent do you anticipate changes in the approach to managing risk in your company over the next 12 months?





The array of threats facing businesses in Africa continues to evolve, but so too are businesses' responses to them. But CEOs in Africa are not taking these challenges lying down. They are more likely than their global counterparts to take steps to make their organisations more adaptable and resilient – and better prepared to take advantage of opportunities when they arise.

Effective risk management

To be effective, risk management in Africa needs to consider whether it strives for these benefits:

- All strategic opportunities have been identified and realised;
- Management has undertaken a complete identification of all risks;
- Accountability is clear and executives know who is doing what;
- Resources are appropriately allocated and if not available in-house, they are sourced or 'rented' as required;
- Mitigation are prioritised and rapidly dealt with for the organisation's larger, more critical risks;
- Decision making regarding the taking of 'smart' risks is well considered and measured;
- Time and effort are not wasted on irrelevant/lesser risks and issues; and
- Objectives are met faster with more cost-effective realisation.

Savvy CEOs understand that even crisis management has changed with globalisation and technology developments. So, they need to ask executives to explain how plans incorporate social media and other new communications vehicles and whether the company is testing the plan. CEOs also know one of their fellow executives may someday need to step in when a crisis hits and take more direct responsibility for handling communications or even company operations.

In South Africa, the King III report on Governance acknowledges that strategy, risk, performance and sustainability are inseparable – as such, companies in Africa can take these interrelationships even further and link them to overall company performance.

Strategic risk is, by its nature, predominantly realised over the long term, which is aligned to organisational sustainability. In contrast, performance and reward tend to be based on short-term performance. Achieving an alignment to organisational sustainability lies at the core of addressing the reward debate. The risks undertaken in delivering financial results should be accounted for when assessing performance.

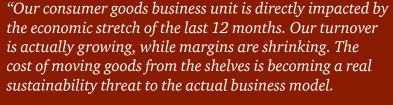
Q: What are the most significant threats your business is facing in Africa and do you feel adequately prepared to manage them?



"Our risk management approach is characterised by many strategic initiatives, strategic decision making at senior level, predicting events and centralised risk management. The main risks are operational and technological risks. Risk management is at the heart of our concerns."

Ismaïl Mabrouk, CEO, Mabrouk Group

Created in the 1950s, the Group Mabrouk is one of the largest in Tunisia. Its activities are organised around four pillars: large-scale distribution, telecommunications, automotive concessions and banking. Its financial subsidiary Maghreb Invest was created in 1994. It also has operations in Morocco and Algeria.



We have been able and are still able to attract people with the appropriate skills and qualifications. However, the cost of hiring such people in the fast-moving consumer goods sector has drastically increased.

Tax is definitely a threat to the sustainability of the business. Parallel imports are also a big issue, as more and more informal players are importing genuine products from Dubai, mainly, and selling them at a very low price. Strategic decision making at the senior level is a start to managing the risk of where the company will go. Getting staff to understand and hence to be fully involved in strategic orientation is key for them to also measure the risks."

Daniel d'Arifat, Deputy Chief Executive Officer, Pharmacie Nouvelle Ltd, Mauritius



Godwin Emefiele

An in-depth interview with Godwin Emefiee, Managing Director and CEO, Zenith Bank plc, Nigeria

Zenith Bank plc is a leader in financial sevices with headquarters in Nigeria and subsidiaries in the United Kingdom, Ghana, Sierra Leone and Gambia as well as a representative office in South Africa.

Q: What is your experience of the risks and rewards of Nigeria's growing economy?

Prior to 2008, we had seen some

In mid-2008, crude prices dropped, In 2009 we also saw the currency

Between 2009 and 2010 we saw a by 2011 it had increased back to one trillion. Whereas the initial loss the one trillion number only.



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Risk management in Africa

What does it mean to manage risk in our markets?

CEOs in Africa are clearly very conscious of the importance of risk management in their companies. In the context of often changing and unpredictable environments, they have learned to adapt and are continually seeking to improve performance in this area. It is no surprise therefore that there are widespread efforts to increase awareness across functions and that efforts are made to identify and plan for potential risks in advance.

Different approaches for different companies

Diversification is often cited as a fundamental strategy with regard to risk management. Many CEOs have mentioned geographic decentralisation or decentralisation of activities. Aziz Mebarek, Cofounder of Tuninvest/Africinvest, explains how his firm has now raised funds in the US market with a view to investing in the African continent, thus balancing risk between different regions in the continent.

Several other companies have been actively pursuing growth strategies across the African continent, which automatically reduces their exposure to any single country. Family-owned groups such as the Cevital in Algeria and Groupe Mabrouk in Tunisia are active in a wide range of sectors, which also spreads risk.

Other companies have considered diversification, but decided to focus their expertise on a single area. Sodeico, an HR services company in the DRC, has chosen to grow its operations geographically. Without major changes in activities, some companies are expanding product ranges to attract different types of customers. SIFCA in Côte d'Ivoire is widening its consumer base for sugar and palm oil products by developing branding and packaging that will appeal to different consumer groups depending on their socio-economic profile and spending patterns, among other factors.

Technology is also being used to manage and reduce risk. Alain Ditona Moussavou, Chief Executive of the Gabon government investment fund Caisse de Depôts et Consignations, explained how his group has invested in a state-of-the-art ALM system, which allows it to calculate liquidity, interest rate and counter-party risks for its asset portfolio with the objective of better managing target asset allocations and liquidity in the context of risk-return optimisation.

Another best practice risk management approach utilised by Orange in Côte d'Ivoire is to cascade strategic decisions from the senior level, in coordination at group level by Stéphane Richard, Groupe CEO, then to the regional and local levels. At the local level the approach is then participative or 'contributive': workshops on the strategic vision allow all employees to express themselves about the concrete implementation of strategic choices. Risk management is ideally predictive but sometimes reactive depending on the subject; centralised risk management can occur in the context of specific strategic subjects such as interface with the government, the regulator, etc., where high-level decision making and risk management control is required.



"In a context of enlargement and structuring of the African branches of the Groupe BMCE bank, it is important today to work on consolidating the structures and foundations of our group in terms of optimisation of risk and governance. It is essential for us to conform to international regulatory norms that are decreed by the range of regulators supervising our banking establishments.

Implementation of a global approach for risk management and internal controls will contribute to the securitisation and sustainability of financial performance of our banks and consolidation for the group. At the same time, it will allow for the spreading of practices among our employees that help them identify, understand and act on risks that in the end our group either manages or has to endure. The risk management culture will be inscribed as a key constituent within the group's structure, a part of its DNA code.

To achieve this consolidated and efficient management of the group's obligations and risks, it is fundamental to share expertise and optimise potential synergies.

We intend to use several risk management drivers. These include the contribution of expertise for the subsidiaries with basic risk management practices via access to tried-and-tested tools and methodologies. They also include the sharing of information and experience leading to fluid communications, anticipation, synergies and a mutualising spirit. Finally, we believe that these efforts will also lead to a reduction in grey areas regarding loan portfolio quality from the moment the client has signed, allowing us to better manage probability of risks."

> Brahim Benjelloun, Director and Delegate General Manager, BMCE BMCE Bank is the second-largest private bank in Morocco and operates in 14 countries across Africa through its Bank Of Africa network.

Bribery and corruption in Africa

In this year's survey, 76% of CEOs told us that bribery and corruption is a threat to growth and it consistently ranks among their top three risks.

Bribery and corruption is just one of 27 risks that we test for and yet it generates more comments and anecdotes than all of the others combined. This could be because there is an emotional aspect to bribery and corruption that other risks (like inadequate infrastructure, or an increasing tax burden, or energy costs) simply do not have. It is also often very poorly understood. Some CEOs have told us that 'it is hard to know whether bribery and corruption is getting better or worse' in their markets.

By sharing a variety of perspectives on bribery and corruption we can help to shed light on the problem. One CEO attributes bribery and corruption to laziness, for example. He says that ongoing, deeper conversations with government make all the difference, and he blames bribery and corruption on weak parties who want to expedite processes and cut corners.

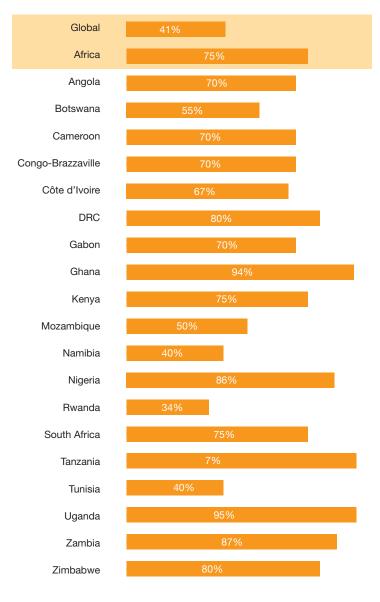
For processes to work and conversations to happen, however, there must be trust. Both parties must trust that the outcome of conversations will be transparent action, and the processes in place must move forward in a comprehensible way. But 'meetings, meetings and more meetings' leading to no action and no transparency, as one CEO put it, can be enormously frustrating.

Bribery and corruption is often attributed to a lack of accountability, up and down the food chain, including public and private sector players alike.

Figure 12: Bribery and corruption a major concern

Q: How concerned are you, if at all, about bribery and corruption?

Bribery & Corruption



% concerned

A very significant percentage of CEOs in Africa view bribery and corruption as a threat to growth, compared to the global average. Only in Namibia (40%), Tunisia (40%) and Rwanda (34%) are CEOs roughly aligned with their global peers on this issue.

Engaging with government might be more effective if companies in common industry sectors worked together to communicate common priorities. This seems like common sense, but not always. It depends very much on the personalities and cultural standards in the local market. One-on-one meetings or a company-by-company approach may be preferable to lobbying by an industry group. As always, deep inmarket knowledge of these dynamics is critical.

Another strategy to fight bribery and corruption is to implement whistleblowing policies and anti-corruption practices internally. Most companies will have these in place, either in response to the UK's Anti-Bribery Act or the US's Foreign Corruption Practices Act, or their own company requirements, or a combination of these.

Other CEOs have told us about carefully selecting who they partner with to control their exposure. Their vetting process for suppliers and service providers is rigorous and defensible. However, building a company culture that resists bribery and corruption is still the best safeguard.

At the end of the day, companies are succeeding in Africa without participating in bribery and corruption. The point here is that there are opportunities for companies that operate like this; there is money to be made and it is a successful business model. The knock-on effect on corporate culture helps to reinforce it.



"As regards economic risks (fraud and corruption), the SIFCA group works closely with the governments in countries where it is active to support initiatives for the harmonisation of regulations at regional level. The struggle against fraud is a priority because it can have a strong negative impact on our business. For example, we apply the applicable VAT rates in every country where our products are sold. As a result, they are not competitive with products that are imported illegally and that do not have VAT applied. It is not normal that competition develops in an informal way by products that do not participate in the fiscal effort."

Bertrand Vignes, CEO, SIFCA, Côte d'Ivoire

and cane sugar. With 29 000 employees and nine subsidiaries, the group is

Corruption in the DRC can be a real curse. It impacts the entire economy. Because of the avidity of a few persons, working in a normal way is very difficult and you have to face attempts to block your activities. It is an obstacle to the activities of both international investors coming into the DRC and national companies. However, in our company we can work at avoiding corruption thanks to our growth prospects. We have a policy of zero corruption. We noticed that to conquer a market, we have to negotiate directly with the main decision maker. To pursue this business practice, we need to be economically strong because, in our sector, attempts at corruption can include blocks on payment that can last for months. I feel sorry for small groups in our sector giving in to corruption when they face payment blocks."

> Mbanzi Elof Moupondo, CEO Sodeico, Democratic Republic of the Congo

Tax strategy and corporate reputation

CEOs worldwide are facing a host of tax issues in the wake of changes in legislation and corporate governance principles, as well as increased scrutiny from governments and tax authorities. The world's leaders at the recent G8 Summit held in Northern Ireland reached agreement on rewriting global rules on tax transparency. The corporate tax debate is gaining momentum in the face of the current uncertain global business and economic climate, as governments come under increasing pressure to reduce deficits or increase economic stimulus.

Global organisations are feeling the heat, particularly those whose tax strategies have been caught in the spotlight of the media, and CEOs will have been alerted to the impact that corporate tax strategies may have on reputational risks. However, the evidence suggests that there is some sort of disconnect. PwC's new report, 'Tax Strategy and Corporate Reputation', shows that almost half of CEOs do not consider corporate reputation a priority area for investment in the year ahead. According to the report, there are signs that CEOs are failing to invest sufficiently in the management of their corporate reputation. In our Africa CEO Survey, however, 65% of survey respondents say that they plan to invest in managing their corporate reputation this year.

Our 16th Annual Global CEO Survey provides a summary of findings on tax issues affecting CEOs and it shows that there are regional variations. CEOs of companies in North America are the least likely to make any change to their plans for managing corporate reputation. Given that the recent high-profile debate about corporate taxation has centred largely around US companies, most notably Amazon, Google, Apple and Starbucks, the issues of trust and corporate reputation are likely to move up the agenda of North American CEOs over the coming months.

The report points out that the international tax system is out of date and was never designed to deal with the way in which business operates today.

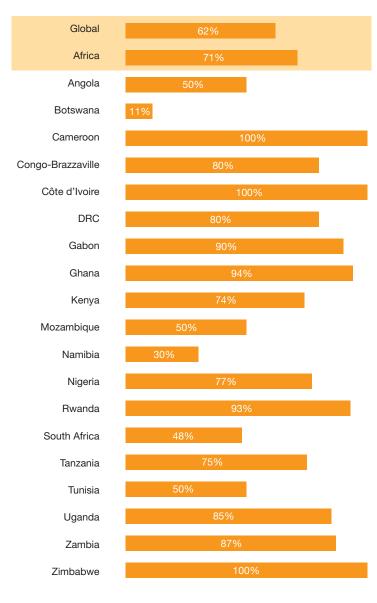
Africa CEOs seem to agree; less than a third on average say that their governments are driving convergence of global tax and regulatory frameworks. The principles governing the taxation of crossborder trade are between 40 and 100 years old in many cases. Until the world's governments tackle the issue of an outdated international tax system, opportunity for avoidance will remain.

There are more risks around tax – reputational and strategic – than ever before. Tax is on the agenda of an increasing number of stakeholders – and more tied than ever to corporate reputation. Nearly half of CEOs in our Africa survey (43%) say that their approach to tax planning and tax contribution will change this year. Managing the link between tax strategy and corporate reputation should become a higher strategic focus for business in 2013.

Figure 13: Tax

Q: How concerned are you, if at all, about facing an increasing tax burden?

Tax burden



% concerned

As many governments in Africa make strides towards improving their fiscal



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While there is no right answer as to what a tax strategy might look like, a tax strategy should ensure that there are policies in place to manage the incidence and impact of tax across the enterprise. Most CEOs in Africa say that an increasing tax burden is a threat to growth. Tax strategies should align with the business strategy and principles of good corporate governance. The allocation of resources, relationships with advisors, criteria for measuring tax effectiveness and external reporting are elements that should form part of the strategy. Finally, processes must be in place to ensure that the strategy is carried into effect in the day-to-day activities of the organisation.

The traditional approach to taxation, which focused mainly on compliance, has now evolved into the enterprisewide management of tax.

The Organisation for Economic Co-operation and Development's (OECD) report, 'Co-operative compliance: a framework from enhanced relationship to co-operative compliance' will be published shortly and will make reference to the concept of tax control. As tax authorities globally change their approach from an adversarial enforcement strategy to a co-operative compliance model, so taxpayers will be compelled to change their approach regarding the management of tax.

There are many methodologies that can be used to illustrate how a company meets its tax obligations, including country-by-country reporting, an approach commended by various civil society organisations and now under consideration by legislators in some jurisdictions.

PwC's Total Tax Contribution model can assist companies to identify and measure their overall tax contribution. Stakeholders should be aware of the overall tax that a company contributes annually as a good corporate citizen. A total tax contribution report enables corporations to disclose information on all taxes borne by it as well as those collected on behalf of the revenue authorities.

This will show that the company is responsible for tax revenues not only in respect of its own profits but as an employer, VAT vendor, etc.

Organisations need to develop resilience if they are going to succeed in the current environment. Trust is an essential component of the relationship between a company and its stakeholders and, as such, is a vital element of this resilience. Formulating a comprehensive tax strategy should be a key strategic priority among companies in Africa and globally.



"The fiscal environment is, to me, a critical aspect of the business environment. However, we know some countries where the tax system is heavier than it is in Africa, and where people still go because they can earn a good return on investment. Taxes should not be too high in order not to deter investors. To me, many efforts have been made in the subregion, in the West African Economic and Monetary Union (WAECM). However, there is still room for improvement, as many countries are lagging behind. In my opinion, the tax system is not the main topic. We should rather focus on adapting the tax system to the lifecycle stage of companies, from inception to maturity in order to create a suitable environment for the emergence of national and regional champions."

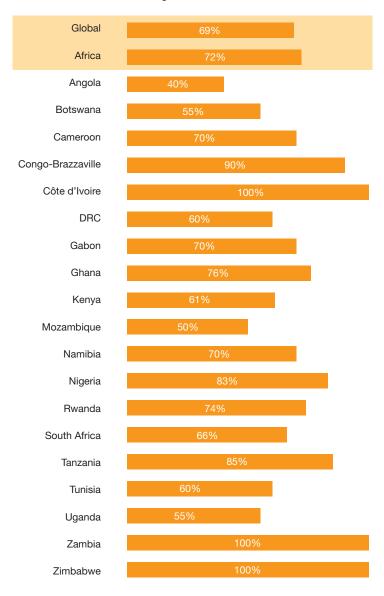
Jean Kacou Diagou, founder and CEO of NSIA, head of the CGECI and of the FOPAO, Côte d'Ivoire

NSIA (Nouvelle Société Interafricaine d'Assurances) is an Ivorian banking and insurance group founded in 1995 by Jean Kacou Diagou, current CEO. The group owns more than 25 companies and is active in 12 West and Central African countries. Jean Kacou Diagou is also head of the Côte d'Ivoire employer federation (CGECI) and head of the federation representing employer organisations in West Africa (FOPAO).

Figure 14: Concern about over-regulation varies between countries

Q: How concerned are you, if at all, about over-regulation?

Over-regulation



% concerned



Brendan Deegan

Assurance Leader for PwC Central and Southern Africa

+27 (0)11 797 5473 brendan.deegan@za.pwc.com Regulatory change is a significant challenge currently facing companies in Africa and globally. Over 90% of CEOs in every market where we surveyed say that regulators influence their business strategy, but with the exception of CEOs in Rwanda, very few say that their government has done much to reduce the regulatory burden. On average, 69% of Africa CEOs say that overregulation is a threat to growth. These trends ring true for the audit profession, not just in Africa but globally.

Kruger, Group CEO of the South Africa-based financial services group MMI Holdings, says that his company may understand the rationale behind regulations and government's objectives. However, he says, 'we also believe that these objectives have the best possible chance of a positive outcome when government and business work together in developing and implementing new regulations.' This is a view shared by many CEOs in Africa.

Another challenge facing many companies in Africa is the worldwide adoption of IFRS. Most countries around the world have now adopted IFRS as their primary reporting framework, although the US still uses US GAAP, notwithstanding many years of effort attempting to converge both frameworks. In Africa, IFRS was launched in South Africa and Ghana in the mid 2000's, while Nigeria commenced the adoption of IFRS in January, 2012. Other African countries have either adopted IFRS of are at early stages of adoption and implementation. Proponents argue that Africa has been possibly more receptive than other parts of the world to IFRS, notwithstanding that some countries have to contend with a lack of resources, weak or ineffective regulators and inadequate educational institutions.

The economic crisis and continued economic uncertainty have served as triggers for a fundamental review of the role of the audit. The audit profession has accordingly been forced to relook its strategies and business models due to these continued economic pressures. In addition, changes to standards, reporting and new rules of engagement between auditors, companies, audit committees, shareholders and regulators are on the cards. These will include matters such as additional reporting by auditors based on existing frameworks as well as wider assurance over non-financial aspects of corporate reporting.



When we look at the development agenda in Africa, it is helpful to consider the impact of development through the lens of government and public sector organisations' main objectives. Most respondents in our survey are private sector companies and their view of these objectives provides us with a good sense of whether they are aligned to a common development agenda and if there are areas where deeper alignment would make a difference. Our findings suggest that there are areas where the public and private sectors could do more to work together towards a common development agenda

The first major objective on the development agenda is to develop a deeper understanding of stakeholders and their expectations Companies, governments and other development partners must communicate better with stakeholders to understand who they are and what they want.

We asked CEOs about a range of stakeholders and how much they influence strategy. The three most influential stakeholder groups are customers, government and competitors. Over 80% of survey respondents also say that supply chain partners, capital providers (like creditors and investors), employees and local communities influence their business strategy. Social media and traditional media are also influential but non-governmental organisations (NGOs) have much less influence.

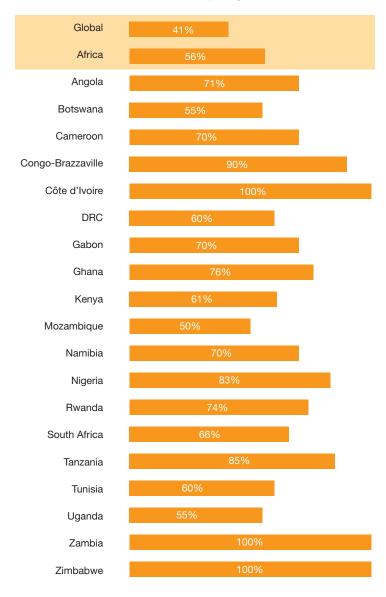
Clare Akamanzi of the Rwanda Development Board attributes NGOs' weaker influence with the private sector to their stronger relationships with the government – at least in Rwanda – whereas their interactions with the private sector tend to be commercial in nature.

'Their purchasing and supply chains occur in the private sector. NGOs are consumers,' she says, adding that some NGOs partner with private sector companies to extend their outreach efforts to rural areas, where private sector companies may already operate. Even so, their relationships with the public sector tend to be much stronger.

Figure 15: Greater focus on non-financial reporting

Q: To what extent does your organisation plan to increase its focus on non-financial reporting (including corporate responsibility reporting) over the next 12 months?





% increasing focus

Wherever they operate, businesses are under pressure to be good corporate citizens and to engage ethically with the broader society and environment in which they operate. Overall, many CEOs in Africa confirmed that they would be maintaining or increasing their organisation's focus on corporate citizenship initiatives, including non-financial reporting. But, as was the case with some of our other questions, levels of commitment also varied considerably between different countries.



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To execute on the development agenda, the public and private sectors need to improve connections and break down silos. Preconceptions about who does what must change.

Our survey respondents also point to a number of risks to the development agenda in Africa. We can ask whether public-private sector alignment is adequate to address risks like economic volatility, bribery and corruption, inflation, exchange rate volatility, government debt, overregulation, capital market stability and the protectionist tendencies of national governments. Other threats include an increasing tax burden, inadequate infrastructure and protections for intellectual property and major social unrest.

In some countries, like the Democratic Republic of the Congo, CEOs are very concerned about political stability. Mbanzi Elof Moupondo, Managing Director of Sodeico says that "a lack of political safety and stability acts as a disincentive to efficient growth, undermining companies' vision and ambition and the development of industries.' He calls the troubled eastern region of the DRC 'our Achilles heel', a view that many others share not just in the DRC, but in neighbouring countries as well.

We also asked survey respondents to tell us whether the public sector has worked to adequately address risks and in some areas, like improving infrastructure, the answer is mostly 'yes'. CEOs identify infrastructure as a top-tier government priority and in this area, most say that the public sector is executing on its mandate. In other areas, like whether government has done enough to reduce the regulatory burden or drive effective regional tax framework convergence, the answer is more mixed.

For example, government may enforce regulatory requirements but 70% of CEOs in our survey also say that they are strengthening frameworks supporting ethical behaviour in their own corporate cultures. Diversity requirements working in concert with a commitment in the private sector will achieve far more. Roughly half of CEOs also say that their companies prioritise philanthropy or social enterprise initiatives, volunteering/ community work and reducing their environmental footprint.

Transparency and accountability help to break down silo walls and improve delivery of public and private services alike, and transparency is very much a part of the development agenda in Africa. In PwC's recent global survey on accounting and reporting by central governments ('Global IPSAS survey: Towards a new era in government accounting and reporting'), the trend towards accrual accounting among respondents in Africa is pronounced. Sound and transparent public accounting improves the quality of financial information and facilitates comparison across governments and organisations. It also builds trust.

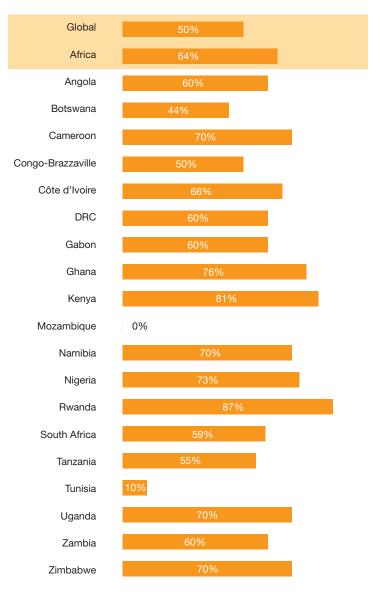
In terms of the public sector doing what it says it will, we asked CEOs what the top three priority areas are they believe government should focus on. These are improving infrastructure, ensuring financial sector stability and reducing poverty and inequality. We also asked respondents whether they believe government is taking adequate steps to address these priorities, and at least with regard to infrastructure and the financial sector, the answer is mostly affirmative, although in some markets, like Tanzania, the answer is somewhat mixed.

Pascal Lesoinne, Managing Director of Tanzania Portland Cement Company, agrees that government should prioritise infrastructure because 'at the moment, moving goods in Tanzania is too expensive, which means in the end, the customer bears the brunt.' Although the port of Dar es Salaam is an entry point for many goods travelling to landlocked countries like Rwanda, Malawi and Zambia, the cost of inadequate transport infrastructure is still too high. Mr Lesoinne also worries that poverty could become a threat to the economy and stability of Tanzania.

Figure 16: Social media users increasingly influential

Q: Thinking about your stakeholders, to what extent do users of social media have a significant influence on your business strategy?





% influencing business strategy

A significantly higher percentage of CEOs in Africa recognise the power of social media users compared to their global counterparts. This may be best interpreted in the context of business in Africa's focus on customer service and growing client bases – and CEOs' understanding of the critical influence of the social media on public perceptions.

When we asked companies what areas they themselves are investing in to advance the development agenda, their priorities were somewhat different: building a skilled workforce, supporting workforce health and reducing poverty and inequality. This is one of the main challenges to alignment between the public and private sectors' development agendas: they are widely seen to be good at different aspects of it

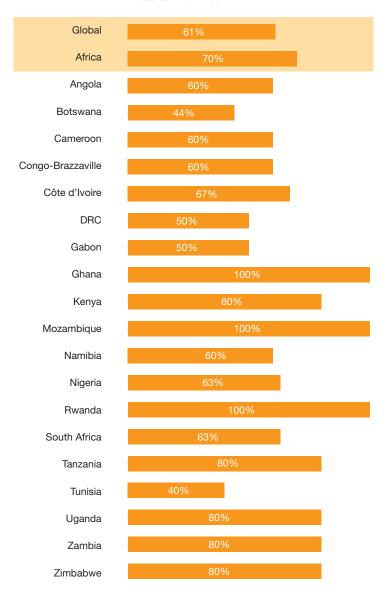
To fully realise the benefits of growth, we need deeper alignment Many CEOs have told us that government education systems do not produce graduates with real-world skills who can compete effectively in today's workplaces. They must invest heavily in recent graduates to bring them up to speed. Government health programmes may be viewed in a dim light as well. Therefore, companies must pick up the slack, training and providing healthcare for their workforce.

At the same time, we would argue that the public sector's commitment to improving infrastructure and ensuring financial sector stability, together with the private sector's strengths in skills training and healthcare provision, should work together towards a common priority: reducing poverty and inequality. For many CEOs in Africa both the public and the private sectors are viewed as contributing substantially towards this common goal, a common development

Figure 17: Local communities an important consideration for CEOs in Africa

Q: Thinking about your stakeholders, to what extent do local communities have a significant influence on your business?

Local communities



% influencing business strategy

Being a good corporate citizen demands that businesses engage ethically with the broader society and environment in which they operate. This requires engaging with a range of stakeholders, including local communities, and addressing their interests within business strategies. Our survey results show that two thirds of CEOs in Africa take local communities into account as they develop their corporate strategies.

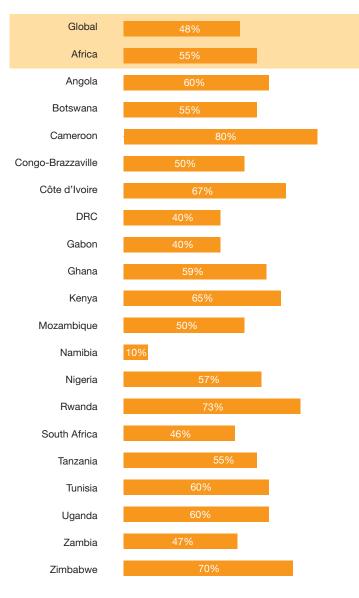
For Jean Kacou Diagou, founder and CEO of Nouvelle Société Interafricaine d'Assurances in Côte d'Ivoire, a banking and insurance group, the public sector should provide a long-term vision, 'enabling investors to know where to invest wisely'. He says that leaders could then address any blockages, even at a regional level, between economies. 'These blockages slow the development of a region, and therefore of every country,' he says. Addressing them could mean focusing on training and investment, such as through regional high-level training institutes for example.

Another important objective of the development agenda in Africa is innovation. Thirty-seven percent of CEOs in our survey say that the public sector is taking adequate steps to support innovation in the private sector, and 30% say that the government works to maintain a level playing field despite its stakes in private enterprises. These are pervasive and complex issues in Africa, but improved connectivity and transparency is helping to address them.

Figure 18: Focus on reducing environmental footprint

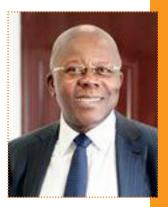
Q: To what extent does your organisation plan to increase focus on reducing its environmental footprint over the next 12 months?

Environmental footprint



% increasing focus

The link between ethical leadership, company strategy and sustainability is well established. It is therefore encouraging that a significant proportion of CEOs in Africa plan to increase their focus on reducing their business' environmental footprint in the immediate future.



"In Gabon there is a project we are looking at with a lot of attention and in which we are absolutely sure of investing depends on it,' he says. The 4G mobile telephone project will allow telephone and television services to reach rural areas,

> Alain Ditona Moussavou, CEO of Caisse de Dépôts et Consignations du Gabon (CDC) national economy.

Government and governance in Africa

Public sector entities and their stakeholders need to understand the full, long-term economic impact of their decisions on financial performance, financial position and cash flows. Accrual accounting is a key driver to increasing capacity and improving quality in the government finance function.

African economies are growing at rapid rates and this will continue over the coming years. At the same time, this also fosters more competition between countries on the continent to attract investments, increase access to credit, develop local champions and retain talent.

If governments do not want to fall behind, they will need to implement policies strategically to create political, monetary and fiscal stability as well as organise public administration to respond to an increasing demand for public goods, services and infrastructure.

This context also creates a direct challenge to governments to improve the management of resources. At the same time, and as part of a global public reform movement, reporting high-quality information to stakeholders (like citizens and parliament, donors, investors and financial markets) is fundamental to creating conditions for sustainable growth.



"Business, particularly big business, is a vital component in alleviating poverty as it can generate large numbers of jobs quickly, when it invests capital into industry. We help develop the career growth paths of employees and assist in promoting leadership qualities. We also focus on trying to take the bureaucracy out of doing your job, which can often be an immense source of frustration for many levels of employees."

Marcel von Aulock, CEO of Tsogo Sun (South Africa)



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Better accounting leads to better reporting, which provides the information necessary for better decision making, which in turn should lead to better use of public resources by governments and better risk assessment and confidence among external investors. Recent publications from the IMF demonstrate that countries that are more transparent have better credit ratings, better fiscal discipline and lower borrowing costs.

In 2012, our teams at PwC took the initiative to draw a panorama of public accounting worldwide. Results from the survey indicate that there is a great diversity in government accounting practices. Most of the countries surveyed report that they follow the cash or modified cash basis of accounting, where cash payments and receipts are recorded as they occur, while 24% only follow the accrual basis, where transactions and economic events are recorded and reported when they occur regardless of when cash transactions occur.

However, as cash accounting systems fail to capture information on public sector assets and liabilities and present a very short-term view of public finances in primary financial reports, an increasing number of governments are now eager to use accrual-based accounting frameworks.

A major shift to accrual accounting is expected in Africa among 11 countries over the next five years, which demonstrates that African governments are interested in building up their credibility, enhancing transparency and fighting fraud and corruption. However, governments should understand that the full benefits of implementing accrual accounting can best be captured as part of a wider programme of finance reform.

Governments surveyed see an opportunity, and even the necessity, to improve in specific areas of financial management. Fixed asset management and cost accounting are viewed as key areas in which information improvements can increase insight and, consequently, overall effectiveness of the finance function. Performance management and long-term planning and forecasting provide additional insight in terms of the future of the finance function and the long-term sustainability of government policies. Improving these areas will enable a government to demonstrate its usefulness by providing insights into business performance and contributing to the creation of public value.

Ultimately, a long-term view is essential for sound management of public finances and an efficient and cost-effective finance function is essential for achieving it.



"The Government of Rwanda has been very consistent about how important private sector growth is to economic development. Not many countries have such a bold target as 11.5% growth. To achieve that, you have to be very serious and so government is really focused on things like energy and infrastructure to help ensure that goal.

For example, our commodities exchange was a government-supported initiative, but it mobilised the private sector to make it happen. Everybody around is using 3G, but the government wants to take the next step to 4G and partners with the private sector to make it happen.

There was a recent Cabinet decision where RDB was asked to look at all government services and requirements and remove the ones that aren't necessary anymore. These and other examples demonstrate a very proactive approach on the part of the government, many times in response to private sector development needs, but also proactively."

Clare Akamanzi, Chief Executive Officer, Rwanda Development Board

Q: How do you manage your company's relationship with government?

"A lot of people say government policies are not consistent. But the government too is run by human beings and you have to partner with them. It is very important for government to support the private sector by creating an enabling environment for business to grow. This in turn attracts investors because of the ease of doing business. That is why policy makers have often advocated for public-private partnerships (PPP). In addition, it is important for people to list their companies on the stock exchange because corporate governance is much better when companies are listed. The government has some work to do in this regard."

Aliko Dangote, President and CEO, Dangote Group , Nigeria



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The energy agenda

Companies in Africa are facing increasingly complex environments with changing investment drivers. In the energy sector, tightening regulatory requirements aimed at increasing the 'take' of governments, a shortage of skilled labour, general rising costs and higher stakeholder expectations are common features across the continent. Most CEOs in our survey—across a broad range of industry sectors-cite 'energy and raw materials costs' as a threat to their company's growth potential, and less than a third say that their governments are helping companies to secure access to natural resources.

The traditional resource powerhouses of Egypt, Libya and Algeria have experienced profound political upheaval. Meanwhile, Nigeria and Angola are continuing to grow in oil wealth and prominence.

But of more significance is the fact that countries such as Mozambique, Tanzania and Ghana are becoming more influential. Recent global developments such as shale gas may revolutionise the world's energy markets over the next 20 years, resulting in lower oil prices, higher global GDP, a changing geopolitical landscape and shifting business models for oil and gas companies.

For the most part, the oil and gas industry has weathered the global economic crisis well. Reduced access to liquidity has meant a greater reliance on cash reserves and cost containment. Meanwhile, continued investments from the likes of China, India and Brazil have resulted in increased discoveries and production even though costs are rising.

Oil and gas companies are expecting acreage/licence acquisition costs to increase and the race to secure sufficient supply is expected to fuel very competitive bidding for the next round of licences in African markets.

Mozambique and Gabon have had bidding rounds in 2013 and 2012, respectively, and Namibia issued licences in 2010. Others such as Kenya, Algeria, Equatorial Guinea and Uganda are expected to do so in the coming years.

At the same time, infrastructure development and access to basic services like electricity are more important than ever as African economies develop and grow. The time frame for realising gains on investments in energy-intensive infrastructure is longer, but there is vast potential nonetheless.

Factors driving investment in oil and gas

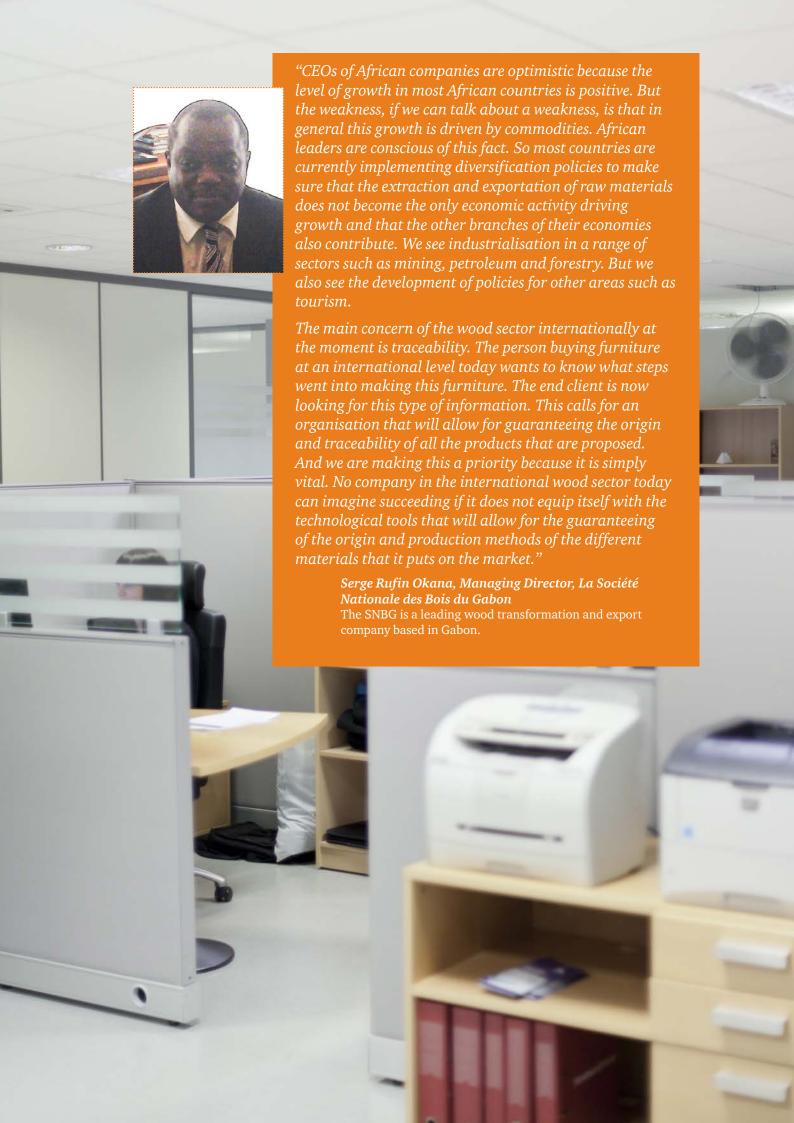
Oil and gas companies are driven by demand, but the landscape is shifting as growing economies like India and China not only require more resources to fuel their economies, but are also making significant investments or commitments across Africa to secure access to resources.

This, coupled with a changing energy demand profile among developed nations like the US, is impacting the geopolitical outlook.

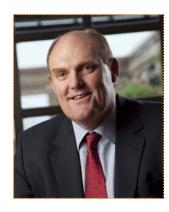
New oil and gas finds in countries like Libya, Angola and Ghana and gas discoveries or expansion in Mozambique and Tanzania are also changing the investment profile of Africa as a region. Increasingly, Africa is seen as an area of exploration and development.

Global oil and gas prices and growing demand for commodities are fuelling investment. But price alone is not the only investment driver. Regulatory compliance and scarcity also play a role. Companies must weigh the cost of compliance with local regulations and international requirements against the scarcity of resources, demand and the challenges in extracting them.

Looking ahead, companies are investing in securing greater exploration or acquiring greater acreage, followed by securing supplies. Some companies are also acquiring speculative licences and exploration rights with the sole aim of selling the rights on for a substantial profit. In the face of these and other risks and challenges there are also enormous opportunities and potential, which can help companies to focus on the energy agenda in Africa.







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+27 11 797 4335 hein.boegman@za.pwc.com CEOs globally are facing the leadership challenge of their times which calls for 'extraordinary leadership'. The world's business leaders are grappling with the severe stresses of a challenging economic and political environment that is more pressing than ever before.

Businesses are struggling with a widening mismatch between the skills of their workforce and the talent they need to achieve strong growth. As if these difficulties and challenges aren't enough to contend with, they also have to face an environment where issues of stakeholder trust and corporate reputation have hit an all-time low. Business leaders are faced with a dilemma: to rebuild and restore confidence, while also attracting and retaining the best talent. It can be done but it will require the most resilient leaders of all time.

CEOs remain as concerned as ever about the availability of key skills. This survey shows that nowhere is the shortage of skills more acute than in many fast-growing markets in Africa, where creating and fostering a skilled workforce is highly regarded by the majority of CEOs (84%).

Business leaders have plans to change their approach and strategy to talent management. However, this isn't something new. CEOs have told us the same thing for the past six years. While it's inspiring that business leaders have placed talent strategy at the top of their agenda, some CEOs may also need to take a second look at their approach to evaluate its impact. Strategies and planning should lead to change over time.

CEOs are aware they need to invest in talent in order to secure the skills they require to compete globally. Forward-looking organisations are using techniques intended to develop and advance staff to ensure that required skills are available in the near future. These days there is more focus on leadership programmes.

Dangote Group has set up a 'Dangote Academy' specifically to build the technical and vocational skills of recent graduates, enhancing their

career prospects and employability. 'Skills shortages is one of the major problems that we face in Africa,' says Aliko Dangote, President and CEO of Dangote Group. 'Having comparative advantage is no longer enough. You need a superior talent pool.' Like many other companies in Africa, Dangote Group actively invests in talent to grow its business.

There are signs on the African continent that career development and leadership programmes in many organisations are paying dividends. For example, CEOs are involving managers below board level in strategic decision making. Others have leadership programmes which tend to focus on 'soft' skills, such as encouraging diversity among business leaders and shadowing executives. Making employees feel involved in the business is a key pillar of engagement. However, today's business leaders - as well as leaders of the future – need to be equipped in order to be able to cope with uncertainty and political, economic and financial pressures as well as have a clear understanding of the risk environment and be comfortable with sporadic change.

The companies with the best talent strategies do not take their people for granted. They invest in them and motivate them. Without good effective leadership training and development programmes in place, it can take many painful and slow years for an organisation to learn the required techniques to lead an organisation effectively.

PwC has made a substantial investment over the years in the development of a number of leadership programmes. The firm's flagship and global leadership programme, Genesis Park, is aimed at our most talented people who are likely to become future leaders of the firm. The top two to five per cent of the highest-performing senior managers or directors are drawn from our worldwide network of territories. In South Africa, we have also designed a talent programme known as 'Altitude' for managers who have demonstrated the potential and aspiration to become our future leaders.

PwC in South Africa is also about to roll out a formal Partner Leadership Development programme aimed at partners in their first ten years of partnership. The purpose of this programme is to broaden the leadership pipeline for the medium term. The programme will combine formal Business School classroom training tailored to the needs of the individual with exposure to shadowing and mentorship initiatives to simulate the real-world experience.

At PwC our leadership model is built on the foundation of the whole person. There are three elements that are core to the leadership self and his or her success as a leader: the recognition of an individual's own strengths; a willingness to learn about themselves; and a demonstration of conscious ethical and deliberate choices that create a positive impact on the individual and others.

Competition to become a leader is getting tougher and tougher, with leaders required to bring a more holistic set of skills to the workplace. HR also needs to ensure that it is responding to this call for talent by getting the long-term pipeline right and ensuring CEOs get the right metrics.

CEOs are more aware than ever of the need to rebuild trust with their stakeholders. Our survey shows that the majority of CEOs in Africa plan to strengthen the framework to support a culture of ethical behaviour in their organisation over the coming 12 months and 65% anticipate a change to how they manage their company's corporate reputation. This suggests that business leaders recognise that how their organisation is viewed and perceived by the public, shareholders, regulators, their employees, and other stakeholders is vital. Forward-looking companies are taking steps to differentiate themselves to become employers of choice.

Having a positive employment brand builds a pleasant and creative working environment for an organisation. Employees want to be part of a company that helps them build and develop their skills in order that they can progress in their jobs and eventually climb the corporate ladder to success. Most important of all, employees want to be part of an organisation that is seen to be socially and ethically responsible and where staff are treated fairly and with respect.

Pay is also considered an important element in rewarding and incentivising employees. The survey shows that the majority of CEOs in Africa (74%) felt they needed to match the pay and conditions of their peers in order to retain top talent. Furthermore, 26% of CEOs felt that performance-based pay models are not working as intended, and 27% felt that executive pay models had become too complex. This also raises questions that are increasingly being asked around executive remuneration. According to our recent 'Executive Directors' Remuneration' report issued by PwC South Africa, many executive pay models have become complicated and difficult to understand. This has also affected their effectiveness as a way to retain and incentivise staff in some companies. As a result, some organisations are in the process of developing other pay models to incentivise staff.

Many business leaders believe that the skills shortage is due to a long-term failure in government policy because the education and training function has failed to keep up with the talent requirement of organisations. Our research and experience show that businesses are looking to government to help them plug the skills gap. More than half of CEOs said that creating and encouraging a skilled workforce should be the government's highest priority for the year ahead.

Despite their best efforts to address the skills problem, it is clear that business leaders' current strategies are falling short, according to our research. We advise business leaders to refocus on the fundamentals of talent management – the attraction and retention of the best people, as well as creating a culture within the organisation that encourages the best

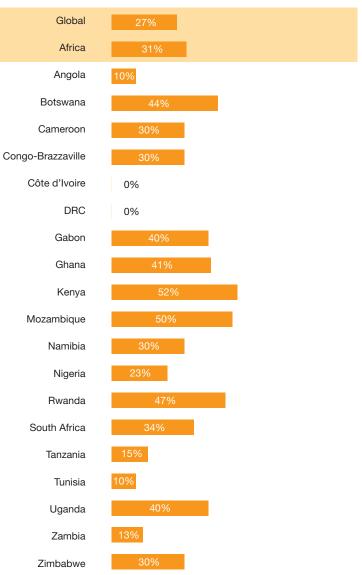
from them.

This will include building a stronger employer brand that appeals to the millennial generation, as well as strengthening the bond of trust and confidence between an organisation and its stakeholders. Those with a balanced approach to growing their own talent and buying in key skills are most likely to succeed.

Figure 19: Filling talent gaps remains a challenge

Q: What are your top three investment priorities over the next 12 months?

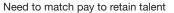


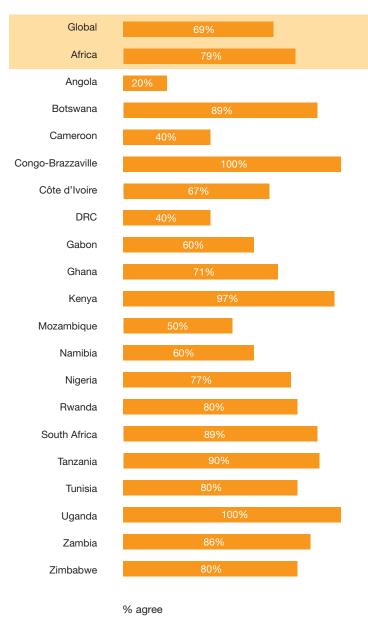


Overall, the priority given to filling talent gaps in Africa is comparable to the global average. But looking at the results a little closer highlights the specific challenges being faced by businesses in countries like Kenya, Mozambique, Rwanda and

Figure 20: CEOs believe they need to match pay levels to retain talent

Q: To what extend do you agree that your company needs to match the pay conditions of your peers in order to retain top talent?





Competitive pay is an effective retention strategy, particularly according to CEOs in Congo-Brazzaville (100%), Uganda (100%), Kenya (97%), Tanzania (90%) and Zimbabwe (90%).

Q: How do you grow the leaders of tomorrow?

"Companies need to do more in terms of developing talent, in my opinion. There is a lot more that the private sector can do. We have a shortage of skills in many sectors. A new company will look for talent among the companies already operating on the ground. At RDB, we encourage companies to build up the people they already have so that there is a talent pool that they can always draw upon.

At RDB, skills development is very important to us. We serve the private sector and the way we do that is through the quality of our people so our staff development plan and recruitment strategies are aimed at building up that talent. Partly because of that commitment, RDB is one of the most competitive places to work. We want people and talent development strategies that the private sector can identify with.

When we recruit expatriates, they spend two years with RDB and we expect them to mentor and coach and build capacity among our staff as part of their responsibilities so that after the two-year period, we expect our staff to have much deeper capacity.

Rwanda's vision is to become a service-based economy. This is already the sector in our economy with the biggest growth, more than agriculture or industry. The future is in that direction, with more financial services, IT, diversified services, tourism, and transport and logistics driving future growth."

Clare Akamanzi, Chief Executive Officer, Rwanda Development Board

"Before Zenith was set up in 1990, no bank in Nigeria was employing graduates at the entry level. We said that we needed to set up a bank where at the front desk you'd find first-class young graduates. After a few weeks of training, we said that they should be able to attend to customers exactly the way a CEO would. We don't want them to behave like robots.

We were also the first bank to deploy technology aggressively. Since then, the landscape has changed. As our entry-level graduates move from one level to the next, we invite facilitators from all over the world to train them. Some of our people go offshore to get the best practical training, to our correspondent banks in London or the US, so that they can understand what is being done in more developed economies. We've also set up a centre here for continuing education training and we have the highest number of chartered accountants working at any bank in the country. Over the last 23 years, I would say that this has helped to take the bank to where it is today."

Godwin Emefiele, Managing Director and CEO, Zenith Bank plc, Nigeria





Anita Omoile

An in-depth interview with Anita Omoile, CEO, Deep Blue Energy Services Ltd

Deep Blue Energy Services provides solutions to serve indigenous oil companies and foreign investors in Nigeria and throughout Africa.

Q: At your company, are you investing in your talent management strategy? How

One of our specialists has been to invest a lot of money in talent and they want a significant return on that

We can find the talent but it's a

invested in world-class talent but they've gotten someone who has a connection to the culture. You an asset to society as they produce results for your company. There are benefits within the organisation, too,



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Managing young, high-potential talent

The significant increase in the number of young people coming through education systems in many countries in Africa begs the question, 'How can there be a shortage of talent?' And yet 75% of CEOs in our survey say that the availability of key skills is a threat to growth.

Particularly with regard to graduates and Generation Y workers, employers must manage a number of challenges. The main one has to do with a large pool of candidates who require significant training, but who also have very different expectations of the workplace and their employers than older generations.

Every year we ask business and government leaders whether strategies for managing talent are on the boardroom agenda and every year an overwhelming majority say 'yes'. In this year's survey, over half of respondents also said that managing talent was a top-three investment priority for their company.

This tells us that CEOs are paying more than just lip service to managing talent, they are actively investing in it. How are they investing in talent among younger workers in Africa? To find out, we interviewed business leaders about their talent management strategies and they told us that the large pool of younger graduates makes it an employers' market, by and large, but that retaining the best among them requires significant, strategic investment.

At PwC Kenya, for example, we had 6 000 applications for 60 jobs, and almost all of those applicants had top academic records. The numbers are there and people are looking for jobs. But when you consider how few organisations are taking on as many graduates as PwC and how few organisations can provide the training that these graduates need, you can understand the competitive environment.

Certain skills are in high demand across the continent. In the banking and technology sectors we have seen double-digit growth and we can expect this to continue, particularly in telecoms, software and other IT sector companies. This is an area where we can make quick improvements in terms of skills development because there is a high level of innovation as well as increasing access to the internet and IT knowledge among younger workers.

In terms of generic skills, entrepreneurial skills are in high demand. It's fair to say that over the last 10 or 15 years job creation in the informal sector has far outstripped that in the formal sector. Now we need to assess what entrepreneurial skills are needed to move beyond start-ups and small enterprises to employment-generating businesses. University and tertiary training tends to be largely academic, with less emphasis on entrepreneurial skills. This is something that needs to change.

Pascal Lesoinne, Managing Director of Tanzania Portland Cement Company, says that there is a worrisome gap between the people that his company needs and the talent available. He believes that the situation over the years has deteriorated, 'with more and more businesses opening in Tanzania hence more competition for talent'. He points specifically to the talent pool among people with a financial background and those with technology skills.

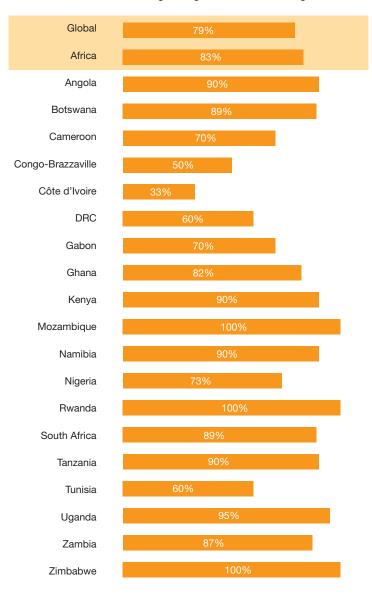
At the organisational level, talent management is also changing with regard to younger workers. More advanced ways of managing people are being developed, even within the public sector. The previous style of managing people was to employ personnel managers who would do the hiring, discipline and record keeping. Now, in both the public and the private sectors, we are seeing more leaders being strategic about talent and looking at their employees as assets. They want to know how to motivate, how to foster development and specifically what works in terms of high performers in order to improve retention.

More companies are now talking about change management and a vision aligned with employees' needs and priorities. At the upper levels of management, we find that competition for talent is very much an employees' market and they have a lot of leverage. At the graduate level, it is much more of an employer's market. At all levels, however, organisations are showing more interest and focus with regard to human capital.

Figure 21: CEOs believe they need to match pay levels to retain talent

Q: Do you involve managers below board level in strategic decision making?

Involving managers in decision making



% yes

progressive approach, which seems to be catching on in many countries. Threestrategies to develop the leadership pipeline such as active succession planning, including identifying multiple successors and dedicated executive development



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Attracting, training and retaining talent in Africa

Many CEOs in Africa still face difficulties in attracting key talent for management positions. The extent of the issue varies considerably and depends on the country. In some cases such as Tunisia this is not seen as a critical issue, but rather as an advantage as there is a pool of well-qualified talent available locally.

Attracting

Many CEOs looking for well-qualified candidates reach into their Diaspora and engage in global searches with focused search companies who assist them in identifying talent that may wish to return home. Mbanzi Elof Moupondo, the managing director of Sodeico, a specialised international search company based in the DRC, has seen the increase in demand first hand and has told us that business has never been so good. He has expanded activities and is now engaging in searches for companies in several countries across East and Central Africa.

Key methods of attracting the bestqualified local and international candidates include competitive salary levels and performance bonuses, but also additional benefits such as health insurance, a company car and other fringe benefits. Many companies keenly track the packages offered by competitors and are ready to make an additional effort for the right candidate.

Training

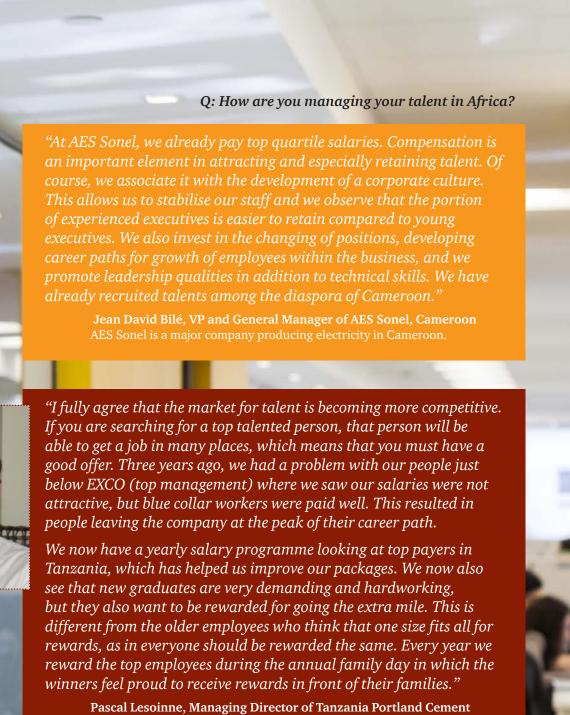
Several companies invest in initial training for all new management employees. Some send employees abroad for training and see this to be beneficial at several levels. The development of corporate universities is also being adopted. Mamadou Bamba, the CEO of Orange Côte d'Ivoire, for example, cited the Orange campus set up in Dakar for training managers from across Africa. Issad Rebrab, the founder and CEO of Cevital, the largest private company in Algeria, also told us how he recently set up the Cevital University.

Retaining

A wide range of approaches is followed in order to encourage employee retention, especially for key employees. Several CEOs told us how they work hard to develop a corporate culture that encourages a feeling of belonging, thus improving retention. Salary and benefits, career plans and a participative social climate are elements widely mentioned.

Allowing key employees to become part owners in the company is also an option. Slim Othmani, the CEO of NCA Rouiba, the fruit juice group based in Algeria, explained to us how following the listing of his group on the stock exchange, 50 key employees (approximately 10% of the total) have now become shareholders of the company. In another example, the co-founder and executive director of Tuninvest/Africinvest, Aziz Mebarek, explained how the stock option plan granted to the team was key in the development of Tuninvest/ Africinvest.

Additional tools CEOs mentioned include the identification/management of high-potential employees, use of people reviews, programmes of competence development for future managers and leaders, international mobility and succession planning.



Company

Tanzania Portland Cement Company Limited manufactures, sells and distributes construction cement in Tanzania. The company is part of the Heidelberg Cement Group.



Frank Ireri

An in-depth interview with Frank Ireri, Managing Director, Housing Finance

Housing Finance is the leading mortgage provider bank and premier property company in Kenya and provides solutions for the acquisition, development and improvement of property.

Q: How does talent management complement your current growth strategy?

The centre of our current fiveyear strategy is around customers and putting them in the middle of everything we do. There is a lot of optimism in the property industry in Kenya now that the election is finished and with all of the commercial and residential property needs we have in the counties. We expect to see a lot of growth over the years to come. Our business is growing; from a balance sheet perspective it is growing 30-40% and from a profit perspective by about 50%.

On the back of strong growth, we are developing several new strategic initiatives that create opportunities for our people and we are increasing our headcount quite rapidly, specifically our customer-facing staff numbers. We spent 2007-2011 turning around the company, which involved initiatives like capital injection, new shareholders and a new management team driving a culture change among staff. Having put those in place, we're opening up new branches and subsidiaries and new products and all of those need people to drive them.

Q: How are you specifically developing the next generation of business unit leaders?

We give our senior managers more responsibilities around our strategic projects in addition to their day-to-day jobs so that they learn by experience. We also invest in ongoing training that is very specific and very relevant to what they do. Affordable housing is integral to our growth strategy and a lot of these solutions in the mortgage banking industry are found in India, for example. So, on an annual basis, we send out at least three of our senior leaders on assignment for exposure to markets like India.

We also have a high-potential programme for middle managers. We review this pool of talent on an annual basis with new managers coming in and others going out, depending upon how they perform. The programme involves job shadowing or involvement in key strategic projects.

The biggest of those projects at the moment is our new core banking system and we have a number of high-potential managers working or our system project team.

Another way we develop talent is by making people champions within different parts of the business. Two years ago, for example, we rolled out our new brand strategy and identified champions to drive it. Our 'champions' strategy gives our high-potential people exposure to the executive committee and the senior management team, which they might not otherwise have.

Q: How do you know what your employees want?

on lessons learned. Our people have told us that with regard to decision feel that sometimes this could be automated and it will be through our new core banking system. Our people

Q: Do you find that the younger generation of employees has different expectations in terms of compensation?

Q: How is executive compensation changing in Kenya's financial services industry?

among top people and relied on reduced, in the early 2000s, but we created a scarcity in the industry

That said, the risks and executives and bank board members

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