The Africa Business Agenda

September 2014

4th edition

CEOs and PwC leaders in Africa share their insights about doing business in some of the world's most exciting and challenging markets.

pwc

www.pwc.com /theagenda


Being distinctive

Contents

Introduction

Suresh Kana

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

Africa: The place to be

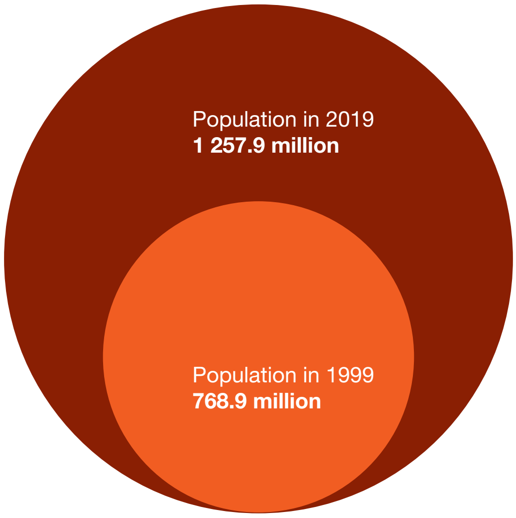
Investors worldwide recognise Africa's vast growth potential, in particular its demographic edge. Africa is the world's youngest continent and is expected to have the biggest labour force by 2040. Now in its fourth year, PwC's *Africa Business Agenda* supports this positive view and highlights the increasing level of investor interest on the continent. When we embarked on *The Agenda* in 2011 as an extension of PwC's annual Global CEO series, we were entering unexplored terrain. But the response to the first and subsequent editions has been overwhelmingly positive and *The Agenda* has now become an annual publication.

At PwC we began our own business journey in Africa several years ago and have continuously upped the ante to stay ahead of the game. This means anticipating change, actively seeking to recruit and retain the best talent and investing in our business to better serve our clients in Africa. Recently, we established an integrated PwC Africa business, made up of firms in the predominantly English-speaking regions of Southern, West and East Africa, which is led and managed by a single leadership team. This year, PwC Africa announced an alliance with PwC in the UK, to meet an increased demand for professional services as trade activity between the two regions grows. What this means for clients is that PwC is well positioned to serve them better across Africa, with the full benefit of PwC's global reach.

Everything and anything can work in Africa. Organisations need the willpower and the staying power and need to realise that Africa works in a different way from the rest of the world – and you have to be prepared to work that way. Africa is all about choices.

Mark Levy is joint CEO of Blue Label Telecoms in South Africa.

Figure 1: Africa's demographic dividend



Sources: IMF, World Economic Outlook database

The Agenda enables us to provide you with an in-depth analysis and insights into how opportunities and challenges differ across the African continent. Africa has become one of the world's most favoured investment destinations, with six of the world's ten fastest-growing economies based in sub-Saharan Africa. Five years ago, many of Africa's economies were under significant pressure in the wake of the global financial crisis. Today, Africa has undergone far-reaching transformation.

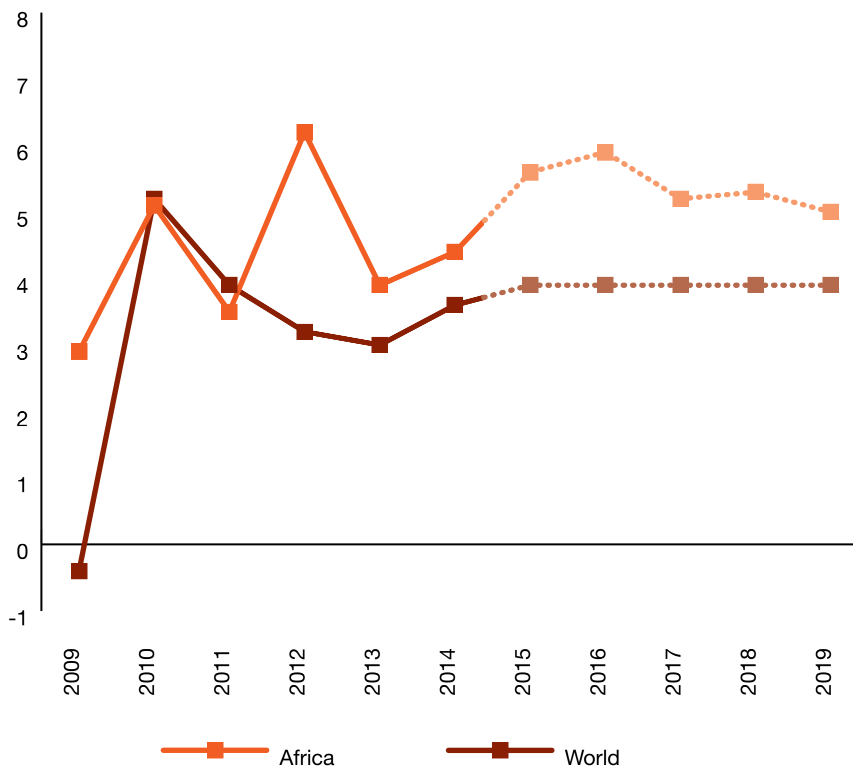
Robust growth is set to accelerate in Africa in 2014, with the International Monetary Fund (IMF) projecting GDP growth to accelerate to 4.4% from 3.9% in 2013. Telecommunications, consumer-facing industries, financial services, resources, agribusiness and infrastructure are some of the sectors that will drive growth and attract international trade and investment.

The IMF has projected a record USD80 billion inflow of investment from both advanced and emerging economies into Africa in 2014. No doubt, policymakers, regulators and governments will have much to contend with – there are a number of short- and long-term challenges, as well as many opportunities. The greatest potential for Africa lies in its people. There is increasing consensus among business leaders that growth can only take place if there is more collaboration between governments and the private sector.

Considering the findings of our CEO interviews over the past four years, we are more convinced than ever that despite the numerous challenges, such as inadequate infrastructure and policy uncertainty, the African story is a positive one. Multinationals that already have a presence on the continent are extremely positive about the prospects for future growth.

The pace of change in the world is speeding up with a series of global megatrends transforming business and society. African CEOs see technological advances, urbanisation and demographic shifts as the three defining trends that will transform their businesses over the next five years. They are aware of the implications of these changes for their businesses, as well as for the outlook for Africa. Many have recognised the need for change or are making changes in their businesses.

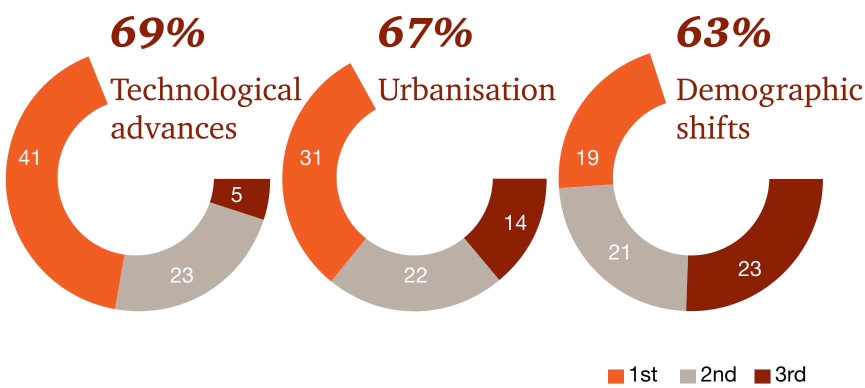
Figure 2: Real GDP growth (%)



Sources: IMF, World Economic Outlook database

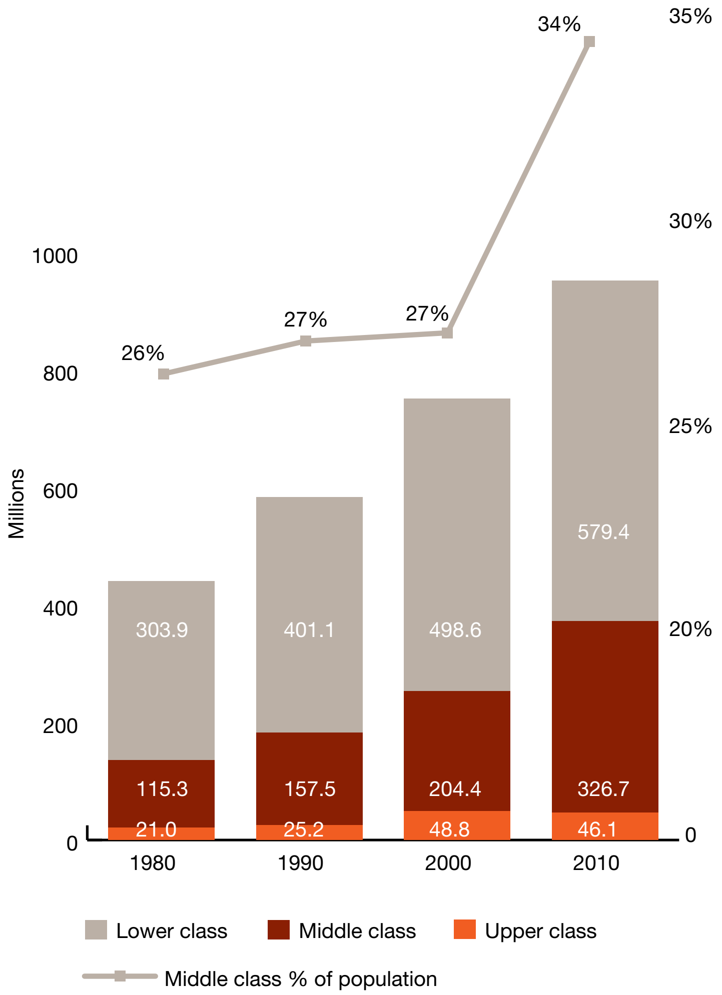
Figure 3: Megatrends impacting society and business

Q: What's the next big thing that you think will impact your business, industry or society over the next five years? (top three trends CEOs named)



Base: All African respondents (260)

Figure 4: **Africa's growing middle class**



Middle class defined as those earning $2-20/day

Strong growth in the past two decades has helped to reduce poverty and increase the size of Africa's middle class. By 2060, Africa's middle class is expected to reach 1.1 billion, which will then be 42% of the population, according to the African Development Bank[1]. This growth is creating all sorts of opportunities, particularly for companies in the sectors in which richer consumers typically spend their money, such as recreation, services and healthcare.

Africa is a complex and diverse continent. There are so few generalisations that hold true when doing business across the continent. At PwC, it is through our observation and engagement with clients that we are able to call on our unique range of skills, as well as provide practical insight that is useful to those doing business in Africa. Similarly, *The Agenda* also provides practical insights, analysis and personal perspectives. I hope you find it useful and look forward to your feedback and suggestions.

I think the next big thing that will impact business is technology. We are able to do things a thousand times faster than we could five years ago. And I think this exponential growth in technology will continue.

With that comes the increasing gap between skills and employment. What we find is that the unemployment problem in a lot of economies is due to a skills mismatch. There are jobs, but there are no skills to fill those jobs.

At Transnet, we have embarked on a comprehensive programme to train young people in different vocations using modern technology. We've trained more new artisans, technicians and engineers than we need, so that we can release them back into the economy with skills to look for jobs.

Brian Molefe is the Group Chief Executive of Transnet SOC Ltd, the largest freight transport company in South Africa.

[1] 'The Middle of the Pyramid: Dynamics of the Middle Class in Africa', African Development Bank, http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/The%20Middle%20of%20the%20Pyramid_The%20Middle%20of%20the%20Pyramid.pdf

The Africa Business Agenda

Edouard Messou

Territory Senior Partner for PwC's Francophone Africa Market region

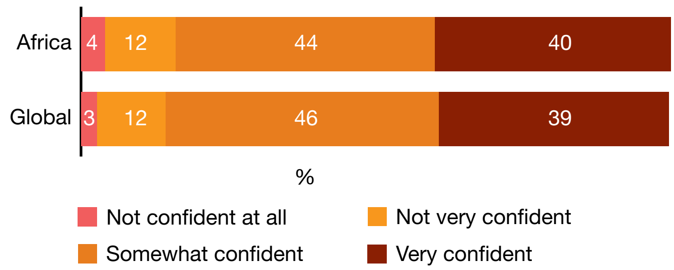
CEOs are increasingly recognising the long-term untapped potential of Africa and, more particularly, of sub-Saharan Africa (SSA). Huge natural resources, fast-growing populations, rising middle classes: the underlying drivers are strong and well-known. With the IMF projecting strong GDP growth in 2014, Africa is expected to maintain the performance levels it has been achieving since the turn of the millennium.

These favourable prospects, especially in the context of the global economic crisis, have put the spotlight on Africa. We could not record the number of reports, press articles and top executive interviews over the past months alone talking about Africa. Africa is the next frontier for most company executives and investors, who have ambitious plans for the continent. Indeed, 90% of African CEOs interviewed for this issue of *The Africa Business Agenda* told us that they were confident of mid-term prospects for their businesses, with just more than half (51%) saying they are 'very confident'.

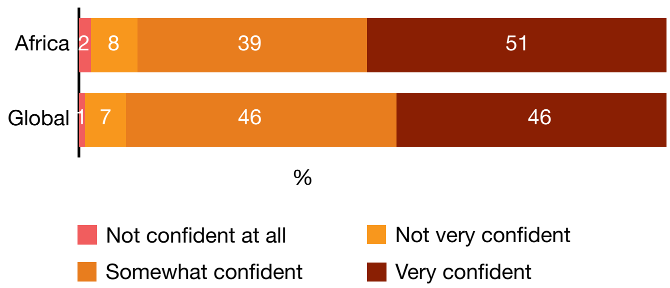
Interestingly, CEOs are slightly more anxious about short-term prospects for their companies and industries. Although 84% remain confident overall, only 40% say they are 'very confident'. CEOs are actually aware that a lot still needs to be done to convert the continent's potential for exponential growth into tangible business opportunities, at a country as well as a company level. For many, the key will be to manage growth effectively in order to create sustainable, stable and more equal countries and companies. This will not be an easy job.

Figure 5: CEOs are more confident about medium-term revenue growth than short-term returns

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



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



Base: Africa – 260, Global – 1 334

Bridging the infrastructure gap, sharing the wealth and investing natural resource revenues in people development are still Africa's top policy priorities. As we discuss further here, Africa's CEOs are becoming role models. They have started to educate and train people; they want to create jobs for the youth and are innovating at a faster pace to bypass traditional business hurdles.

They have also started to change. They have realised that growing too fast without first building solid foundations will lead to disappointment and value destruction, not only for them, but also – and more importantly – for society at large. As a consequence, they are currently focusing on building the right organisations, reducing costs and inefficiencies while investing in technology, hence preparing their companies for higher agility and sustainable growth. This higher maturity will impact international companies, as Africa's CEOs are becoming increasingly demanding of their partners and in search of long-term win-win deals.

Certainly the public sector has a lot to do despite noticeable improvement over the past years. This is nothing new. What is new, however, is the fact that the private sector has started to play a leading role in transforming Africa, solving socio-economics issues and building Africa growth drivers.

In short, Africa is more than ever open for business, and it has entered a new cycle.

Seven key challenges facing Africa:

- Building hard infrastructure such as transport, energy and telecoms (especially high-speed Internet);
- Building soft infrastructure like education and financial systems;
- Making the business environment more investor-friendly, including through lower tax pressure, higher administrative efficiency and reduced policy uncertainty;
- Improving transparency at all levels;
- Facilitating pan-African operations, including international trade and workforce mobility;
- Providing the required regulation to enable a fair and competitive environment; and
- Reducing complexity, as there is no such thing as one Africa, but numerous market niches.

CEO interview: Sizwe Nxasana, FirstRand Limited

Sizwe Nxasana is CEO and Executive Director of FirstRand Limited. In January 2006 Nxasana took over as CEO of FirstRand Bank, the wholly-owned subsidiary of FirstRand Limited, with responsibility for the entire banking operations of the Group, including First National Bank, Rand Merchant Bank and WesBank. In January 2010 Nxasana was appointed CEO of FirstRand Limited.

Q: How would you describe the past 12 months for FirstRand?

A: The past 12 months has seen FirstRand grow in the domestic market in SA as well as in the markets in which we have a presence. FirstRand has grown across the different segments of the market. For instance, in the consumer sector there has been good growth, as well in the smaller and medium enterprise space and corporate investment banking. There has also been growth in some of our operations outside of South Africa, particularly in countries such as Namibia, Botswana and Swaziland and we are also seeing growth in some of our smaller operations that we started a number of years ago in places like Zambia, India and Nigeria.

Q: How is your business changing internationally – in Africa and beyond?

A: FirstRand is a bank that is regionally focused. Our strategy is to be a leading financial services group that is firmly located in Africa as a region. However, we have no desire to be within all 54 countries on the continent. But we do want to be in some of the fastest-growing economies on the continent.

At the same time we have recognised that there is increased trade activity between India and South Africa, but also between India and the rest of Africa. We have also seen increased trade flows between China and the rest of Africa. We want to

locate ourselves in this trade corridor. That is why we have an operation in India and we want to tap into the corridor between India and sub-Saharan Africa, in particular. Currently we have a number of relationships with various Chinese banks that give us some deal flow to the rest of Africa.

Q: How does FirstRand manage its relationship with Government?

A: As a bank, regulations and laws are important and we have seen an increase in the number of regulations that banks all over the world have to comply with. To the extent that we have seen an increase in the number of regulations, there has also been an increase in the cost of doing business. What is important is for us to make a contribution in improving the effectiveness of regulations and reduce the risk that is caused by the environment that we operate in as banks. We stay close in building relationships with Government, policymakers as well as regulators.

What is important is to close the trust deficit between the Government and business. We as a bank have a role to play in developing the economy. For example, we have a role to play in supporting the National Development Plan (NDP) in South Africa, by promoting and developing infrastructure and also by getting involved in other areas that are critical for growth in the South African economy such as improving the quality of education. The same applies in other jurisdictions in which we operate. It's important that we establish a much better partnership between the private sector and the Government. If we do that, we can drive systemic change that positively affects a number of societal issues.

Q: How is technology changing the nature of business for FirstRand?

A: Throughout the group with the culture of entrepreneurship and empowerment that we promote, we ensure we understand the role that innovation and technology play in improving banking throughout the world. We are seeing major trends, for instance in social media and the convergence taking place between telecoms, IT and banking. We are at the centre in terms of driving innovation in that regard. As a bank we want to promote the use of products and devices in providing banking services, but also in improving the lifestyles of people generally. We also understand the role that technology plays in the corporate banking environment. We are continuously investing in new technology and innovation to make it easier for our clients to conduct their banking activities.

Q: What is FirstRand's strategy regarding talent?

A: Banking is about people. We are a business that is very people centric. It is essential that we attract and retain the best talent that is out there especially if we are to drive the culture of entrepreneurship and innovation. Just to give you an indication, the fact that FNB was voted the world's most innovative bank, is mainly because we have the best people who are empowered and are allowed to explore innovations and are given space and the resources to truly express themselves and therefore perform. We spend a lot of time talking about the 'owner-managed culture' at FirstRand – this is something we guard jealously in the group. We believe this is what distinguishes us from other banks.

Africa growth drivers

Key challenges to unlocking growth in Africa

Edouard Messou

Territory Senior Partner for PwC's Francophone Africa Market region

Innovation and growth are top of mind for African CEOs. More than 30% of them see product and service innovation as the key driver of short-term growth, ahead of increasing market share in new and existing markets and M&A initiatives.

In Africa, the process of growth and innovation often follows a specific pattern compared to other regions in the world. The lack of infrastructure and the difficulties faced by the population in accessing services, even the most basic ones, have led to the emergence of disruptive innovations at the local level. What could have been perceived as weaknesses at first glance have, in many cases, been transformed by local entrepreneurs into business opportunities, opening new markets and developing unrivalled innovation capacity. Africa has become a hub for innovation.

The energy sector is a good example. In sub-Saharan Africa, according to the US Energy Information Administration (IEA), 589 million people did not have access to energy in 2010 (which represents half of the worldwide population without access to energy). This is specifically due to the lack of infrastructure. A classical approach to fix the problem could have been to develop expensive grid extension projects. But other approaches have been followed. Vincent Kientz, Chairman of ENEA, a firm that has conducted many pro bono projects for developing access to energy in Africa, explained in an in-depth interview for this publication that renewable production, storage and smart grid technologies have developed fast, creating an increasingly efficient electricity supply based on off-grid systems, small power generation units and mini-grids.

The development of these technologies through a decentralised model, with low unit costs, is a real opportunity for countries that often face financing problems. In the long run, he says, the deployment of part of the national grid can be done in a progressive manner through the connection of different off-grid systems and mini-grids, resulting in an interconnected, intelligent and decentralised electrical system that makes very good use of renewable energy and storage. This type of initiative would enable progressive investments over time while providing basic energy services to many businesses and households.

Another example of innovative projects in Africa that are based on multi-networks/multi-services approaches is the pay-as-you-go and recharging of mobile phones system developed in Tanzania. In the rural region of Victoria Lake, the low level of electrification (roughly 6%) means that almost half of all mobile phone users must travel 4-18km in order to recharge their devices.

Local micro-entrepreneurs recognised the opportunity to earn a subsistence income in their villages by selling recharging from USD0.1-0.3 per unit. Yet, they could not afford the USD200-400 required to buy solar kits and without capital or guarantees of solvency, lending agencies and solar system distributors were not prepared to consider a loan or a leasing arrangement. Consequently, technology developers overcame the problem by offering pay-as-you-go leasing offers to make solar kits available to entrepreneurs in exchange for a down payment.

To recharge mobile phones, the entrepreneur activates the device for several days or several recharges by sending a surcharged SMS to the technology developer. Thanks to this system, entrepreneurs gradually become the owners of the solar kits, whereas technology developers agree to spread their turnover out over time in exchange for a higher overall price and the right to cash-in on all of the information collected, including telephone numbers.

What can we learn from this? Primarily, that there is no limit to disruptive innovation in Africa.

As illustrated by the huge success of the first StartupBus Africa (an entrepreneur-run start-up competition gathering entrepreneurs and experts for a four-day bus trip to solve issues through technology), creativity is there and just waiting to be incubated. Secondly, that copying and pasting success stories from more-developed countries will most likely fail. Africa has so many specificities that one can succeed only by understanding the environment at the local level, then thinking outside of the box. New business models and technologies have already emerged, and the years to come will most likely show us how innovation can be a growth driver for Africa. To this extent, new entrants from other emerging markets may have an advantage.

CEO interview: Andrew Bonamour Times Media Group Limited

Q: Tell us about Times Media Group Limited's venture into Africa.

A: The African continent looks promising, with each region having its own nuances. In the near future, we intend expanding our radio and television channels. We want to expand further across the continent and partner with people in the regions. Our strategy is to focus on the core media assets that have a dominant position and visible brands, invest in their growth, digitisation and grow across the crest of the African continent.

In September 2013, Times Media acquired a 32.3 percent stake in the Multimedia Group for R144m. This was our first venture into the African continent. The Multimedia Group is Ghana's largest independent media company. Multimedia Group has six radio stations, three on-line media sites, a multi-channel satellite television service and events management business. The Group has also acquired a 49% stake in Kenya's Radio Africa Limited (RAG) a deal that gives the company exposure to radio, television and newspaper assets. RAG's broadcast assets in Kenya include Kiss FM, Classic FM, Radio Jambo and Kiss TV. The TV assets are intended to be replaced by digital terrestrial TV offering. Times Media plans to use RAG to further spread its wings across East Africa. We now have exposure to faster growing markets in East and West Africa and we intend to use these companies as the beachhead in these regions.

More recently, in South Africa, Times Media bought a 65% stake in a local radio station Mpower, which is now called Rise FM, and in January 2014, it bought a 60% stake in Vuma FM in KwaZulu-Natal.

Q: Does Africa come with any risks?

A: I think if an entity is a corporate organisation, there are a number of hurdles and obstacles that an organisation faces and needs to overcome regarding doing business in Africa. But Africa is generally good for entrepreneurs. Africa tends to favour entrepreneurs – it has an entrepreneurial spirit. Corporates require structure. We tend to focus on corporate governance first in terms of how the business is run.

Q: How has the company grown in the past year?

A: Some significant changes have been made to streamline the organisation and reduce costs substantially. This has included selling non-core assets. We have managed to maintain circulation in some of newspapers and have grown our share of the advertising spend – TMG has now become the biggest publisher of English-language daily newspapers in South Africa in addition to being the market leader on Sundays. The difficulty with print is the exorbitant costs of printing and distribution. Digital is important going into the near future but the current business model is unsustainable. If you look at some media houses, they have spent significant amounts of money on digital platforms, with little chance of ever generating a return. We are driven by return on our investment, capital allocation decisions are key for us. For us, any investment has to be justified by a return. At this stage I am not convinced that digital return can be monetized. We intend to spend capital on digital products extremely conservatively – and cautiously.

In the past two years we have invested in some pay wall technology and will continue to introduce it in the near future. Our digital products have grown and are profitable in their own right.

We have become nimble in the short-to to medium-term. We have grown largely in broadcasting – we now have interests in nine different radio stations throughout Africa. We want to become more aggressive in terms of pushing the boundaries.

Q: What about growth in the next three years – what are the company's plans?

A: We are focusing our efforts largely on broadcast and content, video on demand. Radio in the long term is a much better medium to reach advertisers. In the long term, broadcast will generate more revenue than from newspapers.

Andrew Bonamour has been the CEO of Times Media Group Limited since January 2013. Listed on the JSE, the Times Media Group is a media company that seeks to inform, educate, entertain and connect people.

Government and the growth agenda

Public sector organisations need to get 'fit for the future'

by Stanley Subramoney

Strategy Leader of PwC's South Market Region

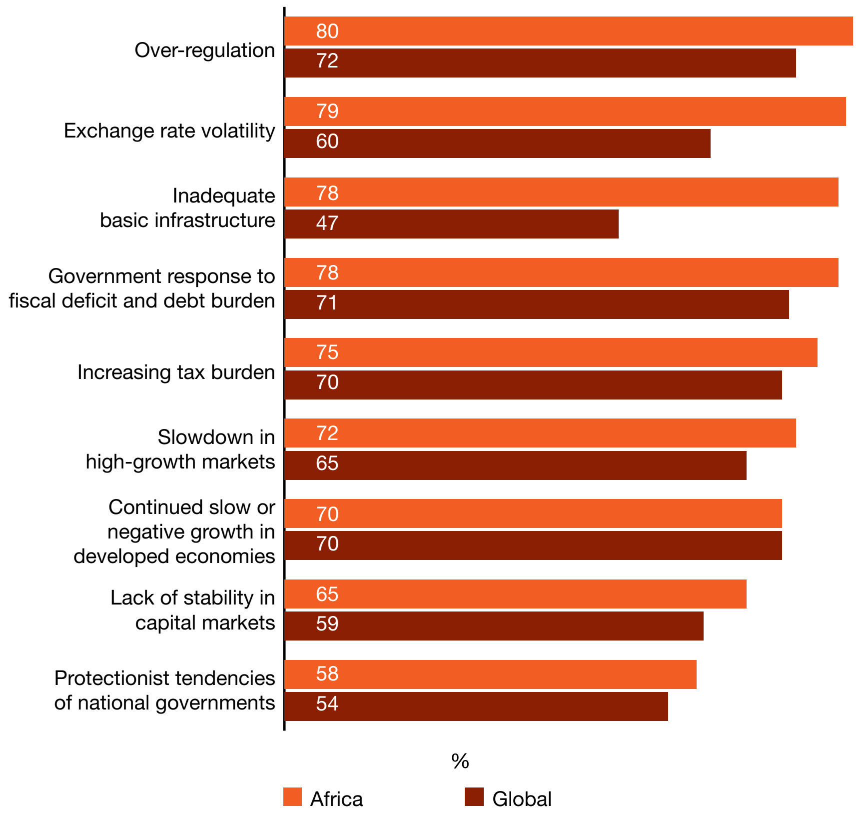
Confidence levels among the world's business leaders are stabilising. However, over-regulation and exchange rate volatility remain a major threat on the horizon for business. Our research shows that for CEOs in Africa inadequate basic infrastructure (78%), government responses to fiscal deficit and debt burdens (78%) and an increasing tax burden (75%) are key areas of concern, and that governments have their work cut out for them to resolve. Other important concerns are slow or negative growth in developed economies (70%) and lack of stability in capital markets (65%).

PwC's recent study entitled '*Fit for their future: Government and the Global CEO*' assesses the changing relationship between government, business and society. The study draws on the results of PwC's annual 17th Global CEO survey of 1 344 business leaders in 68 countries worldwide and adds to it with valuable insights from various government representatives and state-backed CEOs. The aim of the report is to compare and contrast the views of business and government, as well as provide an understanding of the policy and delivery responses for the challenging conditions of today and tomorrow.

The report sets out businesses' priorities for government and discusses in turn how governments can get fit for the future through (digital) transformation, deliver growth through collaboration and build trust through engagement.

Figure 6: Africa's CEOs are more concerned about economic and policy threats than their global peers

Q: How concerned you are about these potential economic and policy threats to your organisation's growth prospects? (CEOs who are 'somewhat' or 'extremely' concerned)



Base: Africa – 260, Global – 1 334

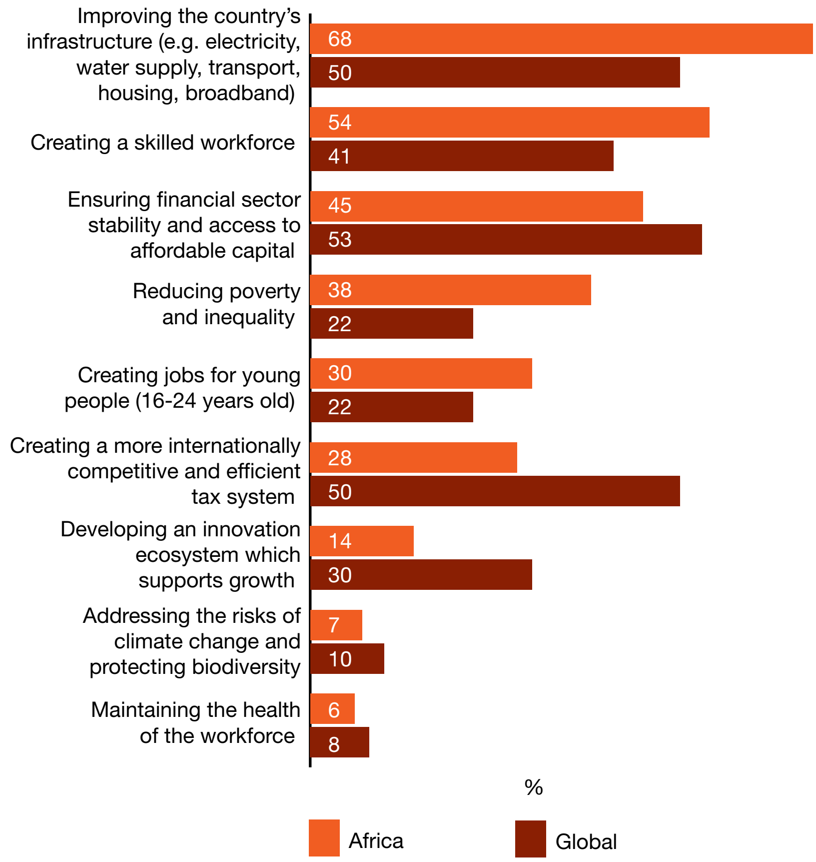
If government and public-sector organisations are to finally put the fiscal deficit issue behind them, the challenge is to adjust to this new reality by becoming more productive and focusing on the outcomes that society needs and wants – including more affordable services. In this regard, technology is the next big enabler. In the private sector, technological advances are seen as the most important global trend that is expected to transform business.

According to our research, public bodies need to embrace digital technology as the tool to drive innovation, transform how they engage and interact with citizens and explore how outcomes can be better secured. In addition, public bodies need to learn from digitally-orientated companies in the private sector and explore whether more innovative business models can be developed. The world is changing faster than our ability to cope with the changes. Speed is one of the more powerful forces and complexity is adding pressure to the way we operate.

In the post-financial crisis, it is clear that more needs to be done to build a platform for sustainable growth and competitiveness through collaboration across various sectors in order to address businesses' top priorities for government. These priorities include infrastructure and innovation.

Figure 7: Governments can create a business-friendly environment by improving infrastructure, financial stability and the skills development

Q: Thinking about the role of Government in relation to the following outcomes, which three areas should be government priorities in the country in which you are based?



Base: Africa – 260, Global – 1 334

In researching *The Africa Business Agenda*, we found African CEOs believe governments should create a business-friendly environment by improving the country's infrastructure (68%), creating a skilled workforce (54%), ensuring financial sector stability and access to affordable capital (45%), and creating jobs for young people (30%).

Among other things, this requires public leadership to facilitate collaboration across public, private and not-for-profit organisations as well as universities to create a platform for growth, with a focus on the three key levers of skills, infrastructure and innovation:

- *Laying the foundations for the right skills in the right places*
  Acquiring the right skills is an essential prerequisite for citizens in getting a job and earning a decent income. According to business, developing workforce skills is a joint priority between business and government.
- *Developing investor-ready infrastructure projects*
  In addition to the challenge of collaboration, delivering effective, efficient and sustainable infrastructure is essential to provide the backbone from which economic success and prosperity can grow.
- *Developing an innovation ecosystem*
  Innovation is a competitive necessity for business and for government, and is vital to achieving meaningful growth.

Three fundamental shifts are still needed in the relationship between government and the business: from a belief of 'public good, private bad' to an appreciation of the best of both; from forced cooperation to mutual collaboration; and from distrust to mutual recognition of responsibilities on both sides.

The commitment of individual leaders on both sides can make all the difference. They must create a culture that unleashes growth, to eliminate bureaucracies and processes that block innovation and drive a high-performance culture. Furthermore, public sector leaders can also help set the tone by taking the lead on dialogue in the two areas that are uppermost in the minds of CEOs: tax and regulation.

Q: How do you think your government views private companies?

A: In my view, government has a responsibility to build the next generation of Seven Seas Technologies Group, Virtual City, Cellulant [types of African] companies. We need sixty or seventy of these companies in the next three years. They can be built through various government projects, through strategic procurement and global partnerships. These companies in turn will employ the youth, create wealth, export intellectual property and become a foundation of the much hyped 'Silicon Savannah' beyond infrastructure.

Government needs to accept that it is a major buyer of technology and a catalyst for growth. And technology companies like we have built will be responsible for helping to nurture the next generation of technology companies, to create the next traffic management system, the next M-Pesa. The government will expect to see that plenty of jobs are created. Procurement is structured so that companies are engaged, grow their businesses and there's a multiplier effect. We need to partner with government and also change the short-term mindset when executing long-term strategic projects.

Michael Macharia is the Founder and Group CEO of Seven Seas Technology Group, a leading provider of integrated business and technology solutions in Africa.

Delivering affordable, interconnected, innovative public services

by Muchemi Wambugu

Partner with PwC Kenya and technology advisory practice leader

The rate of change driven by technology will influence the affordability, interconnectedness and innovation of public services. In Africa, public services can still end up being too expensive for many citizens – even when those services are subsidised. This is because the total cost to the citizen includes long travel times (particularly for those in rural, less-connected areas) and long waiting times, such as for initial diagnoses, which also reduces take-home pay.

Affordability of public services

Many citizens choose public services based on what they can afford. They are the caretakers of their own information, carrying their files and experiences from provider to provider. The burden is on the citizen, rather than any institution or system, to manage cost and information.

Another challenge is the way that governments collect revenue and disburse it based on budgets. For most budgets, the biggest line items are salaries and benefits. What if, instead, funds could be allocated based on reliable data about need?

Information about maternal birth rates or malaria in particular regions, for example, could inform prioritised allocations and funding for third-party providers, helping to build an institutional framework based on need not bureaucracy – and putting citizens first.

Interconnectedness of public services

For this to happen, future-focused public sector organisations must operate in a more interconnected manner. Over time, Africa's government and public sector organisations have acquired a huge amount of data.

Data points are many and varied; information is often duplicated; patchwork systems are punctuated with one-time research and decisions informed by a lot of guesswork. But the data we have is a virtual treasure trove.

The challenge for future-focused public sector organisations is to connect the dots between service centres, so that we can clearly see how information systems are interlinked – a holistic view that has the added benefit of putting citizens and their needs first. If systems were more closely integrated, we could save lives and improve security at the same time.

It is government's role to implement a comprehensive policy framework that connects the dots between providers to drive decision-making. For that to happen, we need to do two things: firstly, data has to be captured in a rational way. Secondly, we need a framework to provide data analysis, interpretation and decision-making capacity to benefit the public.

To improve interconnectedness, service providers must have proper systems and ways of serving citizens. They must also be able to make enough money to be self-sustaining and disciplined enough to provide services and solution sets.

If government or donor funding is tight, public service providers must also look at different ways to deliver services. These could include public-private partnership arrangements in which services are provided in exchange for revenue sharing and creating a system where providers specialise and citizens get the services that they require.

Embracing the cyber world means opening up systems and processes to external suppliers, customers, partners and employees, and accepting culturally and psychologically that the old boundaries are being swept away.

This culture change needs to be driven from the top, with the need for greater executive-level awareness of the challenge. To combat resistance, governments must be clear about the benefits of a comprehensive information system.

Innovation

Technology will significantly influence innovative service delivery in two important ways: operationally, at the level of service delivery, and strategically, in terms of local, regional or national innovation capacity.

Operationally, delivering on the promise to citizens entails having the right (new) service delivery models for the right results, with an eye on measurable outcomes and real impact. Additionally, public-sector organisations will need to consider their role in local, national and regional innovation strategies, based on areas of competitive advantage.

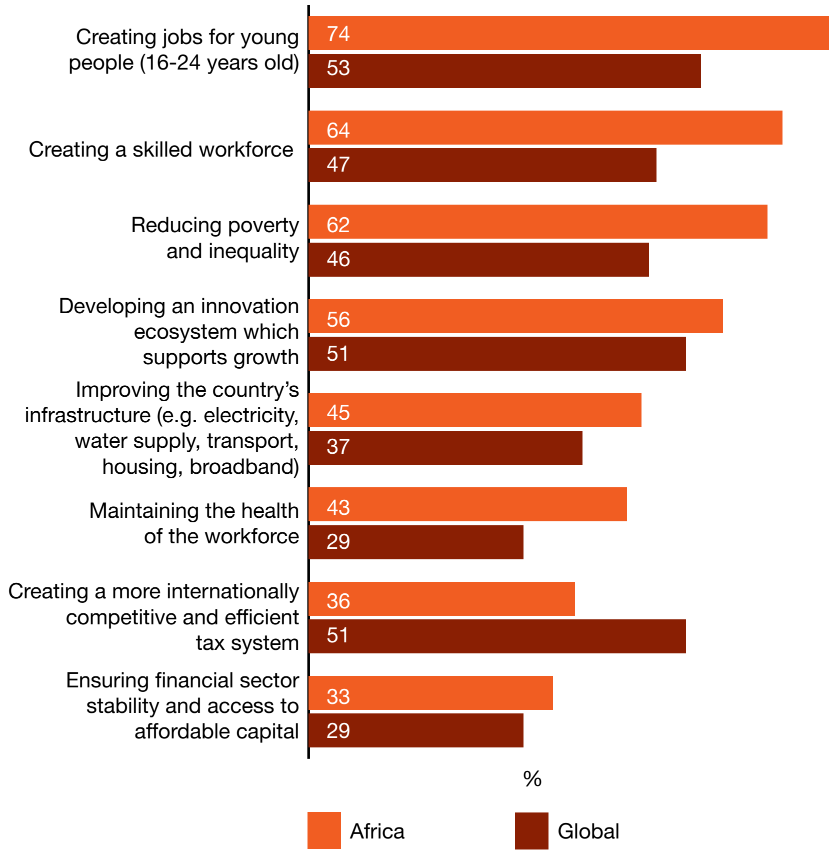
Future-focused organisations that manage data more effectively and efficiently are able to discern trends over time to target service delivery where it will have the greatest impact. Imagine dynamic updates about public service needs in real time: our decisions and investments would have a profound impact. Affordable, interconnected, innovative service delivery will also help to reduce fraud and corruption.

Many have called for the deployment of world-class ICT to automate everything in sight, as a cure-all for all ills. But ICT is not the solution for every malady that besets economic growth and development in Africa. Instead, we can look at the trajectory for technological change and plan for a better future.

Many countries in Africa have successfully created an environment with fibre-optic cable and information technology to drive their economies. The telecommunications sector effectively connects with citizens and facilitates connections between them, benefiting all areas of the economy. Now, it is the public sector's turn to provide connected citizen-centric services.

Figure 8: CEOs believe governments have much room for improvement in achieving priorities

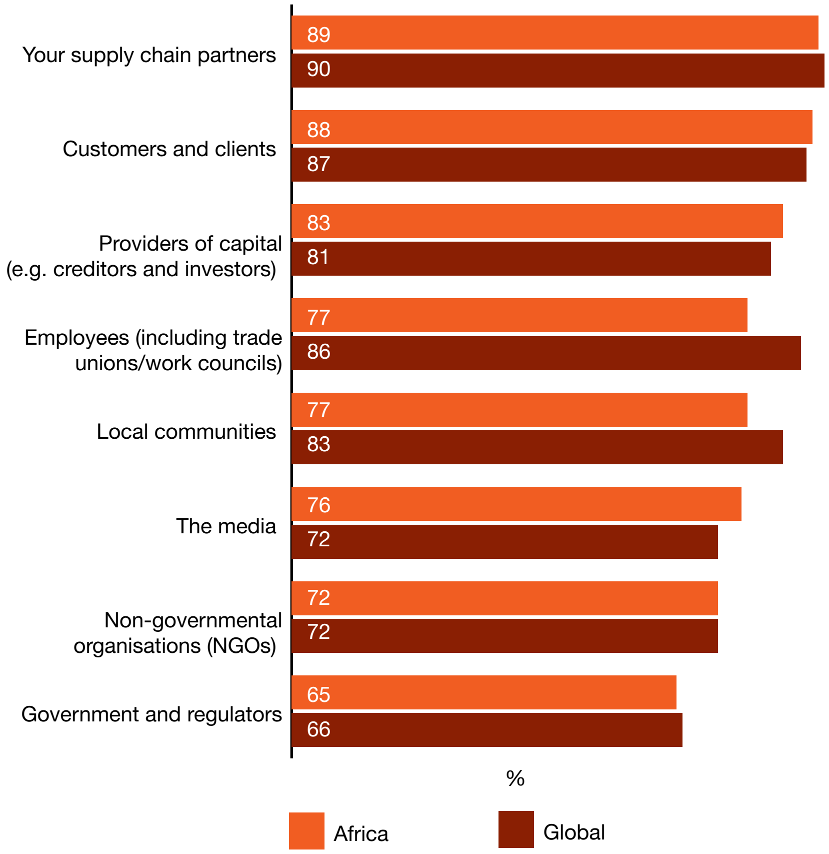
Q: How effective has government been in achieving these outcomes in the country in which you are based? (Respondents who believe governments have been 'ineffective' or 'greatly ineffective')



Base: Africa – 260, Global – 1 334

Figure 9: CEOs believe levels of stakeholder trust remain positive

Q: To what extent has the level of trust the following stakeholders have in your industry changed over the past five years? (Respondents who believe levels have 'stayed the same' or 'improved')



Base: Africa – 260, Global – 1 334

Q: To what extent is your organisation able to engage with government?

A: We are working with government. We have collaborations with institutions of government, such as the Council for Scientific and Industrial Research who are playing a very critical role in our research and development effort. Other institutions include the Departments of Transport and Public Enterprises from a policy development point of view. These institutions are very critical to our business, because what we do actually has to be driven by a conscious and continuous policy change as well as a positive attitude towards our goals by government. We have had that support from the highest levels in the South African Government to help us execute what we are doing.

What maintains trust is the ability to do what the general population expects or demands of public institutions. And this is sometimes somewhat lacking, when governments in power or institutions are unable to deliver the basic things that people think are important.

In some cases, the institutions miss the point when the public asks for certain basic things. And I usually find that these are not very complicated things to deliver: for example, just being reliable, being honest, or telling the truth about your problems in executing projects and implementing mandates. Sometimes when we as institutions encounter difficulties, we do not go back and tell the public what the difficulties are until it is too late. I think that is why a lot of trust has been lost.

Brian Molefe is the Group Chief Executive of Transnet SOC Ltd, the largest freight transport company in South Africa.

The digital revolution

by Mohammed Dembele

Director at PwC France

Africa is currently undergoing a rapid and deep digital revolution. In our Africa CEO Survey, technology is at the top of African CEOs' agendas, with 41% recognising technological advances as the most significant global megatrend that will transform their businesses over the next five years. In responding to this change, no less than 91% of African CEOs either recognise the need to change their technology investments or are in the process of doing so. Similarly, 85% said the same about data analytics.

Many technological changes are contributing to Africa's digital revolution. Broadband access is not only modifying all sectors of the African economy, it is also triggering a radical transformation of the entire society. With the penetration of smartphones being still relatively low, the digital revolution has just started.

The digital revolution is being sustained by the mass adoption of mobile telephony (500 million users on the continent with more than 100% penetration in some countries, compared with just 10% for landline penetration). This adoption should further accelerate with the roll-out of 3G and 4G networks, with the introduction of low-cost smartphones and with the massive investments being made by the almost 200 network operators in the continent's 54 countries.

The phenomenal growth of Internet access is impacting the lives of millions of Africans by allowing them to access new innovative connected services. Each sector of the economy is or will be impacted by this development and the expected change will be faster and more radical than elsewhere due to a low level of development. For example, the development of money transactions through mobile is disrupting the banking industry in many African countries.

Several African governments already consider digital adoption as a unique opportunity to accelerate economic development and are encouraging investments being undertaken by operators. In some cases, they have taken matters into their own hands by deploying national infrastructures or by managing local digital initiatives. In Côte d'Ivoire, for example, analysis of mobile phone usage statistics helped improve the understanding of population movements in Abidjan, enabling better allocation of public transportation capacity (buses, minibuses and shared taxis) and the construction of new roads where they are most needed.

More important will be the impact of digital technology on society. The proliferation of e-education, e-health, e-government and e-commerce initiatives will deeply change and improve the lives of many citizens by allowing public administrations to overcome the lack of resources or competencies.

Many citizens in Africa can now access information on their e-reader devices, send wireless medical alerts or administrative documents from their mobile phone without having to undertake lengthy and costly journeys. As an illustration, the M-Pesa system in Kenya allows 18 million people (out of a population of 25 million over the age of 15!) to pay their taxi fares, electricity or restaurant bills, to transfer money to relatives or to withdraw cash at local kiosks with their mobile phones. Eight million transactions are completed every day, creating a parallel banking system, which is extremely useful in a country where almost everybody has a mobile phone but not everyone has a bank account.

There are still, of course, many hurdles to the development of a digital economy in Africa – and many of these hurdles are related to the development of a stable political and legal environment for citizens, corporates and investors. High-speed Internet will also require new infrastructure. But with the acceleration of local initiatives to develop local content and services, digital technology will be successfully deployed in Africa for many years to come.

Q: How is technology playing out in your business?

A: An array of digital devices, such as smartphones, have taken advertising spend away from print media. This is why we are looking into the investment and expansion of other technologies. We are very excited in that in September 2014, Times Media will be launching a video-on-demand (VOD) product that offers a broad range of content, both TV shows and movies. Vidi will be a web and mobile based service and will require either a computer or an Android or iOS device to stream content. Viewers will be able to watch content on a number of devices. Those wanting to watch on their smart TVs will need to connect a device such as a notebook, iPad, mobile phone or micro PC.

Andrew Bonamour is the CEO of Times Media Group Limited in South Afrca

A: With technology deployed, we can embrace a number of initiatives. A good case in point is Blue Label's ticketing company. Blue Label is one of the first companies in South Africa to deploy a physical ticketing society using near-field communication (NFC) or contactless technology. Spectators no longer need to stand in long queues and present traditional paper tickets. Instead they are able to purchase tickets on their smartphones at a retail outlet or online to gain access.

This enables us to monitor consumer behaviour, as well as accumulate information, and in the process we are also able to reward consumer behaviour. An NFC ticket offers consumers loyalty rewards as well as offering other privileges such as VIP access, in-stadium purchases, competitions, promotions, the opportunity to meet players, preferential parking and much more.

Our view is to be a neutral aggregator of product and service – by using technology to work for us.

Mark Levy is joint CEO of Blue Label Telecoms in South Africa.

Industry highlights

by Avendth Tilakdari

Industries Leader for PwC's East, West and South Market regions in Africa

We asked Africa CEOs to tell us how confident they are about their industry's prospects for growth over the next 12 months, as well as their own company's growth potential. In general, they are more confident about their own company's growth than they are about their industry's prospects. While 40% are very confident about their company's growth, only 26% are very confident about industry growth.

Over the next three years, 51% are very confident of company growth and 35% are very confident from an industry standpoint. As our discussion in this section seeks to highlight, there are many positive growth indicators among industry groups in Africa – as well as more than a few challenges – that help to explain this discrepancy.

Oil & Gas

The oil & gas industry is truly a global industry, across the entire value chain. Opportunities include strong growth in output; rising global demand for hydrocarbons, particularly in China and India. These countries are also making significant investments to secure access to natural resources in Africa. With many African economies growing at 5% or more, an increasing population of middle-class consumers and industries is fuelling demand for petrochemicals and energy. Many countries are looking at value addition through policies that promote the production, export and domestic consumption of petrochemicals – as well as investment. At the same time, a growing number of indigenous African companies in the sector are looking at IPOs and other avenues like the London Stock Exchange's Alternative Investment Market to finance growth.

Oil & gas players are also focused on cost containment. In Africa, this is particularly challenging due to inadequate infrastructure, rising costs related to acreage/licence acquisition, regulatory uncertainty and high energy costs. Many governments are looking at strengthening industry regulations, specifically with regard to resource management and revenue stewardship and local content requirements for specific goods and services.

Government & public sector

Major areas of focus for Africa's government & public sector organisations include ICT adoption, security, public finance management, government reforms and capital projects and infrastructure investment. Many are also focused on attracting investment and improving the environment for investors. Public employees and their performance management and benefits are also a focus area.

In general, the 'government & public sector' includes government ministries, departments and other budget agencies; development partners like bilateral and multilateral donor agencies and not-for-profit organisations operating in various sectors and regions in Africa. By definition, this sector is Africa's largest employer.

PwC's work with Africa's government & public sector focuses on helping organisations to fulfil their promises, understanding user needs through customer insight, pulling down silo walls to create connected organisations, building capacity to deliver results, realising the benefits of services and continuously innovating to sustain them.

Mining

The oldest mines in the world are found in Africa. Recently, Africa's economies have benefited from high global prices for many mined resources and new exploration has revealed more resource wealth than previously known. Reforms in the 1980s and 1990s led to a broad shift towards privatisation with new legal, regulatory and administrative policies strengthening mineral rights, particularly for the private sector.

This led to increased foreign direct investment and an influx of mining capital, technology and skills into Africa. More recently, the focus has shifted again towards integrating mineral policy with development policy, but there is wide divergence among countries in Africa with regard to mineral extraction policies, conditions and stakeholders. Greater alignment of policymaking at a regional level would provide a more conducive investment environment and ensure that mineral wealth is shared more equitably and accountably.

Technology, infocomms, entertainment & media, hospitality, gaming & leisure

The different sectors within this industry group have a number of factors in common. First, they are all experiencing very high levels of growth in Africa. Consumers want more choice and better access to information and services, increasingly through digital channels. Their preferences (often expressed through social media) are evolving rapidly. Second, these sectors are all impacted by faster and cheaper Internet connectivity. Third, there is more competition within these sectors and in some cases, between them as they vie for a share of consumer spending. Finally, there is wide variation with regard to the regulatory policies impacting these sectors, which can make regional expansion, mergers and acquisitions more challenging and expensive.

Among technology and infocomms companies, the strategic focus is shifting towards offering an integrated suite of services targeted to industries like healthcare providers, financial institutions and government.

Entertainment and media companies are experiencing strong growth, led by consumer demand for content, while the majority of advertising spend still tends to be directed through traditional channels like television, print media and radio.

Africa's hospitality industry varies considerably by market, with business tourism leading growth in Nigeria and Kenya's industry having been hard hit by security concerns. Meanwhile, gaming is expanding and increasingly moving online.

Financial services

Advancements in technology, a changing competitive landscape and evolving stakeholder attitudes and expectations are transforming financial services in Africa. While branch-based bricks-and-mortar retail service delivery is growing, digital mobile services and agency or satellite service providers increasingly account for a greater share of service delivery.

Among consumers, these service delivery channels have contributed to greater financial inclusion and security. However, the challenge for many service providers is to maintain distinctive brands, profitability and deep relationships with customers, particularly corporate customers. Financial services companies that use technology to build an evolving suite of products and services tend to manage volatility and shifting consumer preferences more effectively. At the same time, all financial services providers in Africa benefit from a stable operating environment.

Some regulatory consolidation is occurring in many markets in Africa and rising capital adequacy requirements may lead to consolidation in the sector. There is still a lack of clarity regarding the regulation of mobile banking services offered through telecommunication companies, or banks that enter the telecommunications space. Meanwhile, insurance product penetration has suffered from a lack of financial awareness among consumers, but this is changing.

Manufacturing

Africa's manufacturing sector is large and diverse, with most sector players facing similar opportunities and challenges. A growing middle class increasingly demands a greater variety of products, at relatively low cost and good quality. Successful manufacturers in Africa have tended to find ways of fulfilling existing consumer needs previously met by importers.

However, the costs of inputs like oil, natural gas, steel and copper squeeze margins, unless offset by pricing and surcharge increases. Weak infrastructure (particularly regional infrastructure) and access to reliable, affordable energy thwarts effective production and distribution channel management. Supply chain management can also be a challenge as suppliers face the same obstacles. To bolster core product lines or expand geographical reach, some players are seeking acquisition targets, while others are looking to divest underperforming units.

Local and national taxes, often managed across multiple territories, are increasingly complex and under continuous review. Calls for corporate accountability have driven new regulations around internal controls and management certifications. At the same time industrial manufacturing companies everywhere are trying to figure out how to get the most out of their IT and people investments.

Q: What is your strategy regarding expansion in Africa?

A: The way we want to expand into the African continent is by focusing on manufacturing and producing goods that can actually be sold on the African continent for the railway business, as well as services for the ports business on the continent. We have invested a lot of money – and continue to invest a lot of money – in research and development to develop products for a growing African market.

The revitalisation of the railways industry in Africa is inevitable and we are positioning ourselves to take advantage of this and to make it the source of growth for our company in the medium term. In the short term, it is about winning the race for growth by revitalising our rail industry in South Africa and making sure that more goods are transferred from road to rail.

It is about growing our market share of the logistics pie and removing goods from the road and bringing them back to rail. It is also about increasing the traffic of container vessels from around the world to Africa through our ports in South Africa – including our transhipment hub in the Port of Ngqura – as well as increasing our manufacturing base in the country, allowing us to export a lot of manufactured goods.

We are preparing ourselves to become a manufacturing company, more than a transportation and logistics company. We are getting ready to become an original equipment manufacturer, perhaps of locomotives. So if you ask me what Transnet will look like in 20 years' time, I think it will do more manufacturing than transportation of goods.

Brian Molefe is the Group Chief Executive of Transnet SOC Ltd, the largest freight transport company in South Africa.

A guide for investors

by Jeff Aludo

Director at PwC Kenya's Strategy and Operations consulting practice and a member of PwC's Africa Business Group leadership team[1]

Strategic planning

The opportunity horizon in Africa

CEOs in Africa tell us that the desire to create something is what drives their strategic planning. A disciplined adherence to facts, data and analysis should govern the creative process, not guesswork or instinct.

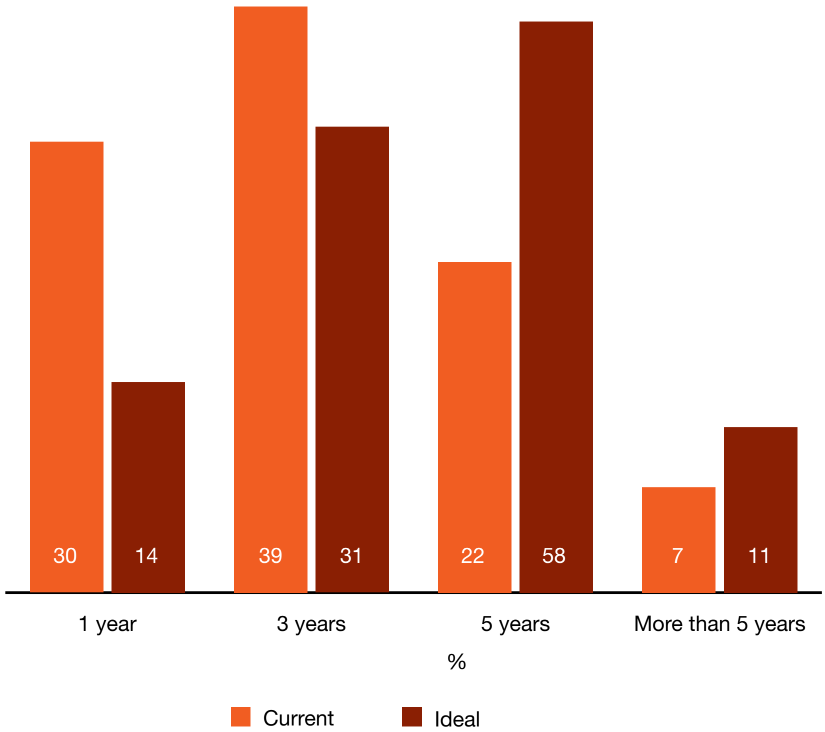
They recognise that the entrepreneurial spirit so prevalent in emerging markets can be managed in a profitable way through strategic thinking, planning and implementation. Their organisations apply a rigorous approach to market research about consumer preferences and an equally rigorous approach to business financing. In this way, they anticipate customer demand, innovate to meet that demand, manage innovation to grow their businesses and finance growth effectively.

Our survey shows that many CEOs in Africa face challenges to this vision of strategic planning. They rank product/service innovation topmost among opportunities for growth but are concerned about shifts in consumer spending and behaviours. At the same time, they prioritise customer growth and retention strategies and they are developing strategies and implementing change plans.

Ideally, market research would inform the innovation process by helping companies to anticipate shifting consumer preferences and manage retention, but companies may lack the ability to collect data or the ability to analyse it.

Figure 10: Africa's CEOs would ideally like to be able to plan further ahead

Q: What is your current/ideal planning time horizon? Is it 1, 3, 5, or more than 5 years?



An effective strategic planning horizon takes into account these and other challenges and opportunities. CEOs may not have the data they need to make a decision and the quandary for those in management is how to make decisions with limited information. There may also be significant competitive pressure to make decisions with imperfect information.

A rigorous approach to strategic planning is even more important in this environment. CEOs in Africa tell us that success depends upon confidence and judgement informed by a keen understanding of markets and the interplay between consumers, business and government.

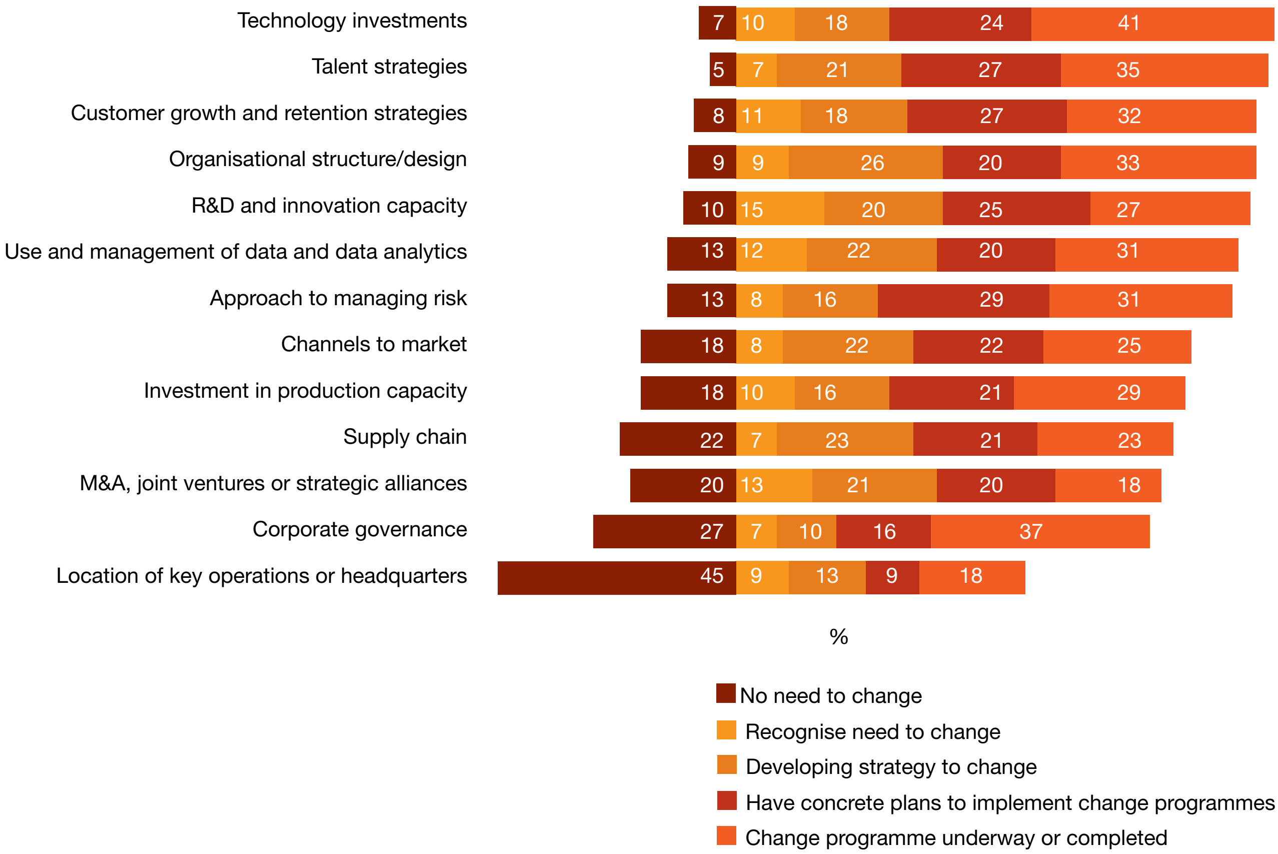
We asked Africa's CEOs to comment on their strategic planning horizon. We asked respondents if their current horizon is one, three, five or more than five years into the future. We then asked them to tell us what they their ideal planning horizon would be.

The time and effort applied to the strategic planning process influences accurate horizons. Any discrepancy between the actual and ideal horizon may indicate that the planning process is flawed. Planning is essential to successful execution and the reason why so many good strategies fail.

[1] Follow the Africa Business Group's bilingual blog online
pwc.blogs.com/africa_upfront (in English)
pwc.blogs.com/africa_upfront_fr (in French)
@Africa_Upfront (Twitter)+

Figure 11: Africa’s CEOs are leading change in response to global trends

Q: In order to capitalise on the top-three global trends which you believe will most transform your business over the next five years, to what extent are you making changes, if any, to the following areas?



Using feedback to make strategic decisions

The more opinions business leaders ask for, the more noise they must filter out to make decisions. And yet there is no question that engaging with employees (and customers and communities) makes good business sense.

The 'how' is always a tough question: How can business leaders solicit a wide array of feedback? How can they filter this feedback? How can they then incorporate this filtered feedback into decisions and the planning, implementation and execution stages?

Step 1: Ask for ideas and feedback

Strategy is not just about planning and a framework for implementation. Strategy is about actions that leaders are willing to take to be successful. Traditionally, the emphasis with strategy has been on planning – less so on execution. While strategy development is key, to execute effectively, it is important to get everyone who has a stake in the game involved, specifically at the planning stages.

The first step is to create an ecosystem conducive to idea generation and communication. Companies can solicit feedback from a wide variety of stakeholders, both internal and external, and then filter those ideas down to the very best initiatives. The process of idea gathering and then vetting the best ideas into strategic initiatives can help companies to distinguish themselves and stay ahead of the competition and market trends.

Internal channels for soliciting feedback can include creating a suggestion box (preferably virtual) or an intranet chat room or simply asking for ideas by email. External channels like social media generate a lot of feedback, but they can expose an organisation to reputational and brand risks if not managed correctly. However a company solicits feedback, whether external or internal, it must ensure that these channels and others like team 'war-room' meetings are made available and monitored closely.

Step 2: Listen and respond

Incorporating ideas into the change management process helps stakeholders to feel like they are part of the strategy. Consulting and incorporating feedback from multiple channels creates a tacit expectation on the part of contributors, which decision-makers can acknowledge by effectively cascading and communicating strategy.

This is a key step in the strategic journey. Clear communication facilitates the planning process leading to good execution.

Many organisations pay lip service to the importance of ideas and innovation, but they may not actualise innovation as a strategy. PwC's recent survey of innovation executives at more than 1 700 companies worldwide finds that disciplined innovation leads to breakthroughs that generate revenue and higher margins.[2] Companies that successfully leverage innovation treat it like any other business or management process that can be disciplined and successfully scaled – on par with operational effectiveness.

[2] 'Breakthrough innovation and growth,' PwC, www.pwc.com/innovationsurvey

Step 3: Pick and choose – and drive action

Companies can put structures in place to understand needs and trends, collect ideas, challenge and vet these ideas. Structures should begin with collaborative meetings, but can be competitive, pitting ideas against each other. Committees or pods made up of selected representatives from different departments can champion efforts, vet ideas and narrow the list down to the best and most viable.

Identifying a few well-selected initiatives from a large number of ideas (whether innovative or not) requires a deep understanding of the marketplace, including the competition. Companies can sense-check each potential initiative against the environment that the company is in; each initiative should be well-aligned to the company's reason for being.

Companies succeed by having good idea-generating ecosystems along with market and proof-of-concept tested intelligence. But in East Africa, for example, market intelligence is still something of a rare science and many companies do not use the big data at their disposal effectively at all.

Companies investing in research and development will want to produce proof of concept through studies to test ideas and understand the trends and changes on the horizon – to anticipate the 'next big thing'.

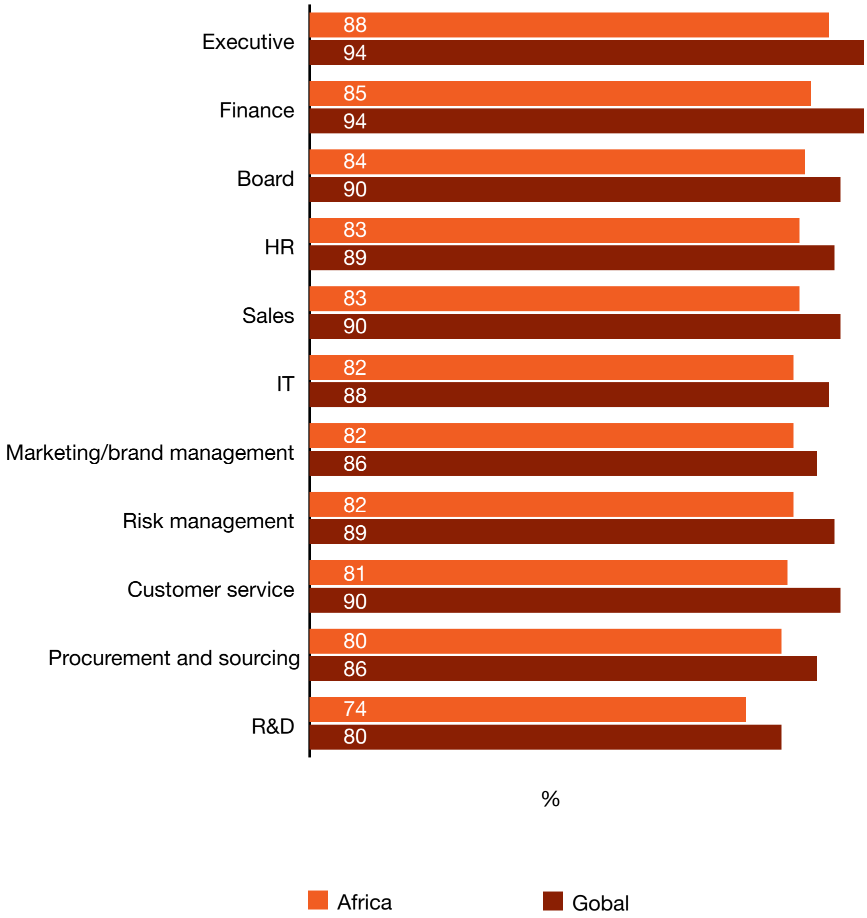
Investing in research and development is essential to understanding whether an idea is implementable or not. R&D also allows a company to sense check an idea against what is known and where a company wants to go.

Creating an environment conducive to innovation is a start. Understanding innovation as strategy is not enough. An organisation that creates innovative ecosystems will have great strategies. The question then is what to do with all of the ideas that emerge from these ecosystems – some great, some maybe not so great.

The answer to this question should be informed by market research, but the answer itself must come from leadership and it must be aligned to the business' purpose.

Figure 12: CEOs in Africa show high levels of readiness to handle the changes that will come about due to transformative global trends.

Q: Thinking about the changes you are making to capitalise on transformative global trends, to what degree are the following areas of your organisation prepared to make these changes? (Respondents who stated they are 'somewhat prepared ' or 'well prepared')



Opportunities for growth

Q&A

The following conversation occurred between panellists at PwC's televised panel discussion about the Africa Business Agenda during the World Economic Forum on Africa in Abuja, Nigeria, on 9 May 2014.

Q: What are some effective strategies to capitalise on growth in Africa?

Colin Coleman, Managing Director, Goldman Sachs SSA: *I think the optimism reflects a few things. First, Africa represents 15% of the world's population and 3% of the world's GDP. Secondly, Africa has a track record since the year 2000 of growing at 5.5%. It's a tremendous opportunity. That's why we see sovereign wealth funds, multinational corporations, African companies indigenous to the home markets, Brazil, India and China, all very active. We're seeing the growth of two things. First, the exploitation of natural resources on the continent and two, the exploitation of the demographic dividend in Africa, the rising consumer and the need to address that.*

Edwin Devakumar, CEO, Dangote Cement: *Before we made the decision to invest out of the country [Nigeria], we made a similar analysis. There is a huge, growing population and the median age of the population is quite low. So there is a strong consumer base and per capita consumption is quite low. So there is huge headroom for growth.*

Sola David Borha, CEO, Stanbic IBTC: *There is an increasing trend for consumers to get more and more sophisticated in their demand for financial services. I think [Africa's] growth story talks about two perspectives, one in terms of financial inclusion and trying to get more of the informal sector into the financial system and also that there is a growing customer base, more sophisticated and demanding. We certainly have seen that growth in terms of our expansion in the retail market.*

We've learned many lessons in engaging with the retail market. The most important is listening to the customer, trying to understand what their needs are and then tailoring a product to address that need. Especially in the lending space, where we have put a lot of focus on the SME sector and there are challenges with that sector, they don't have financials, they don't have core capabilities. So we have had to go out and partner with key businesses that are part of a larger value chain that we can help support and help achieve a win-win situation. We have found that focusing on trying to optimise their cash flow and giving them the appropriate financing that they need has enabled us to grow our loan portfolio in that space quite rapidly.

Uche Orji, CEO, Nigeria Sovereign Investment Authority: *We are investing in Nigeria in the infrastructure sector. We've chosen sectors where the opportunities can be seen [such as] telecommunications, healthcare, motorways and real estate. I'm very optimistic, more so than I was 18 months ago. The second thing that I'm seeing is that the financial market is getting more and more sophisticated in certain areas that we never saw ten years ago. Private equity is growing, venture capital is rising. These are things that I believe will be significant in terms of their contribution.*

I think there is a lot more entrepreneurialism going on today. Regardless of the resources you have as a country, the most important resource you need is human resources. And what I have seen in the last two years is a big influx of people who have been trained in other places who for many reasons, be it the financial crisis in Europe and the United States, but also because maybe people see the opportunities at home – there is a lot more entrepreneurialism going on. You're seeing more Africans solving Africa's problems. Mobile money: Africa is far ahead and part of it is that it is an Africa-specific problem. So there are many things I'm seeing and entrepreneurialism is one reason why we must be very optimistic about Africa.

Improved international tax system will rebuild public trust

by Paul de Chalain

Head of Tax Services for PwC's East, West and South Market regions in Africa

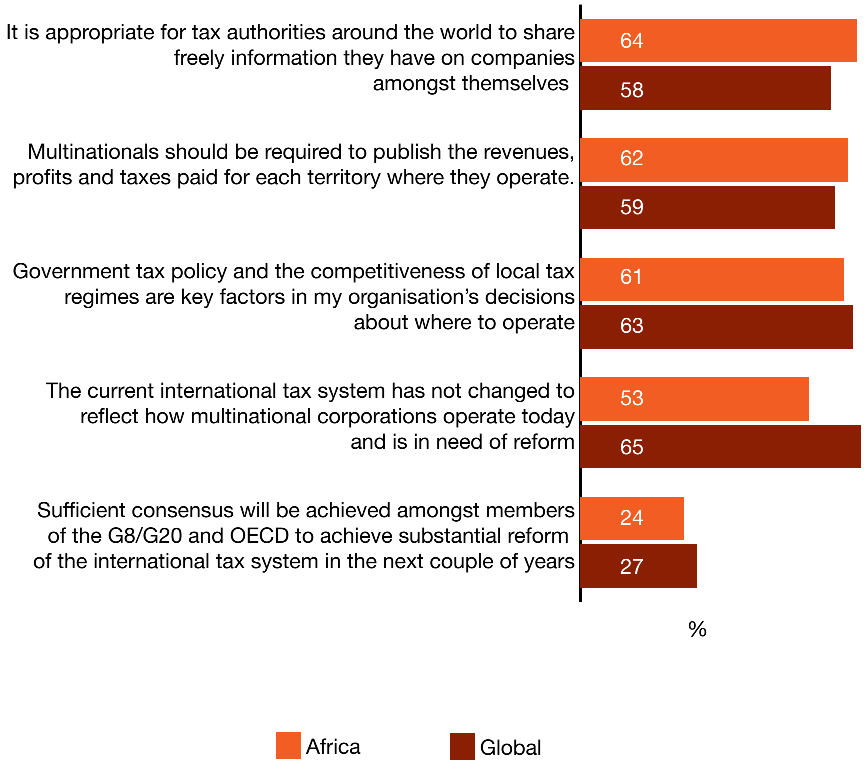
Worldwide, CEOs say the international tax system is in urgent need of reform, with a significant percentage (Global: 65%; Africa: 53%) saying that it hasn't changed to reflect the way multinationals do business today.

Our research shows that concerns over the international tax system not being fit for today's world affect public perception and trust. CEOs also understand that their business' tax footprint, and failure to explain it, can affect and damage their corporate reputation as well as their brand.

While just under half of CEOs feel that government intervention has helped to address the impact of the financial crisis, they are less impressed with efforts on tax reform, according to a new PwC study titled 'Tax strategy and corporate reputation: Balancing trust and growth'.[3] The study, based on the findings of the 17th Global CEO Survey, finds that tax strategy and policies are best dealt with by the board of directors and should include consideration of such issues as impact on stakeholders, transparency, governance and controls and communications.

Figure 13: Most CEOs would like to have a free flow of financial information among businesses.

Q: Looking specifically at tax policy and administration, to what extent do you agree or disagree with the following statements? (Respondents that 'agree' or 'agree strongly')



Just 21% of CEOs globally (Africa: 32%) said their government had been effective in creating a more internationally competitive and efficient tax system.

There were some regional and sector variations – CEOs in Africa (74%) and the Middle East (69%) were most likely to name trust as a problem. There are many factors that contribute to trust, or a lack of trust, and tax is one of them, states the study.

3 'Tax strategy and corporate reputation: Building trust and growth,' PwC, http://www.pwc.com/gx/en/tax/publications/ceosurvey-tax.jhtml

A number of companies recognise the reputational impact of decisions they make about tax and are elevating tax strategy to its rightful place as a board issue and starting to think how they can improve public perception by being ready to provide meaningful information on tax in a way that people can understand.

Just over two-thirds (62%)of the CEOs in Africa we interviewed for this publication believe that multinationals should be required to publish the revenues, profits and taxes paid for each territory where they operate. In addition, tax policy and the competitiveness of local regimes are key considerations in any organisation's decisions about where to operate.

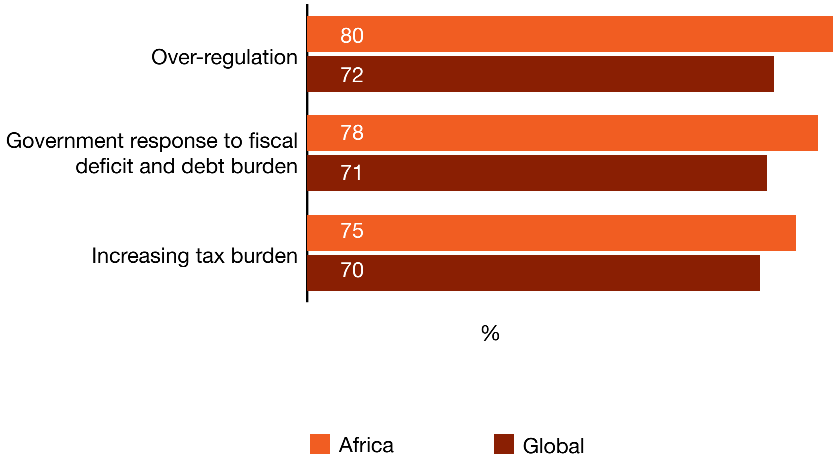
In 2013, the Organisation for Economic Co-operation and Development (OECD) gained agreement from the G20 nations for an internationally coordinated attempt to reform the international tax system. Some of the proposals include country-by-country reporting and tighter rules governing the transfer of high-value intangible assets to low-tax jurisdictions.

Although the will for reform exists, it is surprising to note that CEOs have little confidence that the proposals put forward by the international community will go ahead. Just 24% of Africa's CEOs feel that a consensus could be reached among G20 members and the OECD to achieve substantial reform of the international tax system in the immediate future.

Even so, it is clear that international reform is required and will bring benefits for international businesses and countries around the world. A better international tax system, provided it continues to support global trade, will help to rebuild public trust and improve the global business environment.

Figure 14: African CEOs are more concerned about economic and policy threats

Q: How concerned you are about these potential economic and policy threats to your organisation's growth prospects? (CEOs who are 'somewhat' or 'extremely' concerned)



Risk management in Africa

by Nancy Asiko Onyango

Risk Assurance Services Leader for PwC Kenya

Most companies in Africa have some modicum of risk management in place. They may view risk management as something that they have been doing for a long time! Growth opportunities may make other boardroom priorities like customers, talent and technology much more prominent on the boardroom agenda. This is not to say that risk management is less important.

In Kenya, for example, certain risks like weather, the price of inputs, price volatility and exchange rate fluctuations will impact the agriculture sector. These are not new risks for the sector, and even companies without a formal enterprise risk management framework will still have a long history of managing them. In Kenya's relatively nascent services sector, we are seeing many organisations that started out small now getting more organised about risk management.

Many companies start by prioritising regulatory compliance among areas of risk management. Our 2014 CEO survey shows that 80% of CEOs in Africa are concerned that over-regulation will impact growth prospects for their business, compared to 69% last year. At the same time 65% say that their relationships with governments and regulators have stayed the same or improved this year.

Whatever a company's starting point, it is important to remember that people manage risks. A CEO may not document his approach to risk management, but if there is a problem then he must deal with it. There may not be a formal process per se or risk management may be very silo-driven.

A more comprehensive and value-driven risk management approach should evolve out of frameworks and control environments that already exist. In our experience, that's the only way that risk management will ever become part of an organisation's DNA. In the survey, 29% of CEOs say that they have concrete plans in place to change their approach to managing risk and 31% say that change is already underway. Only 13% believe there is no need to make any change to their risk management approach.

Setting the tone from the top

Experience shows that formal risk management should begin with the systems that are already in place. At PwC, our approach is to start at the Board level, working with the audit committee and extending to the risk committee, and agree upon a mandate. That mandate then drives what happens at the management and operational levels.

Boardroom priorities set the tone from the top and influence company culture. We often find that companies will have a clear cultural mandate to grow their customer base, improve customer retention, recruit top talent and invest in technology. We see this clearly in the Africa CEO Survey; customer growth and retention, talent and technology investment are the top-ranked areas where CEOs are planning to implement change and where change programmes are underway. Risk management ranks second among areas where they anticipate change, but tenth among areas where concrete plans are in place. Why would companies in Africa experience this disconnect with regard to risk management?

Effective risk management requires information but the methods of information collection can vary. Good information can identify risk areas but effective risk management will also drive the imperative to act. Again, this comes down to the tone from the top. Leadership must be seen to do something about it, once a problem has been identified.

One of our clients was a hospital with a great many disjointed units and it would have been difficult—if not impossible, and certainly inadvisable—to impose a centralised methodology. A decentralised approach made more sense; the point is to collect the information needed and use it effectively. A centralised approach could have opened up the organisation to more risk if a unit issue became enterprise-wide.

The fire at Jomo Kenyatta International Airport in Nairobi, Kenya illustrates the catastrophic impact of poor information stuck in silos and a total lack of tone from the top. However, the reaction to this significant risk event has led to improvements in terms of expediting the international terminal and parking facility projects and improving accountability among people and departments. We hope that a more comprehensive approach to risk management is now in place, including resources dedicated to predicting—and forestalling—risk events like fires.

Risk management may not feature among the top three boardroom priorities at every company in Africa. Nonetheless, an effective risk management approach requires organisations to think differently and the main challenge is good communication. By setting the tone from the top, boards and management can prioritise risk management and grow stronger, more resilient organisations.

Internal audit must focus on and address emerging risk

by Anton Van Wyk

Risk Assurance Services Leader for PwC's East, West and South Market regions in Africa. He was recently elected Global Chairman of The Institute of Internal Auditors (IIA), the first African to be appointed to this position.

The internal audit profession finds itself at a point of inflection, in Africa and globally. In more than two decades the role of internal audit has undergone significant change in the wake of rigorous regulation, new corporate governance requirements, advancements in IT and technology, and increasing changing customer needs and behaviour. Company boards and the assurance profession are under increasing scrutiny and oversight by regulators, shareholders and external auditors. Furthermore, there is a greater expectation from management, the board and the audit committee for internal audit to add more value to the organisation.

As a result businesses are placing more emphasis on risk management, corporate governance and fraud prevention, in particular combined assurance, and regulatory and policy requirements. Our Africa CEO Survey shows that 31% of respondents have implemented change plans to manage risk more effectively and 37% are strengthening corporate governance. To prevent fraud, many CEOs in Africa are focused on supply chain management, with 23% currently developing a plan to manage it more effectively. For 83% of CEOs in Africa, bribery and corruption is a significant, worrisome and frustrating threat to growth.

In order to meet stakeholders' demands and expectations, the role of internal audit must be elevated and kept relevant, and most importantly add value to an organisation. Many companies are looking at ways to revitalise the internal audit function to optimise and drive business performance. The role has expanded over the past two decades, particularly having regard to the corporate scandals in the early 2000s and more recently, the financial crisis of 2008. The consequences of the new business risk environment are far-reaching for internal audit, with many businesses in the process of repositioning the function.

The scope of the internal auditor has also increased with the adoption of a global initiative for integrated reporting by the International Integrated Reporting Council (IIRC). In order for integrated reporting to be seen as a reliable instrument for assessing sustainability, organisations will be required to provide assurance regarding the information reported therein. In our Africa CEO Survey, 80% of CEOs agree that measuring and reporting their company's total (non-financial) impact contributes to their long-term success. Internal audit will assist in providing such assurance.

According to a recent global study carried out by PwC of more than 1 900 chief audit executives, of which 7% have organisational headquarters in Africa, if given adequate resources, opportunities exist for internal audit to increase its value and contribution to the business.

This is the first time that Africa has participated to such an extent in the study – *PwC's 2014 State of the internal audit profession study* – and surprisingly many of the issues raised are very much the same as those observed in the rest of the world.[4] The survey found that more than half of senior management globally does not believe internal audit adds significant value to their organisation, and nearly 30% of board members believe it adds less than significant value.

However, participants that took part in the study believe that given adequate resources, opportunities exist for internal audit to increase its value and its contribution to the business.

The survey results show that most African respondents expect internal audit to focus on emerging risk. Some respondents also stated that internal audit needs to work with other relevant departments to effectively identify and address emerging risks.

Internal audit personnel have a wide range of skills, which they are required to draw on in all aspects of the audit, deliver value and address all significant risks. The complexities and challenges to doing business in Africa will remain for the foreseeable future and this will demand an agile internal audit profession. How and when the profession reacts to the demands and opportunities confronting it will determine its relevance and the value it can add to the organisation it serves.

4 '2014 State of the internal audit profession study', PwC, http://www.pwc.com/en_M1/m1/publications/documents/pwc-state-of-the-internal-audit-profession-2014.pdf

Building international JVs & partnerships and financing growth in Africa

by Emmanuel Le Bras and Hervé Demoy

Partners with PwC France

Africa's CEOs are in a partnership mood

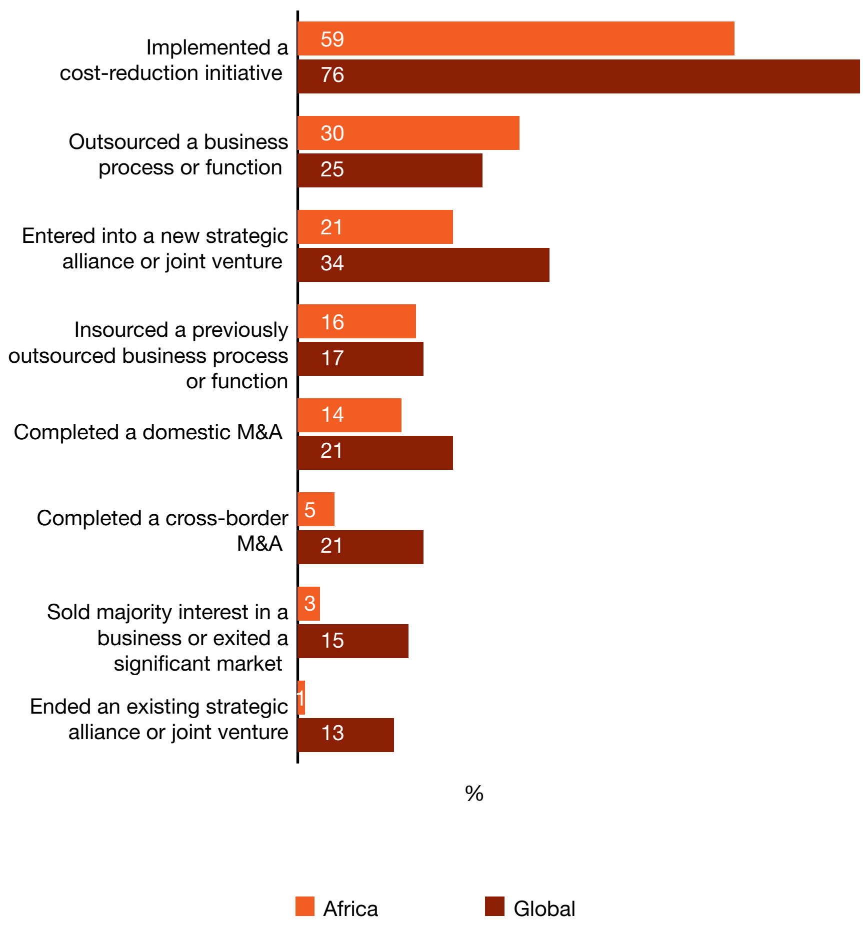
In times of crisis, and despite the higher resilience of the continent, African CEOs have been very focused on operations. As illustrated in our survey findings, they have centred their recent activities on cost reduction, including through outsourcing: 89% have implemented either or both such initiatives in the past twelve months. In the meantime, only a fifth entered into a new strategic alliance or joint venture and a similar proportion completed or domestic or cross-border M&A.

Going forward, African CEOs told us that they will be more actively looking for partners, while still keeping an eye on costs. Almost half of them plan to initiate a new strategic alliance or joint venture in the next 12 months, and more than a quarter are anticipating an acquisition, mainly in their home country or elsewhere in Africa.

This is a sign of better overall economic prospects, higher availability of finance, the growing presence of potential local and international partners attracted by the continent's potential, as well as the existence of numerous investment opportunities in a variety of sectors, including natural resources extraction and beneficiation, banking, telecoms, agriculture, infrastructure and consumer goods.

Figure 15: CEOs have centred their restructuring activities around cost reduction

Q: Which, if any, of the following restructuring activities have you initiated in the past 12 months?



Towards greater regional integration and closer international ties

The main challenge for CEOs in Africa looking for partners may be not financial, but operational. They will have to adopt the right approach and business model to launch new ventures, choosing between trade agreements, joint ventures, contractual partnerships – or M&A operations – and they will have to make sure that these operations can deliver the value they are expecting.

This will becoming increasingly complex with the growing interest of international players in the continent, especially from other emerging countries and the US. As American, European, but also Asian and African companies are looking for new global growth opportunities, they are beginning to reverse long-held views about Africa. In fact, 74% of respondents to PwC's 16th Annual Global CEO Survey said they expect to expand their operations in Africa, despite only 13% of them currently operating on the continent. These companies will bring fresh money, but also the necessity for African companies to align with the business standards of these global companies.

International investors know that the time has passed when successful entry strategies into Africa meant distribution agreements with local partners. With Africa entering a new stage of maturity, African companies are looking for more value. They have set ambitious plans to go pan-African or global and are now looking for solid international partners, whether financial (such as private equity funds) or industrial.

Not surprisingly, international joint ventures are becoming increasingly popular. In the past six months alone we have identified several dozen of them in sectors as diverse as natural resources, food & beverages, animal feed, business services, engineering, IT, transport equipment and media services. No doubt this trend will continue in the coming months and years.

In such an environment, selecting the appropriate investment vehicle is only one consideration. Future partners will also have to learn how to build win-win deals and agree on the governance of the new venture. Key success factors will include clear roles and responsibilities between partners, strong involvement from each stakeholder (JVs are too often under-resourced) and capacity for partners to build trust and clear governance rules, processes and performance management systems.

Successful joint ventures are typically not built only on legally-binding contracts (although they are a necessity). They must realise the willingness of two or more partners to work together, by agreeing on goals and strategy, understanding each other's attributes and business agendas and being prepared with back-up plans in case things go wrong. They should also organise the transfer of competencies and technologies to the new venture.

Changes in regulatory environments will open the door to new opportunities

African countries are starting to take action to become more investor friendly. For example, the Organisation pour l'Harmonisation en Afrique du Droit des Affaires' (OHADA) revised Uniform Act on commercial companies and economic interest groups adopted earlier this year will unlock new opportunities for international investors willing to strike alliances and establish joint ventures in the Francophone member countries of West and Central Africa.

The new framework introduced by the Act will give partners much more flexibility in setting up local operations, including through:

- A new corporate form equivalent to a simplified form of a public limited company;
- More flexibility on securities, with unfixed share capital, the possibility to give non-voting shares to local partners or free shares to staff members;
- More power in operations, including appointing the CEO of the venture; and
- More stability and long-term certainty such as 10-year inalienability of assets.

Q: What is your approach to acquisitions?

A: What we are focusing our intention on is building our business distribution capabilities. One focuses on the ability to see product in last mile. We are focusing on selling product in that last mile. Blue Label is very effective at this. Secondly, we are trying as much as possible to entice/collect as many consumers onto our database as possible. So we have bought some different companies in the process and buying consumer bases and historical channels we didn't own. Now we're introducing new channels to our consumers.

When we look at acquisitions, we look at five categories:

1. *Is it earning enhancing?*
2. *Does it give us a new distribution channel that we previously didn't have?*
3. *Does it give us new products?*
4. *Does it give us new services?*
5. *Potentially, is it defensive?*

If an acquisition can encompass all five categories, then it's a real winning formula for us.

Mark Levy is joint CEO of Blue Label Telecoms in South Africa.

Financing growth in Africa

The following conversation occurred between panellists at PwC's televised panel discussion about the Africa Business Agenda during the World Economic Forum on Africa in Abuja, Nigeria, on 9 May 2014.

Colin Coleman, Managing Director, Goldman Sachs SSA: *I believe private equity is playing an important role in providing capital into situations to grow companies. And they're bringing technology along as are multinationals. Sovereign wealth funds are seeing this opportunity and providing capital.*

The one thing that I would like to see before I retire is the development of some real equity capital market activity outside of South Africa. We really don't have liquid capital markets in Africa to provide either the inclusion capacity for local populations to participate or the liquid capital to get this going. That is one of the stories of China. They liberalised the market economy, they floated a lot of companies, they have established a three-trillion-dollar market capitalisation in China from really nothing in 30 years. In Africa, the Angolan market, the Nigerian market is not very liquid; the Kenyan market is not very deep. These are countries that are developing that are going to need capital and we need to get those capital markets to function more effectively.

Sola David Borha, CEO, Stanbic IBTC: *I think we will see more, but I think there are number of issues why the speed of these transactions is not coming through as fast as we would like. One of them is valuation and that tends to be a stumbling block in terms of two parties not being able to agree in order to take the transaction forward. The second is a learning curve; you see a lot of companies coming into Africa and they need to get familiar with the environment and make a few mistakes before deals get done. I think with the right advice we will see more activity. Also, as reforms in various sectors take root, it will open up more opportunities.*

Uche Orji, CEO, Nigeria Sovereign Investment Authority: *My sense is that it will happen, but I have also seen that over time it has to do with the cost of capital. There is more M&A when capital is cheap; there is less M&A when capital is expensive. There is a need to develop our capital markets. There is a need to develop our debt markets. It's time will come, but there is enough opportunity for organic growth and at some point we will start to look at M&A as a way to drive growth.*

Colin Coleman, Managing Director, Goldman Sachs SSA: *There are very few companies that are of a size that a large multinational can either partner with in a JV or buy that is not going to unplug a huge institutional capacity from the market. You want to own local companies, have local companies operating. So the large M&A deals on the continent have tended to be either the South African companies which are moving. So the M&A outside of South Africa is going to be few and far between.*

Farouk Gumel, Partner, PwC Nigeria and Advisory services leader, PwC's West Market Area: There isn't a lot of M&A volume by value but there is a lot of volume by quantity. If you look at the 5-15-million-dollar organisations in Nigeria, a lot of them are raising capital. This is evident from the private equity guys that are opening up shop in Nigeria; they are all looking at transactions. The big value ones are very rare to find but these guys who are coming to invest in smaller companies are looking to improve efficiency by putting technology in. It is a very simple thing, moving a company from small to big in Nigeria. Just throw in efficiency measures, throw in transparency, throw in long-term capital and all of a sudden that 15-million-dollar company, you are exiting at 500 million dollars.

Financing growth in Africa

by Pierre-Antoine Balu and Hervé Demoy

Partners with PwC France

Many CEOs in Africa recognise that governments have been quite successful in ensuring financial sector stability, and believe that governments have understood the necessity to build a more inclusive financial system on the continent. According to our Africa CEO Survey, 45% of CEOs in Africa say that government has effectively achieved the outcome of ensuring financial sector stability and access to affordable capital.

Even so, Africa still accounts for less than 1% of the world's stock market capitalisation. Furthermore, the 23 stock exchanges on the continent operate with low levels of integration and large fund raising is difficult, particularly for pan-African players. Companies experience challenges to financing their growth easily or at a reasonable cost, whether through debt or equity; many private investors are still reluctant to invest due to limited exit options.

Although many CEOs of large companies are confident of their capacity to raise funds for their development or to finance projects, they are still worried about the high lending rates that increase project costs and jeopardise returns on investment. Rates in Africa can vary significantly depending on currency, forcing investors to choose between lower lending rates, but higher currency risks (materialising if the local currency depreciates against the euro or the dollar), and higher lending rates from local institutions.

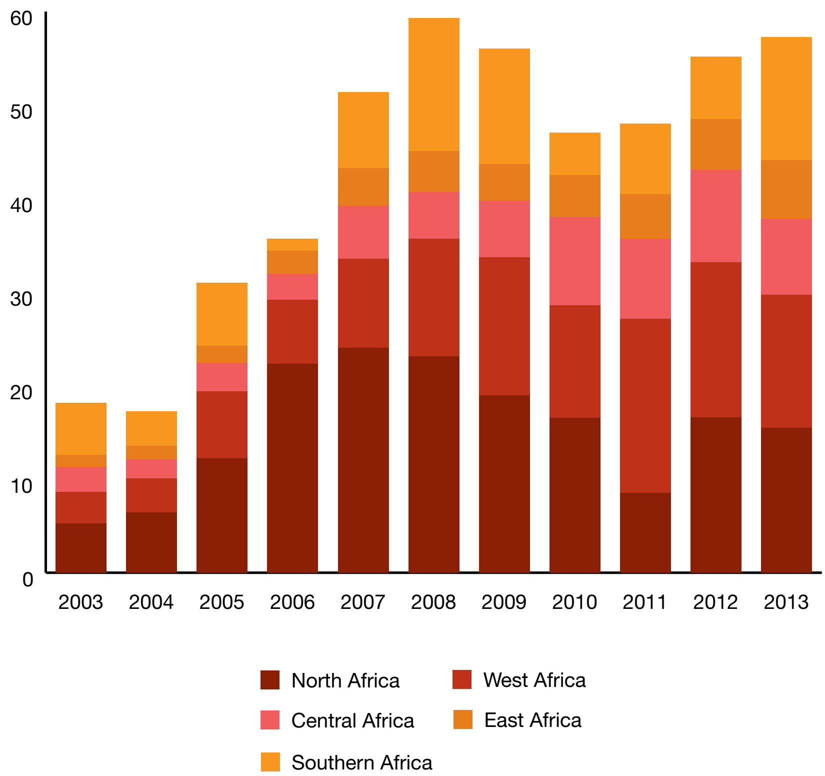
The situation is even more challenging for smaller companies, for which affordable finance is more difficult (an estimated 80-90% of SMEs are unserved or underserved). Governments have a role to play here by setting up an SME-friendly business environment, but large groups and public companies can also make a difference by managing their contractor network in a responsible way.

Ultimately, stabilising growth in Africa will partly depend on the sustainability and dynamism of these SMEs, which account for 70% of companies.

FDI on the rise again – increasingly from emerging countries

FDI inflows to Africa grew to USD57 billion in 2013 according to UNCTAD, growing at an average 12% per year over the past ten years, above the global average (9%) and that for developed countries (4%). Despite fluctuations due to the Arab Spring and pockets of instability in sub-Saharan Africa, this figure confirms the overall attractiveness of the continent for international investors. As highlighted by IMF's Christine Lagarde in a recent keynote address, Africa is now a growing investment destination for both advanced and emerging economies – with a record USD80 billion inflow expected in 2014.

Figure 16: Growth of FDI inflows in Africa (USD billions)



Source: UNCTAD

Q: How are you funding growth?

We're looking at strategic investment and private equity eventually with the intention of an IPO to bring us to the fourth phase of our growth. Internally-generated funds become a little bit tough, borrowed funds are a bit expensive. Our intention is to ensure that East Africans are part of our growth strategy. There are strengths when you become a listed company, you have a source of funds that is free. But there are issues in terms of questions, capabilities, results. Somebody has to be the head of the company whether he's the head of the family or a shareholder.

Haku (Atul) Shah is the Group Managing Director of Nakumatt Holdings Ltd, the leading retailer of food and consumer goods in East Africa with over 40 branches in Kenya, Rwanda, Uganda and Tanzania.

Although North Africa is still the most significant destination for FDI inflows (USD14.5 billion or 27% of the total in 2013), most other regions have been catching up, whether over the last ten years (FDI inflows grew by 15% and 17% per year in Western and Eastern Africa respectively) or more recently in Central Africa (10% growth per year over the past five years). In these regions, large oil and gas and other resource projects have been key contributors to growth.

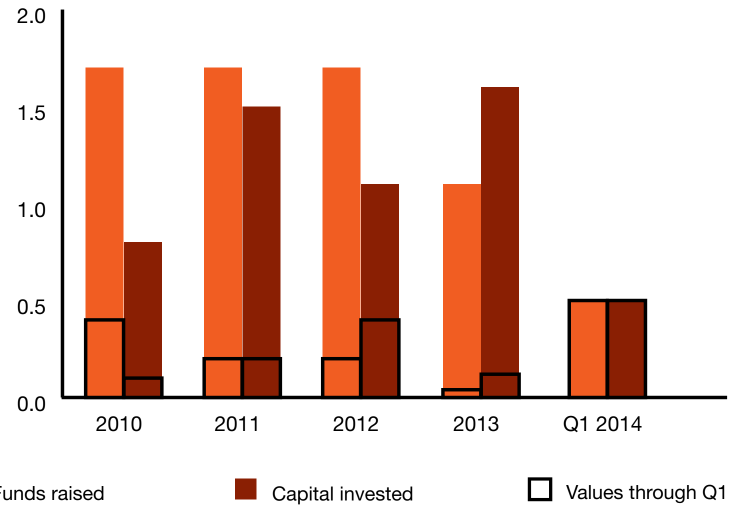
Interestingly, the share of FDI flows coming from emerging markets has been growing continuously. China, which is ranked first by 23% of CEOs in Africa as the most important country for growth prospects, is actually said to be willing to invest up to USD1 trillion in Africa in the next decade. African companies will benefit from this inflow to finance growth.

Private equity: An instrument for growth in Africa?

A portion of FDI inflows in Africa comes from private equity. Private equity is not new to Africa with firms like Helios Investment Partners, Emerging Capital Partners and Actis Capital already very active on the continent. However, private equity professionals believe that the market is now entering a new level of maturity. This trend gained more attention recently with the arrival of Kolberg Kravis Roberts, which made its first investment on the continent this year (a flower business in Ethiopia), and the Carlyle Group's closing of its first sub-Saharan African fund well above its initial target (USD700m vs USD500m).

As an illustration, sub-Saharan Africa attracted $1.6 billion in private equity investment in 2013, the most in five years according to EMPEA, whereas funds raised decreased in 2013, showing a move into investments. In the meantime, funds raised in Q1 2014 reached a peak, possibly announcing a new wave of investments in the coming years. According to professionals, the four most popular sectors are still business services, information technology, industrial products and telecoms, media and communications, but there is a growing interest in the consumer sector in appreciation of Africa's emerging middle class.

Figure 17: Fundraising and investment in sub-Saharan Africa, 2010-Q1 2014



Source: EMPEA

Despite this strong performance, the penetration of private equity in Africa remains low, as confirmed by Carlyle's co-founder, David Rubinstein:

Even today, of all the money invested in the world, about 1% of the money invested in private equity is invested in Africa.

Most experts agree that Africa will soon be the fastest-growing region, but that it will take time to grow off a low base.

Private equity investors agree on what makes the African market attractive: a growing population, a burgeoning middle class, steadily growing economies and improved governance and economic policies. Kola Olofinboba, who heads up Fairview's African practice, recently declared at an industry event in New York co-hosted by PwC and the Foreign Policy Association:

There is something happening there's a significant structural shift and we think it's there to stay. And yet when you look at the amount of private equity capital that has actually come into the [African] continent annually over the last ten years, it has grown a little bit but hasn't really spiked. So we think the opportunity is still very early. And for people who get in now, the view through the windscreen is a lot brighter than what you see in the rear view mirror.

This is good news for investors, who will no doubt bring more fresh money to the table. But the benefits may be even larger, as private equity investors typically also help mid-sized companies be more structured, improve governance, forge business relationships on a global scale and provide training and skills, thus potentially bringing significant 'non-material' added-value to African groups. As illustrated by Carlyle's Managing Director David Marchick:

We tend to focus on transactions where we can actually add value, where there's some niche or some capability that allows us to help that business grow faster, expand internationally, strengthen governance, or improve financial management. In Africa we concentrate on sectors where we can help companies globally.

The growing presence of private equity investors in Africa may contribute to the emergence of pan-African, if not global, African champions. It may also help Africa improve transparency and develop value-added activities such as manufacturing, services and consumer goods, and enable it to diversify away from mining and agribusiness.

Q: How difficult is it for a company like yours to secure financing?

A: As a listed company owned in majority by a large international group, we are viewed as a strong and credible player. We do not face significant difficulties when it comes to financing our activities and projects. We have strong financial partners who have been convinced for a long time of the strength and sustainability of our business model in Africa.

However, financing specific long-term projects such as industrial projects or shopping malls requires finding the adequate mix of equity and debt. If financial markets are, in my opinion, large enough to provide the required debt facilities, the key issue is their cost. A higher financing cost impacts the profitability of our projects and return on investments and, ultimately, the overall attractiveness of any long-term and capital intensive projects.

Q: What options do you have to finance your industrial investments?

A: Financing industrial investments in Africa raises an alternative in terms of debt structuring: go for local debt or secure offshore debt. Borrowing in euros or dollars enables us to enjoy lower rates, but we then face a currency risk if the currency of the country in which we develop our project depreciates. Conversely, borrowing in local currency eliminates this currency risk, but it may cost more due to higher lending rates. To give you an idea, these rates can range from 6% for a loan in euros including country risks to 10% in CFA Francs and up to 16-17% for a loan in local currency out of the CFA zone. This means a difference of up to 11 points. In addition, long-term financing expressed in local currency is in relatively scarce supply.

Q: Would financial markets or private equity help fund alternative financing options?

A: Private equity funds are a credible option when it comes to acquiring one or several business that we may want to divest. They are highly interested in such assets, as they have been well managed.

Q: How do you create confidence with your financial partners?

A: You need to demonstrate the solidity of your business model and your ability to manage risks. This can be achieved through solid experience of doing business in Africa (and we have been here for a long time); the capacity to mutualise risks that we typically have thanks to our presence in 33 African countries through 140 profit centres; clear governance based on well-tried processes including management, cost control and financial reporting and, finally, a solid organisational structure based on sophisticated HR policies fostering team motivation and innovation.

As an example, the expiration policy of our business unit leaders, together with strong empowerment and autonomy policies, makes them feel like entrepreneurs. They typically bring new ideas and value every time they take a new job, and this also helps with controls being regularly reinforced.

Alain Pecheur is the Chief Financial Officer of CFAO, a listed company controlled by Toyota Tsusho Corporation. CFAO operates in 33 countries in Africa and distributes equipment (cars, trucks and construction equipment), healthcare products and consumer goods.

Q: How do you manage potential conflict among finance partners?

A: Private equity firms generally are risk averse. Growing our business to the next level requires venture capital or private equity. But private equity investors wants three to five times back on their investment, so there can be conflicts. Investors may see five years ahead. As a business leader, you may have a ten-year vision. That is where you find some challenges. The main issues are alignment of vision, meeting targets and keeping everybody happy.

Michael Macharia is the Founder and Group CEO of Seven Seas Technology Group, a leading provider of integrated business and technology solutions in Africa.

Q: What is your focus for investment?

A: The Market Demand Strategy (MDS) is our investment programme aimed at revitalising our equipment and assets over the next seven years. The MDS is something that is going to preoccupy us for the next seven years. It involves a capital investment of ZAR307 billion to develop capacity to allow us to build an industrial base for South Africa.

In terms of the way that we are spending the money – and this is what we are doing differently – we are concentrating on localisation and local supplier development. So we do not just buy equipment, but insist upon taking part in the manufacturing of the equipment. The locomotives that we are buying now are being largely manufactured at Transnet facilities by Transnet employees. And we are gaining experience and setting ourselves up to be able to manufacture in the future.

We have budgeted ZAR1 billion for research and development—and I think this is the most critical ZAR1 billion of the entire ZAR307 billion. This is because with research and development we get an opportunity to get on top of our game, to come up with innovations, to think out of the box, to think about doing things differently and to grow the company differently.

For me, our ZAR 1 billion investment in research and development is the most significant development in Transnet. It's something that we haven't done in a long time, something that was neglected – certainly here in South Africa and also on the continent as a whole. I think if we increase our efforts in research and development and strengthen cooperation with tertiary institutions we should be able to facilitate faster economic growth.

Brian Molefe is the Group Chief Executive of Transnet SOC Ltd, the largest freight transport company in South Africa.

Developing local talent

by Michael Holtzmann

Director of PwC's People and Change consulting practice in the East Market Area in Africa

The right people at the right time in the right place

High-potential talent is a scarce resource among organisations of all kinds, in Africa and elsewhere. Leadership development programmes help to attract and retain top talent. The results of our survey of CEOs in Africa show that companies in Africa are focused on building up the leaders of tomorrow and managing some very specific talent challenges at the same time.

High potential in high-growth markets

One of these challenges is the availability of high-potential middle managers and skilled production workers. In Kenya, for example, many companies are creating jobs but not enough for the large number of people with university degrees. Graduates who do excel in the formal sector very quickly find themselves in high demand as they acquire skills and expertise.

Companies may be tempted to rush high-potential candidates through to middle-management positions. This creates a number of risks, one of which is that potential is inherently latent: you don't know if someone will rise to the occasion until you try. Trying without preparation is a recipe for failure.

Companies can give their high-potential talent platforms to grow into their roles and opportunities to try new things, helping to prepare them before they advance to managerial roles. Will someone who is technically savvy also make a good team leader? The answer to this question depends very much on the personal attributes of the individual, preparation, training and support in the new role.

Identifying high-potential talent in the first place requires that companies pay attention to behavioural competencies. Managerial induction programmes must specifically address this aspect of talent development. Generally, a programme of 10% classroom learning, 20% applied learning and 70% on-the-job training makes sense.

An effective talent management strategy will create the space for that 70% to occur and enforce accountability among the people who coach and mentor the inductee through it. Too often, we witness an ad hoc approach instead, largely driven by the need to accelerate talent development. Other times, companies fail to look beyond their embedded hierarchy or industry to find the right people.

These challenges point to a need for a workforce strategy at a country level. Relevant accreditation and training bodies can work together to create a plan to address a country's talent needs. An effective workforce strategy will ensure that training is informed by technical content and behaviours contributing to the resilience and effectiveness of tomorrow's leaders. This will help create the jobs of tomorrow.

Q: What is your biggest challenge with regard to tallent?

A: To find skilled workers in a country where there is massive unemployment is a huge problem. Smaller companies like ours tend to upskill talent with the result that big organisations poach them and one simply cannot compete.

Mark Levy is joint CEO of Blue Label Telecoms in South Africa.

Paying for performance

The competitive market for top talent influences compensation, with many companies under pressure to match or exceed pay conditions among peer companies to recruit or retain top talent.

One way to combat undue salary inflation is to evaluate the talent pool overall and implement clear career planning and succession policies internally. Experience globally shows that there can be significant return on investment from looking at the talent pool internally, but this also entails challenges. Internal candidates – just like external candidates – must be supported in their journey.

Internationally, there is a wide variance between high-level and entry-level or average compensation. This is informative because the market for top talent and corresponding pay expectations are not uniform worldwide.

Companies can attract top talent from anywhere, but their boards will want to justify a return on investment. High levels of economic growth and correspondingly high expectations for company growth may justify higher compensation.

Many CEOs share the view that pay and performance should be considered in relation to risks taken. Rather than a 'Wild West' attitude of results at any cost, companies can identify growth objectives and at the same time set the bar for an acceptable level of risk.

Companies that bring in foreign talent must make this explicit, because cultural norms for risk tolerance vary. This can be addressed through an open conversation about achievement at a cost that is agreeable to all parties, and written into adapted performance contracts.

Figure 18: Most CEOs expect to maintain or increase headcount in the coming year

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

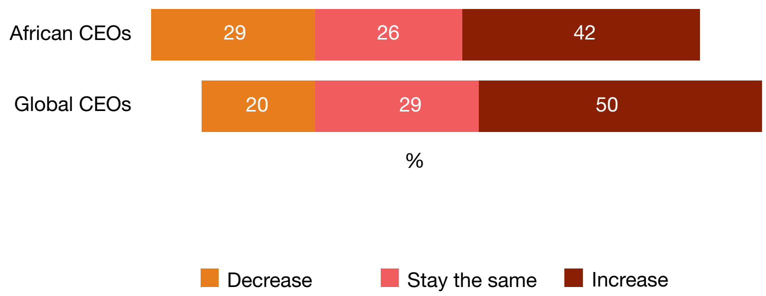
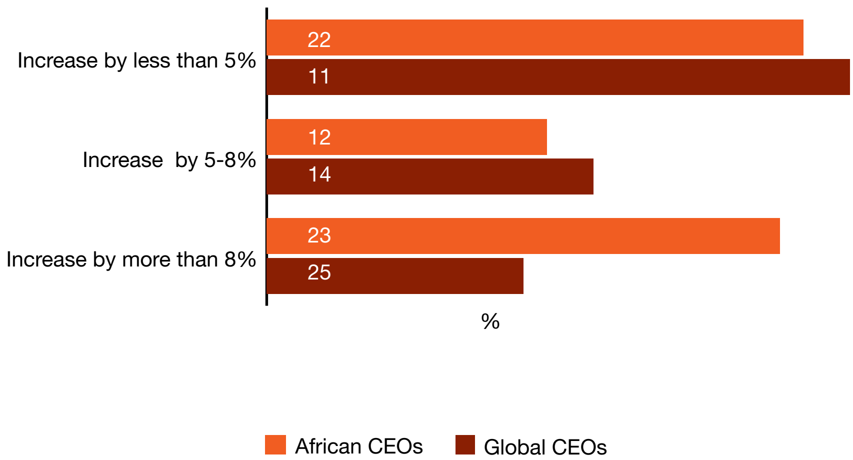


Figure 19: Nearly a quarter of CEOs in Africa expect to expand headcount by more than 8%

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



Q: Is the attraction and retention of talent a difficulty for Times Media Group?

A: We try and attract and retain the best talent – this is a company that the most outstanding journalists want to work at. They have freedom from interference. We also want to invest in our staff, in particular in terms of training. For many years no one invested in the training of our people; we have now changed that. The media business is about producing the best relevant content and we need to ensure that our people can do this. We have set up a training programme with the Financial Times and Daily Telegraph in the UK to send our journalists there for training and also bringing well-known experts to South Africa. We want to improve talent in all areas of the industry.

Andrew Bonamour has been the CEO of Times Media Group Limited in South AFrica.

Leadership development insights

Many CEOs also shared views about what works in terms of leadership development programmes. Overall, there is broad recognition that if companies nurture and pay attention to human capital – and treat their people like an asset – they will earn a greater return on this investment.

A portfolio of leadership development programmes will help to grow more diversity within the talent pool. No company knows for sure where its next CEO will come from, especially as regional and 'one-Africa' strategies cause workforces to become increasingly diverse.

CEOs cite functional rotation as an effective leadership development strategy, but this brings into question the trend towards deeper specialisation. In many industries, high-potential managers find that they must be deep experts and very specialised.

CEOs may reasonably ask whether there is a place for a generalist in this environment, or if cross-functional experience is a necessary aspect of growing the leaders of tomorrow. Many are finding that a policy of encouraging functional rotation requires serious thought around facilitation and support, so that those who rotate also deliver upon the level of expertise required.

The leaders of tomorrow view themselves as conduits between what is happening in the market (with clients, customers, markets, regulators and governments) and the kinds of products and services delivered. Leadership development is less about leading than it is about influencing different actors to identify trends and shape outcomes.

To be successful, leadership development programmes must work to grow that capacity and agility among top talent. One of the most valuable tools for doing so is feedback. Companies can implement policies to facilitate feedback and an environment for acting upon it, as well as creating the space for busy, talented people to trial different behaviours or take on something new. A culture that inspires fear of failure will have the opposite effect. Feedback must be seen as a valuable and necessary professional gift between the members of the organisation.

Q: What contribution does training make to your business?

Retaining a level of profitability is very important for a company. Having the human side of the company visible to the population is very critical as well. We train more people than we require as a company to give people a fighting chance to get a job – even it if it is not at Transnet. In fact, that is what we think Transnet would like to be remembered for during this era of high unemployment and fighting poverty.

The barrier that we experience is the need to encourage a lot of our people to start thinking differently about how to do things. If you think about railway people, in a lot of instances what they do today is what they have done or the last 30 years. The biggest barrier for us is accepting and embracing change and in fact playing an active role in making the change.

Brian Molefe is the Group Chief Executive of Transnet SOC Ltd, the largest freight transport company in South Africa.

Overall, leadership development programmes are helping to change expectations. Leaders are not heroes; they are human and connected to their organisation, markets and other individuals. Our survey shows that connected leadership is very much on the minds of today's CEOs in Africa.

Q. What are your strategic priorities for human resources?

BMCE Group is a rich mosaic of talents and competencies. Our people are clearly our main asset, our wealth. Helping them to thrive is clearly the main priority of our HR strategy. At the heart of the HR strategy of every single company willing to grow and improve its competitiveness and performance is a commitment to attract, develop, retain and diversify the talent base.

We focus on knowledge and know-how sharing and transfer, as well as creating a common culture among all employees of the group, whatever the nationality or geographical location.

Technical competencies are not enough for us, though they are very important. We also encourage human capital, analytic agility, action-oriented behaviours, an entrepreneurial mind-set and innovation capacity, because they are all value-creating behaviours.

Constant learning, meritocracy, functional and geographical mobility: they all matter to the improvement of the Group's human capital and to diversified, fruitful career paths. This is true in all sectors, but particularly in the services industry.

This is how the BMCE Bank Group is building a true 'collective brain' for our clients, the economies of countries in which we are located, and for our shareholders and stakeholders.

Brahim Benjelloun-Touimi is Director and Delegate General Manager to the Chairman of BMCE Group of Morocco, a leading player in Africa's financial ecosystem.

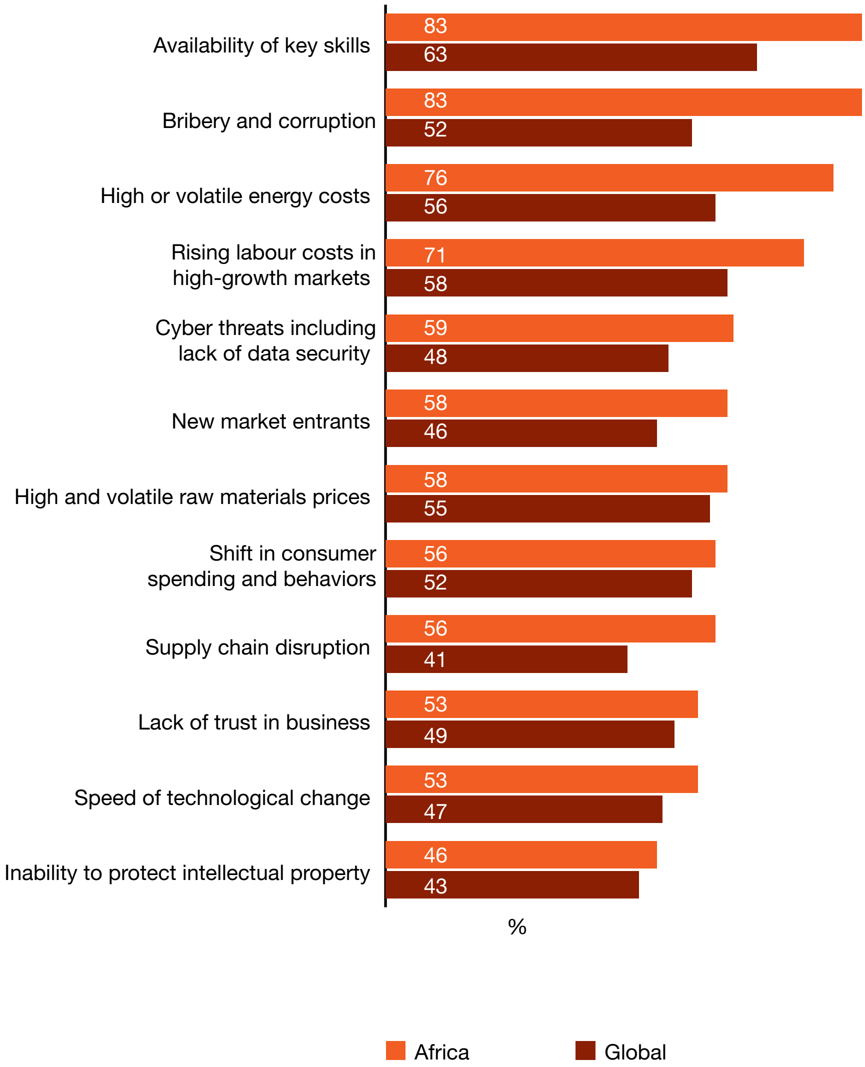
Global mobility in Africa

by Alan Seccombe

Partner with PwC South Africa's Human Resource Services practice

Figure 20: CEOs are especially worried about skills shortages and rising labour costs

Q: How concerned are you about the following potential business threats to your organisation? (CEOs who are 'somewhat' or 'extremely' concerned)



Africa's growing economies are creating more demand for top people. CEOs tell us that they are confident of growth prospects and focused on increasing their workforce this year, even as they express concern about the availability of key skills.

There is an imbalance in many economies in Africa between the demand for skilled labour and supply. Larger companies can leverage a regional workforce to good effect by sending skilled people on secondment or setting up 'hub' operations in markets with a stronger skills base. Other companies may outsource skills in growth markets or enlist third parties like subcontractors (who may be foreign born).

Many companies in Africa expect to send more people on international assignments in the coming years. They recognise the strategic value of deploying the right people in the right place at the right time, and also the benefits to talent development. According to PwC's first-ever Global Mobility in Africa survey, 88% of companies say that the importance of global mobility has increased over the past three years.[5]

Companies that leverage foreign-born talent must navigate the intricacies of government immigration and tax policies, which vary considerably by country. Recently, immigration regulations for foreign workers have become stricter in many African countries.

To manage these challenges, many companies outsource immigration to third-party service providers and use external service providers to provide tax services to their expatriate employees.

Companies in Africa tend to use their internal human resources staff to prepare employment/secondment contracts. Employment/secondment contracts are the most important document in support of visa/work permit applications and may need to be disclosed as part of tax compliance processes. Such contracts may also need to be compliant with labour laws in the host country.

Immigration and tax policy challenges reflect tension between government priorities: the need to build up a local skills base and reduce unemployment – particularly youth unemployment – and the need to grow economies, fuelled by industry and productivity gains. At the same time, the public expects a return on government investments in education.

Companies are investing in their skills bases, but these investments can take time to realise value. Retaining high-potential talent is difficult in markets where skills are in high demand. Many companies have found that global mobility programmes positively impact retention and view international assignments as an important element in developing high-potential talent.

In our experience, companies that focus their mobility strategies on both developing talent and growing their businesses will see great benefits in the short and long term. Now more than ever before, companies that align their mobility, global resourcing and talent management strategies with their wider business strategy realise the most value.

5 'Global mobility in Africa,' PwC, http://www.pwc.co.za/en/publications/global-mobility-in-africa-report.jhtml).

Developing talent

Q: What steps are you taking to develop talent?

A: We are investing in people. We have recently recruited someone who is helping us to go online. We are working with someone who has done this for Tesco and others. We didn't have this capacity in-house so we brought someone in from outside. We need to be online; we need to be in touch by the minute. We're in a test phase in terms of electronic invoicing with our suppliers. People say that technology reduces people within the organisation but I don't see that. At the end of the day, if you get it right, you see the value. But it can take a while before you get it right.

We are growing from within, but as we expand regionally, we need regional heads and management at regional offices. It's a challenge to get the right people and them being offsite and getting their work permits and then not having them here all the time. We are getting local talent but it can take a while.

We're all employees, even I am an employee. There's nothing for free in this company, everybody is equal. In terms of performance so far, touch wood, our management team has all done what they have been appointed to do or what their capabilities allow them to do.

Haku (Atul) Shah is the Group Managing Director of Nakumatt Holdings Ltd, the leading retailer of food and consumer goods in East Africa with over 40 branches in Kenya, Rwanda, Uganda and Tanzania.

Q: Which strategies are helping your company to manage talent most effectively?

A: Retention is a challenge in every business today. The war for talent is real. As a leader in any market, your company becomes a hunting ground for talent. Talent migration without new development increases the human resource cost structure in some cases. Without proper ICT market salary surveys, the human resources cost could easily get out of control.

We're getting to a level of maturity as a business where we can outsource vertical expertise through freelancers. As a country and region, the industry is not mature enough to build a joint and common skills pool. A change of mindset so that it is alright not to be formally employed and become an enterprise or an asset as an individual subcontracted on various projects is key.

We now tap into a small niche of these high-value talent pools through our Partner for Life initiative and also re-training as well as hiring teams focused on specific verticals such as a trained doctors joining the ICT Healthcare Business.

We continue aggressively on our talent acceleration programmes like the Knowledge for Life initiative, university student exchange programme and management development programmes, among others.

Q: How do you retain younger employees?

A: Among younger employees, they really need to believe in a justifiable cause. They have to believe they are part of a project that is changing lives and making a difference. We build a connection between the idea or project and the employee.

Younger employees also need to feel that individually, there is a personal gain, as well as feeling collaboratively within their teams that they are having fun and are energised. We do engage our younger employees.

We find that even when some of them exit the company, they sometimes come back or remain connected to Seven Seas formally and informally since they are part of what we call the 'SST DNA'. The money could be great, but you find they are seeking something else, in some cases asking: "What is the point, am I having fun or making a difference?"

Q: How would you characterise the availability of key skills in other markets in Africa?

A: This varies across different markets. In Nigeria, for example, we have gained greatly from the strong talent base present. In Ethiopia, there's a learning curve in regard to sophistication of skills, but here we find longer job retention.

In Zimbabwe, our SAP business has been very strategic; our partner there used the Zimbabwean economic crisis a couple of years ago to build talent. Money saved from the reduced wage bill was used to hire more people and employ them in other countries. As the Zim dollar was crashing, he was hiring more people and deploying them to government for free, thinking that he will be paid down the road. He was right and his gamble paid off.

Michael Macharia is the Founder and Group CEO of Seven Seas Technology Group, a leading provider of integrated business and technology solutions in Africa.

Innovating in Africa

by Danie Fölscher

PwC Partner in Charge of South Africa's Western Cape region

Innovation is a key driver for growth

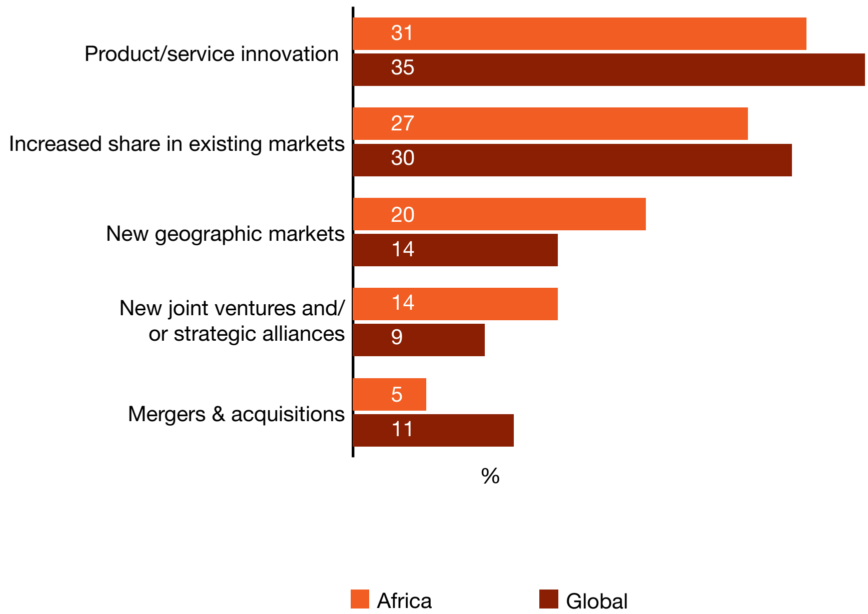
With the global economy emerging from the recession, CEOs globally are focusing their efforts on new ways to do business and to innovate. Innovation is moving up the boardroom agenda as companies recognise its importance to maintain growth. Innovation's rise on the agenda also reflects the change in the business landscape.

Today, innovation is much more than inventing new products. It is about inventing new processes and models that meet untapped market and consumer needs. It's not industry or geographic location that sets leaders in innovation apart – it's their strategy, vision, executing the right ideas and bringing them to market at the right time. There are so many things that fall under the broad scope of 'innovation'. Innovation is not restricted to hi-tech industries or to developed economies and best practices are being adapted across all industries around the globe.

Five years ago globalisation would have been identified as the most powerful growth driver and many businesses would have been looking to China and India for opportunities. But now the growth lever that has the most effect is innovation. Our research shows that innovation of products/services is top of the mind for 35% of CEOs globally (Africa: 31%), which is an indication of pressure from the competition. In addition, most CEOs in Africa want to improve their company's ability to innovate, with 85% taking steps to change their operations around using and managing data analytics and 76% investing in production capacity.

Figure 21: Products/service innovation is top of mind for most CEOs, an indication of pressure from competition.

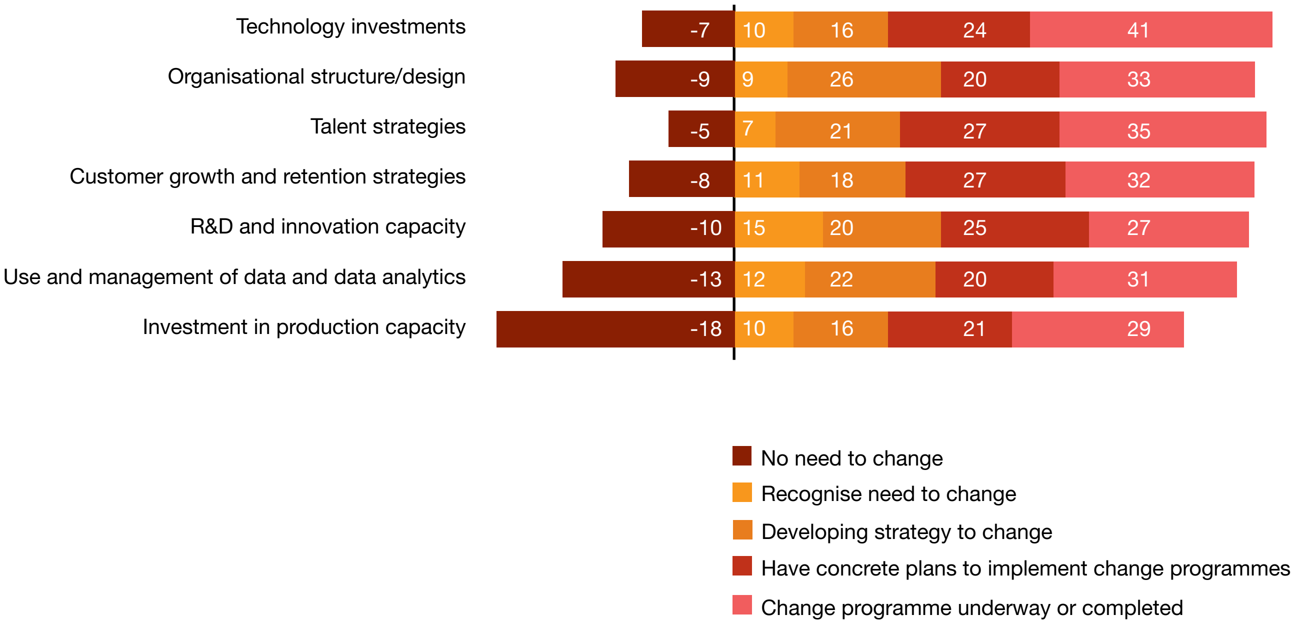
Q: Which one out of the following list of potential opportunities for business growth do you see as the main opportunity to grow your business in the next 12 months?



But there is often a vast gap between ambition and aspiration. No less than 87% of CEOs in Africa say they need to change their approach to R&D and innovation. Sixty percent says they recognise the need to change, are developing a strategy to change or have concrete plans to change. But only a quarter have actually gone beyond the drawing board and started or completed a programme of change.

Figure 22: Africa's CEOs find themselves caught between recognising the need to change and delivering the change required.

Q: In order to capitalise on these trends, can you tell me to what extent you are currently making changes, if any, in the following areas



Why are CEOs holding back? The research suggests that CEOs might be uncertain about how to convert innovation into sustainable profit. Another concern might be that newer technology could overtake their efforts.

PwC's *'Breakthrough innovation and growth'* survey of 1 757 global executives highlights that innovation is a key driver of organic growth for all companies, regardless of their industry or geography.[6]

The survey shows that leading innovators are taking a more sophisticated approach to innovation. This includes having a well-defined innovation strategy; planning a wider range of innovation operating models; and collaborating more actively than their less innovative peers. Innovative organisations are marked out by their visionary leadership, licence to explore new ideas, readiness to collaborate and the ability to commercialise new ideas quickly.

The CEOs in our research are also aware of the importance of collaboration, with leading innovation companies planning to collaborate more with third parties. In addition, working with governments also appears on the innovation agendas: 14% of African CEOs (Global: 30%) think it is part of the Government's job to foster an environment conducive to innovation.

Undoubtedly innovation is not without challenges and obstacles and hurdles that need to be overcome in the process. PwC's study on innovation shows that the two main challenges facing companies are the ability to take innovative ideas to market quickly and in a scalable way, and finding and retaining the best talent to make innovation take place. Other challenges include finding the right partners to collaborate with and having the right metrics to measure innovation.

Ultimately, companies need to have a clear idea of what they want to achieve through innovation. The leading innovators align their innovation practise with intended business outcomes. A clearly articulated innovation strategy is also vital. Furthermore, companies need to decide in which areas they should be prioritising and focusing their attention on innovation. Finally, leadership should set the tone for innovation.

In our experience, leaders create an 'intrapreneurial' innovation culture – an environment that encourages entrepreneurial behaviours and the leveraging of resources internal to the company. The intrapreneurial culture combines the vitality of a start-up with the strengths of an established company – a difficult combination to beat.

[6] 'Breakthrough innovation and growth,' PwC, www.pwc.com/innovationsurvey

The agility dividend

by Edouard Messou and Pierre-Antoine Balu

Edouard Messou is the Territory Senior Partner for PwC in sub-Saharan Francophone Africa

Pierre-Antoine Balu is a partner with PwC France

A demographic boom, changing regulation, new consumer needs, the war for talent, disruptive technologies, urbanisation, new competitors… African companies are facing an accelerated pace of change. These mega trends are impacting the African economies and companies significantly.

For decades, many African companies did benefit from oligopolistic or monopolistic positions and the competitive pressure was less intense than today. This context did not favour the design of agile organisations or embedding a change management culture.

To deal with the tremendous changes ahead, African companies and – most of all African CEOs – have to adapt quickly.

It all starts with leadership teams acting as role models with compelling and meaningful visions to engage employees. It requires courage at the top to overcome natural risk aversion and fears. It means simplifying the organisation and processes to enhance the agility of the operating model. It means training middle management in change management techniques in order to secure the buy-in of stakeholders. It means promoting problem solving techniques. And it implies the implementation of bottom-up approaches allowing employees to suggest new ideas and favouring the recognition of individual initiatives.

Of course evolution will not happen overnight and change management initiatives must be done in full respect of local specificities. We believe that African companies that can address the 'agility challenge' properly will become the African leaders of tomorrow. They will learn how to seize opportunities earlier. They will gain an unbeatable competitive advantage and achieve incredible results.

Q: How important is innovation to your business?

A: Everyone expects something new from Nakumatt every day. What is it we will do differently? I travel all over the world and try to implement ideas that I think will work.

People who have not been to Kenya before, they will see a Nakumatt and think, 'Wow, something like this is available in Kenya.' Before, people used to travel to London and Dubai and travel with many suitcases. Now they don't have to.

Our vision was always to be a Kenyan supermarket but opportunities came up so we made it an East African brand. In the years to come, we see opportunities further afield. There are no established retailers in the Eastern Central Africa region. Overall, opportunities are still great.

We're trying to make products more affordable by introducing our own brand, Blue Label. We don't have to pay any royalties to anyone. We are giving local suppliers more volumes and we are trying to come up with a third brand. Our Blue Label products are made by the same suppliers, we don't manufacture anything. Blue Label is in conjunction with our suppliers or perhaps new suppliers.

Haku (Atul) Shah is the Group Managing Director of Nakumatt Holdings Ltd, the leading retailer of food and consumer goods in East Africa with over 40 branches in Kenya, Rwanda, Uganda and Tanzania.

Adapting to change

Q&A

The following conversation occurred between panellists at PwC's televised discussion about the Africa Business Agenda during the World Economic Forum on Africa in Abuja, Nigeria, on 9 May 2014.

Edwin Devakumar, CEO, Dangote Cement: *Take one of our flagship companies as an example. When we started, we didn't have water so we had to go and construct a dam. We had no gas supply nearby. We had to construct a 90-kilometre gas pipeline to bring the gas to the plant. We had no telecommunications at the site. We needed satellite communication to get everything on a regular basis. We had to construct 500 houses; we had to put in our own power plant; we had to construct our own access road. This is the same thing that we are replicating in other countries too. Everything we do ourselves. If you are willing to take the risk and if you are willing to invest, the returns are very high.*

Farouk Gumel, Partner, PwC Nigeria and Advisory services leader, PwC's West Market Area: *When investors come to Africa, a lot of them see government as an entity that needs to provide infrastructure. But the question that people don't ask is whether the government itself has the relevant infrastructure to operate efficiently. So when you look at technology, for example, businesses have moved on. ICT is definitely being leveraged by a lot of private sector organisations whether it is mobile banking, whether it is email communication between top executives and their staff, whether it is branch connectivity through ICT.*

Government, on the other hand, you walk into a typical African ministry, there's no computer. There's no electricity. Communication between top leadership and the doers doesn't exist. So if you're relying upon an entity to provide you with infrastructure that will improve your operational efficiency then you have to look at that entity itself to understand whether they themselves have the infrastructure to operate efficiently, to address your issues and concerns and ultimately deliver what you require.

Uche Orji, CEO, Nigeria Sovereign Investment Authority: *These are business decisions. If your margins are high enough to cover the cost of you providing your own infrastructure and you know the government has no real infrastructure themselves – does not have the resources to provide the infrastructure – then you should go ahead and make that investment. The solution to this in many ways is something that Nigeria is trying is to have public-private partnerships. For that to happen, the regulatory environment and the legal environment has to be right. I'm encouraged by the fact that there is a willingness to try.*

Sola David Borha, CEO, Stanbic IBTC: *Because of the huge additional costs that you have to incur in order to run your business, any way that you can have cost efficiencies, you have to explore. Cloud computing, for example – any technology that will make it easier for you to deliver services. We're exploring various electronic channels so you don't have to have bricks and mortar out there. It's cheaper than to put up a branch with the power and water that you require.*

Colin Coleman, Managing Director, Goldman Sachs SSA: *High growth off a low base with very weak institutional frameworks and many logistical problems for companies. If you're a retail company, an infrastructure company, a mining company moving goods through ports, across borders, there are many obstacles to getting a free flow of goods and people through the continent.*

This is a matter of building it brick by brick, branch by branch, tower by tower, shopping centre by shopping centre. They are property owners and property builders in order to become retailer providers, which is their core business. They have to manage the logistics; they have to manage the cross-border environment, the ports, getting all the products to market in a challenged environment.

This is why margins are higher; if you look at Dangote Cement, they are providing cement at very significant margins and this is why the company is doing so well and rewarded with high multiples because these margins are rewarding the fact that they are getting over a lot of obstacles to get their product to market.

As I say, 'Africa is not for sissies!' It's a case of looking at the opportunity and realising that there are lots of problems that you have to overcome but the rewards are there.

Conclusion

Leaving a legacy: CEOs in their own words

Q: What do want to be remembered for, and why?

A: I want to be remembered for…

…training and the development of younger graduates.
– Managing Director, Insurance (Botswana)

…improving the development of the country, in which I have confidence and respect.
– Directeur General, Automotive (Congo Brazzaville)

…training people who can replace me.
– Chief Financial Officer, Financial Services (Cameroon)

…leading innovation in the banking system.
– Managing Director, Financial Services (Democratic Republic of the Congo)

…reaching a significant number of Gabonese, allowing them to get treatment free of charge and benefit from government aid.
– Directeur General, Development (Gabon)

…building a culture of simplicity in leadership. Simplified leadership enables people to share the company vision and helps build a stronger organisation.
– CEO/Director, Financial Services (Kenya)

…building a profitable organisation with good customer service.
– CEO, Financial Services (Mauritius)

…building the good reputation of the company and products of good quality and satisfying the customer and at the same time to keep making profit.
– CEO, Real Estate (Morocco)

…adding value to society.
– CEO, Financial Services (Mozambique)

…providing excellent social services through a well-managed and transparent organisation. Namibia deserves quality.
– Project Director, Development (Namibia)

…being a person who helped people and was a catalyst for them to realise their potential, encouraging them to do more than what they are doing in order not just to benefit themselves from an economic point of view.
– Managing Director/CEO, Industrial Manufacturing (Nigeria)

…making profits through fair play and thinking based on fair play more than just money.
– Country Manager, Hospitality (Rwanda)

…rejuvenating the company and allowing it to face the future.
– Directeur General, Mining (Senegal)

…bringing change to how people relate to one another in the organisation.
– Country Manager, Transportation & Logistics (Tanzania)

…showing rigour while making decisions. Diligence. Being an optimist.
– Directeur General, Financial Services (Tunisia)

…making a difference in the lives of Ugandans through vocational skills training programme.
—Managing Director, Automotive (Uganda)

…extending financial services to more Zambians.
—Managing Director and CEO, Financial Services (Zambia)

Methodology

About the survey

The Africa Business Agenda is based on a survey of 260 CEOs in 18 African countries. The survey draws on the survey questionnaire used in PwC's *17th annual Global CEO Survey* of 1 334 CEOs worldwide. The use of a common set of survey questions allows us to benchmark the views of African CEOs against global averages.

Our survey of African CEOs was conducted between November 2013 and August June 2014 and the results of this form the basis of this publication. Most surveys were conducted face to face.

In the publication, 'Africa' results refer to the average of the 260 surveys in Africa.

In some cases, percentages may not add up to 100% due to respondents who chose not to answer a question.

Survey population

Region	Number of respondents
Global	**1 344**
Africa	**260**
Botswana	10
Cameroon	9
Congo Brazzaville	7
Democratic Republic of Congo	1
Gabon	3
Kenya	30
Mauritius	10
Morocco	2
Mozambique	4
Namibia	10
Nigeria	12
Rwanda	10
Senegal	5
South Africa	105
Tanzania	12
Tunisia	5
Uganda	15
Zambia	10

For more information about this publication, please contact:

Emily Ansell

Lead project manager
Tel: +254 708 114 558
Email: emily.ansell@ke.pwc.com

Sebastien Murbach

Francophone Africa regional project manager
Tel: +33 (0) 1 56 57 71 95
Email: sebastien.murbach@fr.pwc.com

Catherine Ensor

Editor and Southern Africa regional project manager
Tel: +27 (0)11 797 4556
Email: catherine.ensor@za.pwc.com

For media enquiries, please contact:

Lindiwe Magana

Tel: +27 (11) 797 5042
Email: lindiwe.magana@za.pwc.com

PwC in Africa

Wherever you do business in Africa, we're there for you

We know that value goes beyond a single engagement or a single result. Value is defined by a relationship – one that is born of an intelligent, engaged, collaborative process. With our African network, our people and experience, we're ready to help you realise that value wherever you do business.

With more than 400 partners and over 9 000 staff in 34 countries, PwC is the largest provider of professional services in Africa. This means that we're able to provide our clients with seamless and consistent service, wherever they do business on the continent. Our in-depth knowledge and understanding of African operating environments enables us to offer tailored tax, assurance and advisory solutions for every business challenge.

Contacts

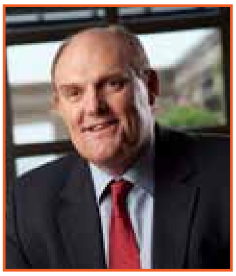
PwC's regional leaders in Africa

Suresh Kana

Territory Senior Partner for PwC's East, West and South Market regions in Africa
Email: suresh.kana@za.pwc.com
Tel: [+27] (11) 797 4312

Edouard Messou

Territory Senior Partner for PwC in sub-Saharan Francophone Africa
Email: edouard.messou@ci.pwc.com
Tel: [225] 20 31 54 11



Hein Boegman

Regional Senior Partner for PwC in Southern Africa
Email: hein.boegman@za.pwc.com
Tel: [+27] (11) 797 4335

Uyi Akpata

Regional Senior Partner for PwC in West Africa
Email: uyi.n.akpata@ng.pwc.com
Tel: [+234] (1) 271 1700

Anne Eriksson

Regional Senior Partner for PwC in East Africa
Email: anne.eriksson@ke.pwc.com
Tel: [+254] (20) 285 5000

Noël Albertus

Country Senior Partner for PwC in Morocco and Algeria
Email: noel.albertus@ma.pwc.com
Tel: [212] 522 99 98 00

PwC Africa Desks

PwC has Africa Desks in Johannesburg and New York to assist investors who have or are looking to set up operations in Africa. Staffed by specialists from various African countries, we can help clients:

- Address important issues facing their businesses in African countries in an integrated manner;
- With quick responses to specific and general questions about investments in Africa;
- With tax (and legal) advisory services;
- Coordinate with PwC offices in different African countries; and
- With all the information you need to know on the cross-border aspects of corporate restructuring, acquisition and divestiture planning, holding company strategies, financing arrangements, withholding tax minimisation, foreign tax credit utilisation, and many other facets of international tax planning.

Contacts

Johannesburg

Ibikunle Olatunji

Tel: +27 11 797 5317
Email: ibikunle.x.olatunji@za.pwc.com

Cor Kraamwinkel

Tel: +27 11 797 5096
Email: cor.kraamwinkel@za.pwc.com

New York

Gilles de Vignemont

Tel: +1 646 471 1301
Email: gilles.j.de.vignemont@us.pwc.com

Emuesiri Agbeyi

Tel: +1 646 471 8211
Email: emuesiri.x.agbeyi@us.pwc.com

Francophone Africa

Dominique Taty

Tel: +225 20 31 5460
Email: d.taty@ci.pwc.com

Benic Mbanwie Sarr

Tel: +242 05 534 0907
Email: benic.m.mbanwie@cg.pwc.com