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Issue 1

The Africa Business Agenda

The CEO mindset

What are the top agenda items for Africa's CEOs? Executives at leading local and regional companies weigh in on doing business here—and what the future holds

pwc

The Africa Business Agenda

What factors are influencing the CEO agenda in Africa? To find out, we interviewed a total of 201 CEOs in 10 countries in Africa, conducted in-depth interviews, hosted interactive panel discussions and tapped into our own broad network of expertise that stretches across 31 markets in Africa.

The outcome is contained within these pages: a careful look at the CEO agenda in Africa—which is, we now know, focused on investment decisions, risk and talent management and achieving shared priorities with government.

+90%
are confident of growth prospects

+80%
anticipate changes to risk management

+90%
expect operations to grow in Africa

+70%
worry about the availability of key skills

+50%
agree on shared development priorities

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The Africa Business Agenda

Prospects in emerging markets are driving CEO confidence. This is true not only for CEOs globally but more specifically among CEOs in Africa, who see tremendous potential in the (emerging) markets where they currently are.

Their optimism means that they are investing in Africa, addressing risks and threats on the ground and training and hiring people locally. There are unique opportunities and challenges to doing so in every market in Africa, as you would expect, and development initiatives that are facilitating growth.

But I think what's interesting is the resourcefulness and perseverance among CEOs in Africa. The way that CEOs do business here is instructive for a global audience that is increasingly setting its sights on Africa—and other emerging markets.

In the following pages, we explore these and other insights in much greater detail. I would like to personally thank everyone who participated in the Africa CEO Survey, as well as the participants on our panels in Kenya, Nigeria, Uganda and Tanzania. I would also like to extend my deep appreciation to the eight CEOs and government leaders who provided in-depth interviews. Without your contributions, this publication would not have been possible.

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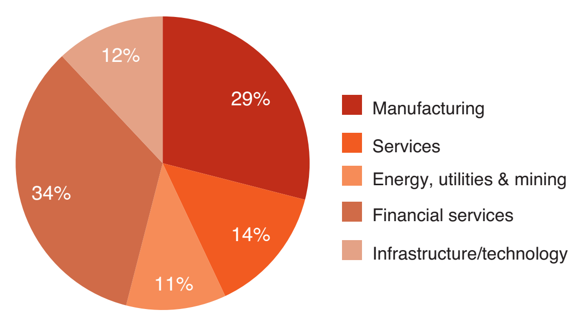


Investing in Africa: the magic equation

CEOs in Africa are more confident of growth prospects than CEOs globally. Is this confidence sustainable? What investment strategies are proving the most effective?

Investing in Africa

93% of Africa CEOs see growth potential in Africa

The benefits of local know-how

To grow their businesses over the next 12 months, CEOs in Africa are focused on expanding within their existing markets—primarily in Africa.

Globally, CEOs are looking towards emerging markets like Brazil, India and China—as well as markets in Africa. Are CEOs in Africa better prepared for investing in emerging markets because of their experiences in the markets where they are based?

'To go globally, you need to have honed your craft locally,' advises Chima Ibeneche, Managing Director of Nigeria LNG Limited. 'You need to learn how to play here because it will serve you very well when you go overseas.'

'Most global CEOs are focused on moving into emerging markets, of which Nigeria is one,' says Ken Igbokwe, Country Senior Partner of PwC Nigeria.

'Nigerian CEOs are talking about moving into emerging markets and the developed world.'

Their astonishing confidence is not unique to Nigeria; across-the-board, CEOs in Africa are very confident of growth—at home, in regional markets and beyond.

Whereas many CEOs globally scaled back their investments in recent years and focused on streamlining operations, CEOs in Africa have focused on rapid as well as more efficient growth. The markets where they have invested have grown in lock-step, further buoying confidence. And their strategies supporting growth have proven prescient, anticipating changes to consumer tastes and competitor behaviour.

So it's not surprising that over the next 12 months and three years, a higher percentage of CEOs are very confident of revenue growth prospects compared to CEOs globally. In total, for both time periods, well over 90% of CEOs in Africa express confidence in growth.

Where is this confidence coming from? CEOs like Sven Piederiet, Managing Director of Bralirwa in Rwanda, say that a 'magic equation' of demographics, superior economic growth and political stability have contributed to optimism.

That magic equation might also include a wide variety of investment and development partners and effective government policies supporting growth. Overall, CEO confidence in Africa is higher in markets that are growing faster.

In export-oriented economies like Mauritius's, companies have been adversely affected by depreciating dollar and euro currencies, the global recession and lower growth rates in export markets, explains André Bonieux, Country Senior Partner of PwC Mauritius. CEO confidence has suffered as a result, but 'the outlook is not catastrophic,' he says. 'The future looks brighter but turnaround will be slow,' he says.

In other markets, CEOs are much more confident of growth over the medium-term than they are in the short-term. Nitesh Patel, a director at PwC Zambia, attributes this trend among Zambia CEOs to companies facing short-term difficulties 'resourcing up' with the right people, strategies and infrastructure.

Confidence is driving strategic investment decisions among CEOs in Africa and their strategies reflect a focus on growth. Like CEOs globally, CEOs in Africa say that the economy, customer demand, industry dynamics and competitive threats have influenced their strategies.

'The dynamics in the market are changing,' explains Nigel Williams, Chief Finance Officer of MTN Uganda. 'The customer is becoming more sophisticated.' Now, value and innovation are even more important to customers than price.

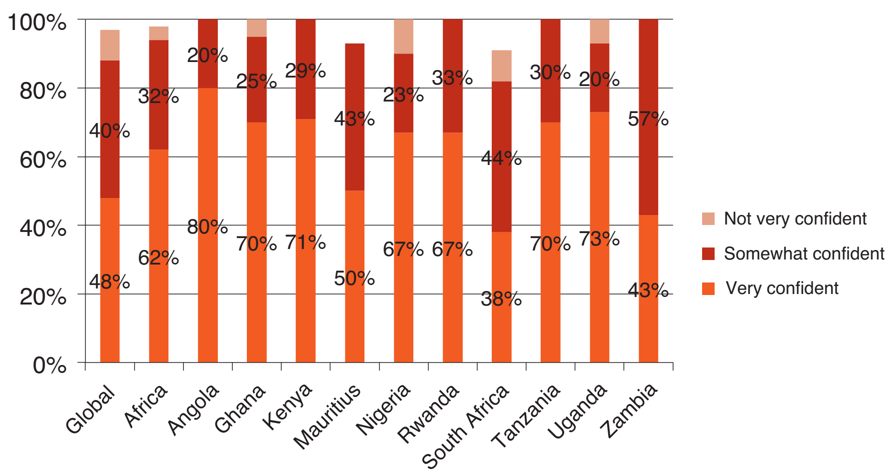
Markets in Africa are also becoming more competitive. For many industry sectors, there was often just one dominant player until recently. Now, competitive pressure is forcing companies to look at their strategies in a new light.

Bralirwa is responding to competitive pressure through a variety of channels. 'We provide our distributors with a strong level of support and train our distributors and outlet owners better than any of our competitors,' says Sven Piederiet. 'Our marketing is designed to excite our customers more effectively than our competitors.'

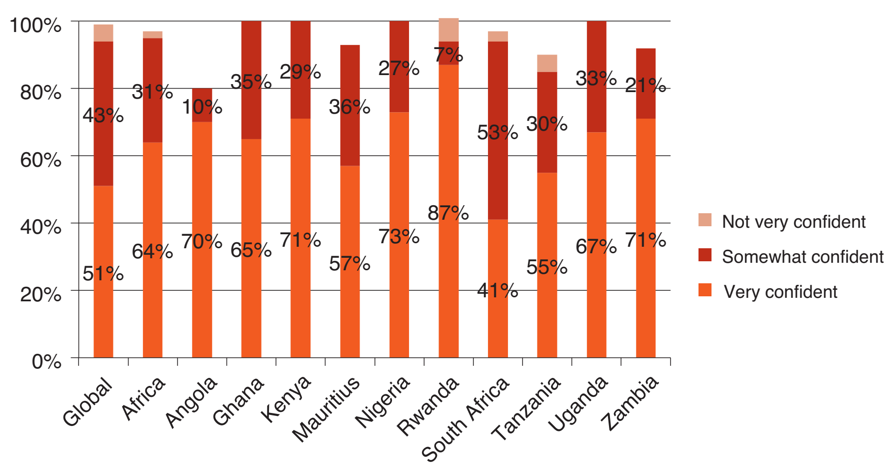
CEOs in Africa say that their strategic focus is no different than that of CEOs elsewhere in the world. They are focused on growth. But the challenges that they face are different, explains Ken Igbokwe of PwC Nigeria. 'The Nigerian environment is changing on a daily basis.'

Even so, CEOs in Africa are well-positioned to take advantage of growth prospects in the emerging world. As Sven Piederiet put it, 'There is no reason why anyone would doubt what the future would hold.'

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

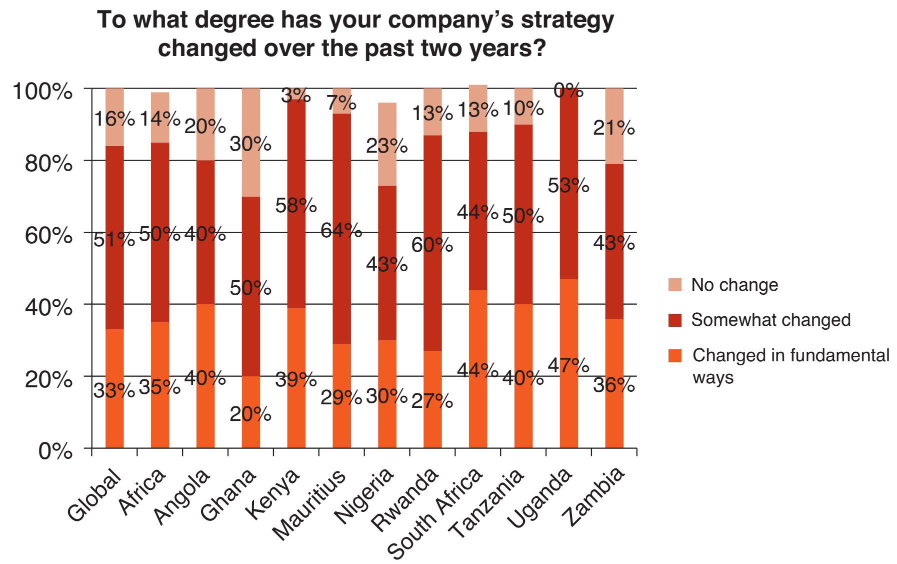


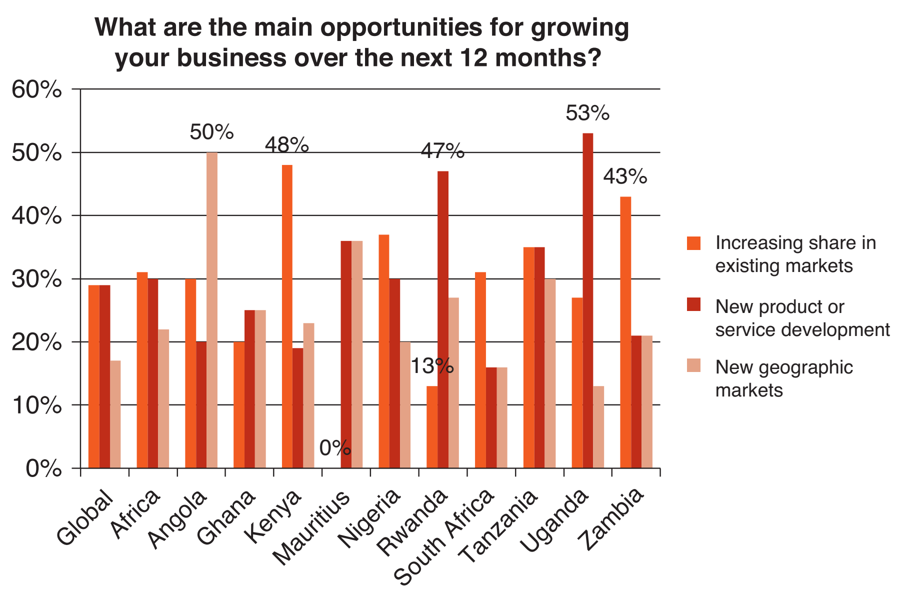
How confident are you about your company's prospects for revenue growth over the next three years?



'Rwanda's economy is relatively smaller than others in the region but it's on a very different path—a strong path supported by a strong commitment by government. As the economy grows, the climate is right for investment and the prospects of high returns are good.'

Bernice Kimacia, Country Senior Partner, PwC Rwanda





'Toyota has a philosophy that when we enter a market, we enter it for life. We'll sacrifice a short-term profit to ensure that we maintain long-term customer satisfaction.'

Hylton Bannon, Managing Director of Toyota East Africa Limited

Restructuring for growth

Among all of the opportunities for growing their businesses in Africa, very few CEOs cite mergers and acquisitions or new joint ventures and/or strategic alliances.

However, over the next 12 months, 40% intend to complete a cross-border merger or acquisition and 54% will enter into a new strategic alliance or joint venture.

So if these activities are not undertaken with the intention of growing their businesses, why bother? CEOs told us that many companies in Africa are looking for affiliations either with regional players or global multinationals to gain the kind of experience and knowledge that will ultimately provide a competitive advantage. Mergers and acquisitions are a significant source of innovation for 37% of CEOs in Africa.

Other CEOs, like Larry Ettah, Group CEO of UAC Nigeria Plc, say that they are looking at 'consolidating our position in terms of taking over companies that would increase our footprint and our scale.' Consolidation will lead to growth opportunities, but the primary and immediate focus is on size and scope—a competitive advantage, and necessary for meeting rising demand.

Another restructuring activity—reducing costs—may have run its course for many CEOs in Africa. Whereas 84% of CEOs in Africa and an identical percentage of CEOs globally report having implemented a cost reduction initiative over the last 12 months, 52% of Africa CEOs say that they will do so again over the next 12 months, compared to 64% of CEOs globally.

Perhaps a focus on cost reductions recently has paved the way for a greater variety of restructuring activities, including mergers, acquisitions, joint ventures and/or alliances, says Seni Adetu, Group Managing Director of East African Breweries Limited (EABL).

'The first thing that you want to do, whether you are talking about a merger or an acquisition, is to take as much fat out of your cost structure as possible,' he says. 'It's not an either/or scenario.'

75% of CEOs globally see growth potential in Africa

'A global player in the furniture sector wanted to come into the African market and they zeroed in on Nigeria first. They were looking for partners to work with in order to be able to satisfy their global clients in the region.

'They looked for a local partner; we were lucky enough to be recommended and we started talking. That's an unexpected growth opportunity that came to us just for having set up right in an emerging market.

'We found that the attractiveness of the Nigerian market and our preparedness for international standards became an advantage that created an opportunity for us. By dealing with us, then assigning us to supply their clients in other countries in the region, it automatically moved us into those markets. It's really about how you understand the region.'

Ibukun Awosika,
CEO of Sokoa Chair Centre in Nigeria

Innovation for tomorrow

New product and service development is a another growth opportunity identified by 30% of CEOs in Africa, who say that their customers will play a more active role in the process by voicing their preferences through mobile devices and social media.

This is good news for the 71% of Africa CEOs who are making investments in strategic IT to support these interactive innovations, a far greater representation than the 54% of CEOs globally who say the same.

Investment in innovation is connected to cost cuts, which are simply not enough anymore to compete effectively, says Francis Kamulegeya, Country Senior Partner of PwC Uganda. 'That is the reason why you see innovation and technology being a number one priority in terms of investment.'

CEOs in Africa are also investing in innovation to become more efficient operationally, create a competitive advantage and generate new sources of revenue. And whether process- or product-related, their innovations are driven by the same factors influencing strategy: customer demand, industry dynamics and competitive threats.

For Hylton Bannon, Managing Director of Toyota East Africa Limited, all three factors are affecting his company's innovative vehicle specifications. Toyota consolidates product requests received from customers in Africa and divides them into two categories: East African and Southern African, corresponding to similar operating environments.

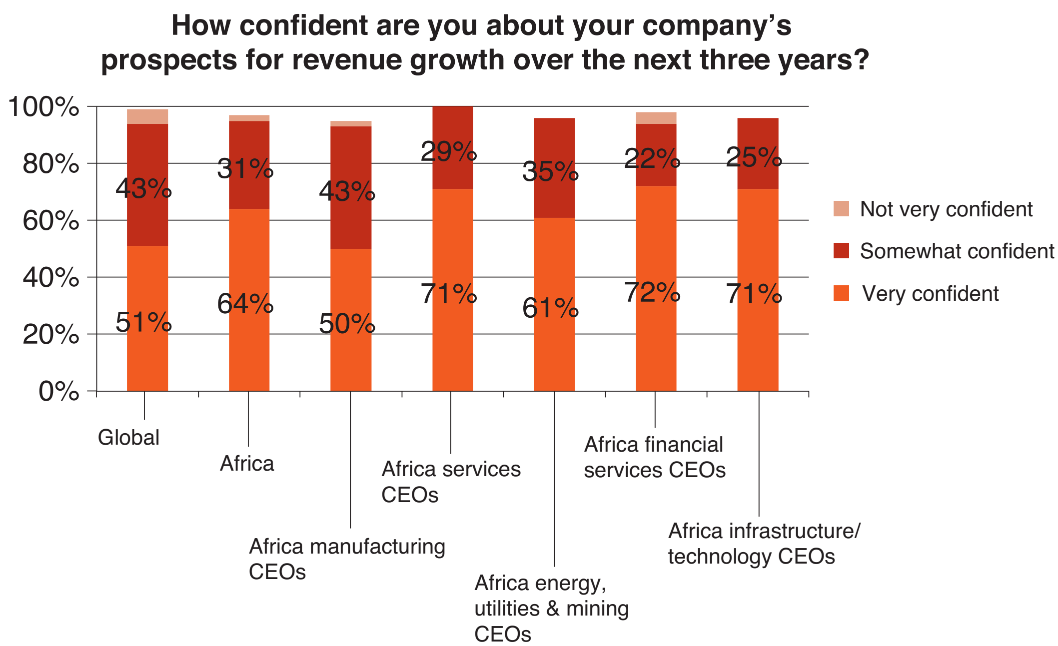
Not only does Toyota address the needs of its customers this way, but it provides a competitive advantage—even within the Toyota brand. Hylton Bannon calls listening to his customers and acting on their preferences 'the biggest difference between the second-hand car market in Kenya and the new one. Second-hand cars are built for Japan's operating conditions whereas the vehicles that we sell are built for East Africa.'

How does Toyota East Africa learn about customer preferences? The company actively solicits feedback by way of Facebook, LinkedIn and e-mail generated through its website—putting innovation to the technology test.

Focused on growth

In the fast-changing African operating environment, Seni Adetu has broad-ranging experience in East and West Africa. Growth is positive, but manufacturers like him can't afford to rest on their laurels—there's too much at stake

As an African multinational manufacturing company, East African Breweries Limited develops products appealing to different local tastes, adheres to international standards and sources materials from regional markets.



Overall, CEOs in Africa are very confident of growth—but CEOs in some markets and industries are more confident than others. Why?

Depending upon where you are in Africa you will see differences. I would understand why manufacturing CEOs in some parts of Africa like South Africa will have a little less confidence than perhaps the ones in East Africa.

You want to start from thinking about the economic growth outlooks for the different markets. Certainly in East Africa you're looking at GDP growth of anywhere between 5 – 8 % on average. I'm not sure that it's as high in South Africa, for example.

In manufacturing, you tend to get volume growth that is consistent with GDP growth so clearly confidence levels would be different from market to market.

Here in East Africa, pickup consumption is pretty low across the patch, the population is quite young and there is an emerging middle class. These are the reasons why there is more confidence in East Africa and I believe, as well, in West Africa.

Is there a connection between high levels of confidence going forward and recent strategy changes?

When confidence is low, you tend to look more internally in terms of things like cost cutting, restructuring, reviewing operations, systems and processes. As confidence gets higher, you get to be more bullish.

In terms of investment, you get into a more aggressive strategic outlook for the business, geographic expansion and systems improvement. Confidence and strategy go hand in hand.

The reality is that now what you call a foreign taste doesn't exist anymore. Everybody is part of every single market

Seni Adetu, Group Managing Director, East African Breweries Limited

Seni Adetu was appointed Group Managing Director of EABL in July 2009. Prior to his appointment to EABL, Mr Adetu was the Managing Director/Vice Chairman of Guinness Ghana Breweries Limited. He has also held several senior positions with the Coca-Cola Company and the Nigerian Bottling Company PLC.

Many CEOs in Africa have focused on cost reductions over the last 12 months but looking ahead, their restructuring activities are more varied. Why?

There is only so much pricing that you can pass on to the consumer. You take prices to a certain level, especially in the manufacturing sector and you're stuck so you have to take costs out. However, cost in itself does not solve your problems. You cut costs to the bone, what do you do after that?

You have to layer on top of that, very big strategic blocks that enable you to grow the business like mergers and acquisitions or innovation and really getting into a new space.

Whatever the economy is saying, whatever the outlook is, there are always white spaces especially for us in the fast-moving goods business. So you invest more in your brands, aside from cost cutting.

Yes, you've got to do some cost cutting but there is a lot more to being successful in business than cutting costs. To a large extent, most fat in the cost structure is historical. When business is good and you're growing, you naturally tend to overlook it.

How do you balance opportunities in existing markets against those in new geographic markets?

What you would want to do typically is to consolidate your base before expanding. You want to make sure that your mother brand has a good footing in the market before you start expanding or creating new variants of that brand.

Why would you go to the next country when you haven't even maximised the opportunities in your home market? I believe that the moment you fully exploit all of the opportunities in the marketplace, then the next step is to expand geographically.

How can companies anticipate changes in consumer tastes and preferences in Africa?

Africa CEOs now are spending a lot of time and resources into getting consumer insights around tastes and lifestyles. This wasn't something that Africa CEOs were necessarily putting too much time behind in the past, because a lot of that was known. Africa was clearly separated from the rest of the world.

The reality is that now what you call a foreign taste doesn't exist anymore. Everybody is part of every single market. So it's important to know what's happening outside of Africa as well as within Africa.

How are Africa CEOs in manufacturing investing in information technology?

Africa CEOs are investing in IT, most times in manufacturing by taking back-office operations into shared services. Business systems like SAP ensure that there are controls within operations.

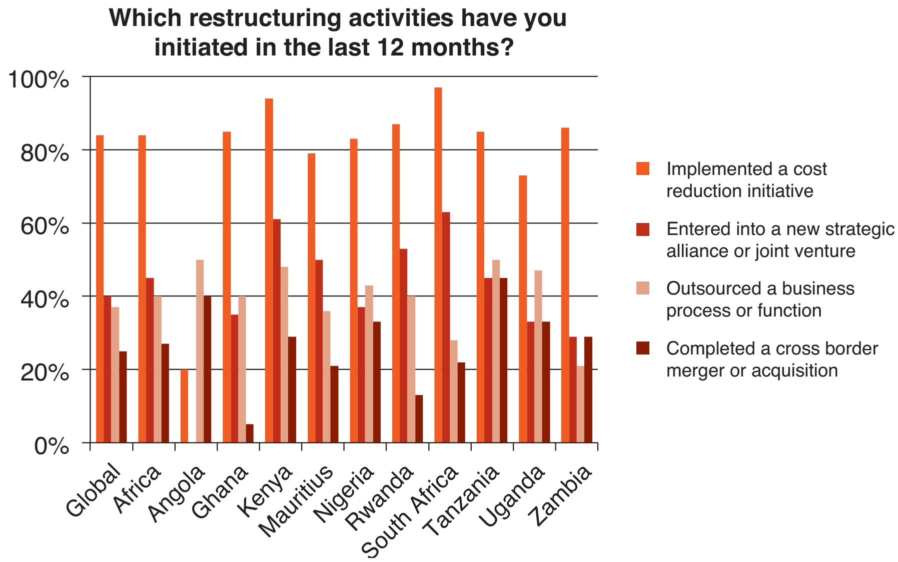
We are investing hugely in packaging upgrades, and we are getting more and more automated. The reality is that we are beginning to see the positive impact that IT can have on manufacturing.

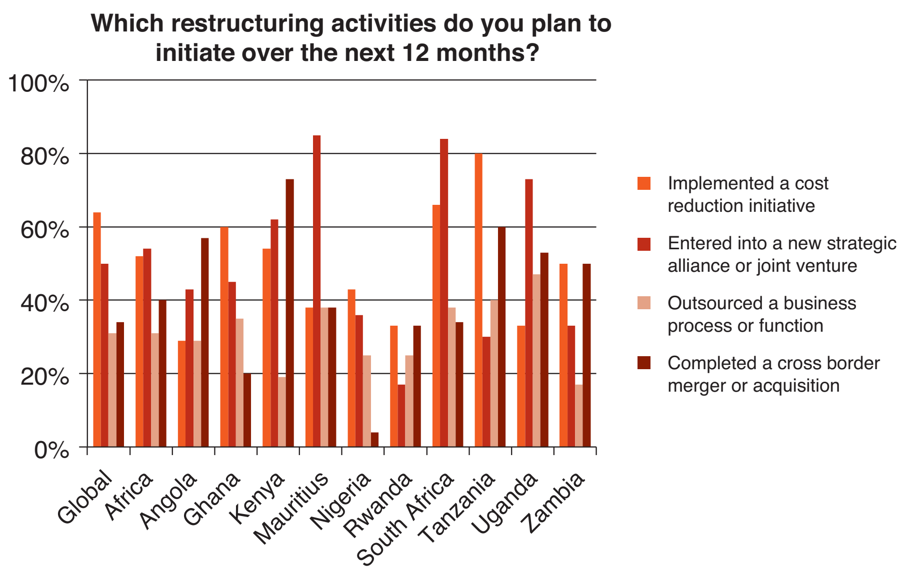
What is your approach to risk management?

Clearly, Africa has transformed over the years in terms of how Africa CEOs look at the space of risk management. As much as the future is bright, you can't wish away the risk outlook. So we have created a lot more time for risk management.

For example, we have a high-profile governance structure that involves the board of directors all the way to top management. Every now and then, we get together and review our risk footprint and mitigation plans, re-validate that and ensure that the response strategy is still applicable.

Typically, risk management would cover things like the economy, the political and regulatory environments and competitive stuff, things like controls and compliance.





How do you manage various threats to your business growth?

There are some peculiarities in Africa that do make business often difficult to manage. In the manufacturing sector, path supply consistency or lack thereof could have an adverse affect on our business; water for production, roads and transportation [are challenges].

Think about what happens at the ports, the logistics at borders; the regional integration agenda has taken off but is still relatively slow.

When Africa CEOs say that Africa is a difficult place to operate—I get that. But I hope that that is balanced against opportunity.

How are manufacturing CEOs managing talent?

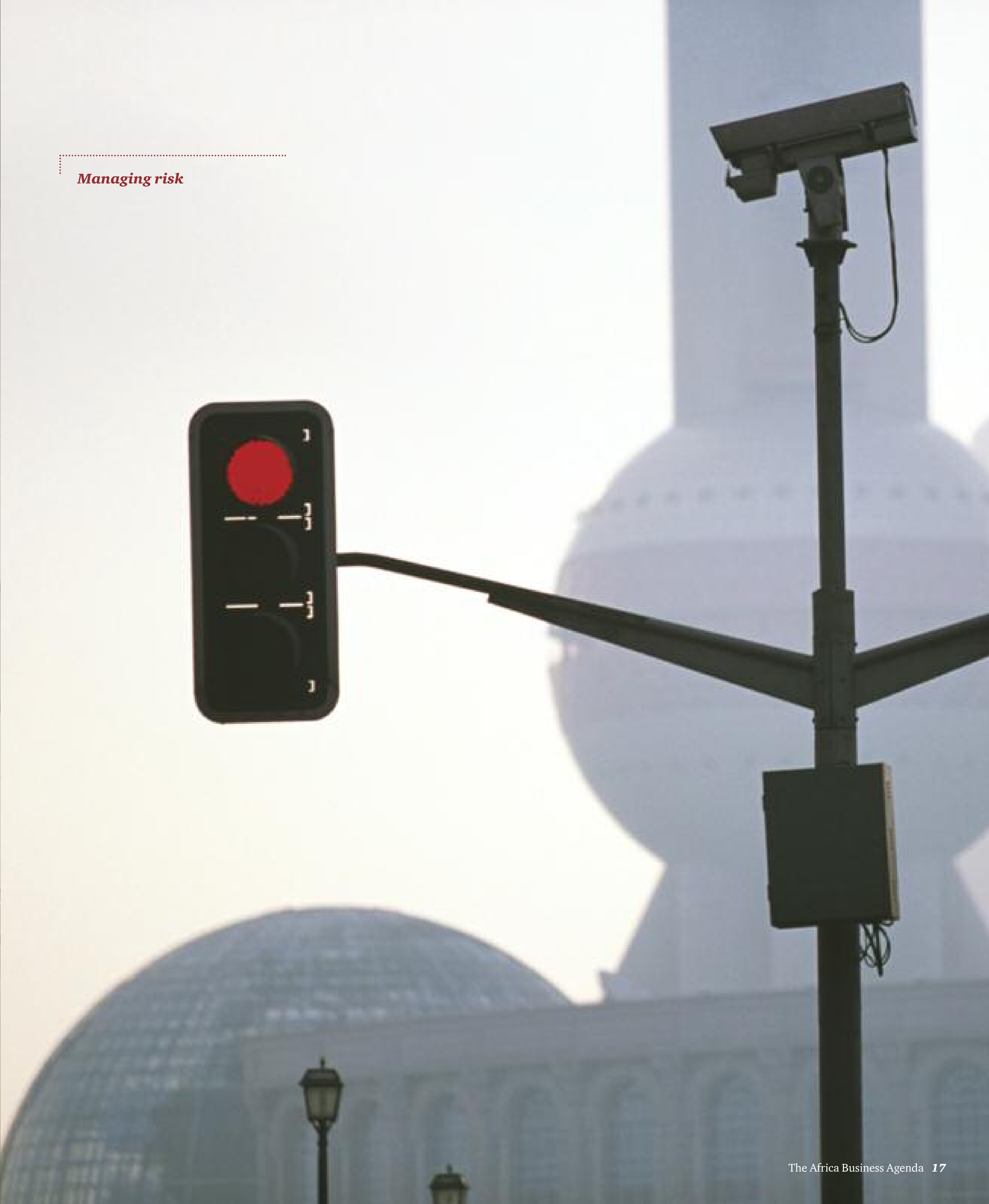
You've got to be very authentic with people. We value our people, we share as much information as we can with them and we are very transparent, to the extent that our people see themselves as part of the business.

When you join my company, I want you to be a citizen of that company. When you are a citizen of a country, you don't change your nationality. If you are a Kenyan, you are a Kenyan for life. When you join my company, I want you to join for life and see that this is the best place to be.

If there is an issue to resolve, our people will see themselves as citizens of the company and resolve the issue with management.

Managing risk

CEOs in Africa are adept at assessing the complex risk basket that often accompanies high-growth investments on the continent. Factors like governance, democratisation, stability, the availability of qualified human capital and infrastructure impact CEO decision-making—and growth prospects. Their approach to managing these risks is different



One of the ways that markets and companies in Africa are changing is by becoming more integrated regionally and globally

Political stability facilitates growth

Political instability is identified by 59% of Africa CEOs and 58% of global CEOs as potentially impacting their growth prospects over the next three years.

Many CEOs in Africa mitigate political instability by investing in different countries and consequently diluting their risk exposure.

A greater percentage of CEOs in Africa are concerned about global risks like the impact of terrorism, climate change, health crises and natural disasters than CEOs globally, perhaps because they feel disproportionately affected by the activities of others. Their local institutions may not be adequately prepared to address threats like terrorism or health crises.

'Money is a problem, seeds are a problem, infrastructure is a problem, input and output markets don't exist and where they do, they're primordial,' says Chris Okeke, CEO of Nigerian Starch Mills Limited, about his operating environment.

He's not alone. CEOs in Africa manage a complex basket of risks all day, every day. For them, risk awareness is thoroughly integrated into day-to-day operations and managed conscientiously—as well as on-the-fly.

But Chris Okeke adds that 'chipping away slowly at it, things will grow.' He means not just those problematic seeds but also his business operating environment.

A heightened sense of risk awareness among Africa's CEOs is unsurprising considering the high levels of growth in Africa, according to Vish Ashiagbor, a partner at PwC Ghana. 'The greater the risk, the greater the potential you have for reward.'

But if risk were just an ordinary cost of doing business, ingrained after years of operating amidst volatility and change, it would not rank among the top agenda items for CEOs in Africa. In every African country surveyed, over 80% of CEOs say that risk is a top priority.

At the same time, just 35% of Africa CEOs say that attitudes towards risk are influencing their strategies, compared to 41% of CEOs globally. This is not to say that CEOs in Africa are ambivalent about risk, however—in fact, it's quite the opposite. In Africa, CEO attitudes towards risk are not so much influencing strategy as strategy is crafted in response to a constantly evolving basket of risks.

Risks identified by CEOs in Africa include economic and policy threats, business operating threats and global threats. Among economic and policy threats, over three-quarters of CEOs in Africa—77%—are concerned about exchange rate volatility, followed by 74% who cite uncertain or volatile economic growth. Large numbers of CEOs are also concerned about over-regulation, inflation and government's response to the fiscal deficit and debt burden.

Other concerns include business operating threats like the availability of key skills followed by energy costs, inadequate infrastructure and an increasing tax burden, all identified by over 60% of CEOs. For every category, a higher percentage of CEOs in Africa identified these risks than CEOs globally.

Unsurprisingly, risk perception varies by industry and exposure. Among financial services CEOs in Africa, 69% are concerned about a lack of stability in capital markets, compared to 51% of Africa CEOs overall. Fewer infrastructure and technology company CEOs are concerned about inadequate infrastructure because they directly mitigate this risk through their core services.

They also understand the risk of inadequate infrastructure much better. 'Infrastructure developments have to be of the right scale and of the right quality but also at the right time,' says Laura Hughes, Senior Commercial Advisor for Tullow Oil. 'Phasing the development of infrastructure to keep pace with what we can achieve in the oil industry is going to quite a challenge.'

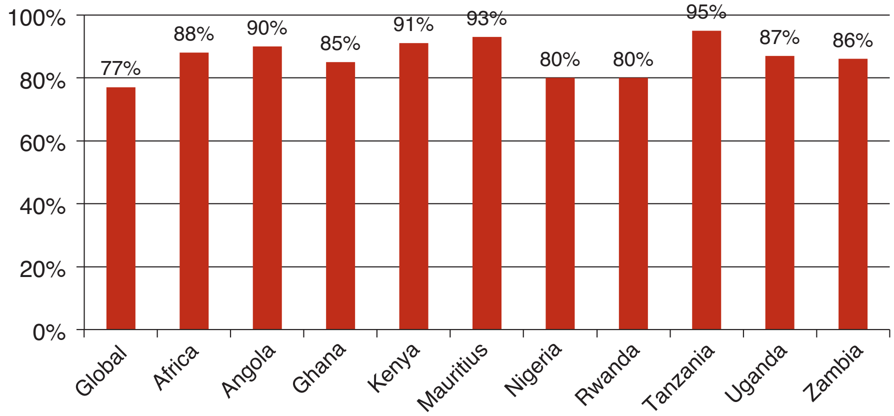
These risks have existed for a long time in most of the markets surveyed. Risk is not so much influencing strategy change as it is a fact of doing business, and the management of various risks is 'as visible as a crate of beer on a truck,' says Seni Adetu of East African Breweries Limited. 'If you get it wrong, just one element of your risk matrix, you are doomed.'

One of the ways that markets and companies in Africa are changing is by becoming more integrated regionally and globally. CEOs anticipate that integration will test their response to risk, which is one of the reasons why they rank risk among their top agenda items.

CEOs in Africa are most aligned on risks that are local—like the exchange rate and inadequate infrastructure—but smaller percentages of CEOs in Africa as well as globally are focused on mitigating the threats that they identify. This begs the question: what can they do about the risks that they face?

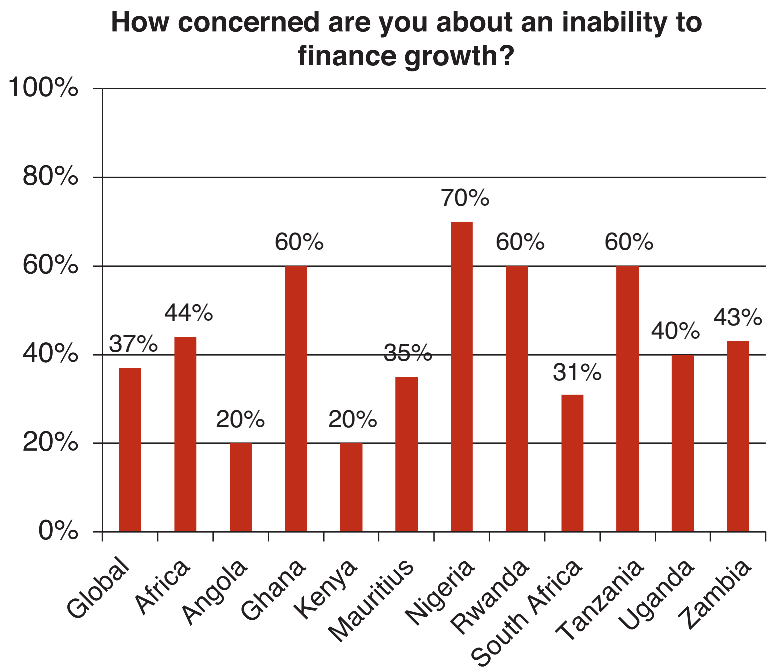
'We don't have deep enough capital and derivative markets to hedge against risk,' says Kuria Muchiru, Country Senior Partner of PwC Kenya.

In response to changes in the global environment, do you anticipate changes to your approach to managing risk over the next 12 months?



‘When we say we see growth, we also fear growth because we’re not so certain that what we have is sustainable. There is huge risk.’

Chima Ibeneche,
Nigeria LNG Limited



‘One of the challenges of lending is finding bankable projects. In Nigeria, there are lots of proposals that come forth from various sectors but many of them really are not bankable.’

Sola David Borha,
Stanbic IBTC Bank Plc

CEOs in Africa are allocating more senior management attention to risk management—but some observers would like to see a more integrated approach

'But by spreading risk around, you can still mitigate it.'

'They use whatever basic or local facilities are available to manage uncertainty,' observes Vish Ashiagbor of PwC Ghana. If commodity prices are going up, for example, companies might buy more of them and keep them in stock rather than hedge.

The bottom line for CEOs in Africa is that even if they're used to managing multiple risks, they are no different than CEOs elsewhere in their view that stability is the best strategy for growth.

The challenges of financing growth

Access to affordable capital and financial sector stability are essential for growth. Across most of Africa, both conditions are providing fertile ground for investment. CEOs say that they largely look to local markets to finance growth, mostly because they are investing locally but also because larger Western markets have been hard hit by the global financial crisis.

Fewer than half of CEOs in Africa—44%—report that an inability to finance growth is a potential threat to growth, similar to the 41% of CEOs globally who say the same. In Nigeria, however, 70% of CEOs say that financing growth is problematic whereas in Kenya, just 20% of CEOs say the same.

The differences between the two countries are illustrative of the challenges that CEOs face across different markets in Africa. A lack of stability in capital markets is seen as a threat by just over half (51%) of CEOs Africa, similar to the 52% of CEOs globally who say the same. But among financial services companies in Africa, 69% say it's a threat. Perceptions among CEOs also vary by market.

In Nigeria, the financial sector suffered a serious setback in 2009-2010. The Central Bank took aggressive action, but the sector is still plagued with challenges.

Sola David Borha, CEO of Stanbic IBTC Bank Plc says that banks in Nigeria are now looking to lend again, but 'government borrowing is crowding out the private sector, which works against the banks being able to lend at reasonable rates.' She thinks the economy would benefit from low pricing, reasonable lending rates and longer tenors, but growth-supporting policies like these require leadership by the Central Bank.

Her pessimism is reflected among CEOs in Nigeria, just 33% of whom have plans to mitigate an inability to finance growth. Some CEOs are financing growth internally or through parent companies. Others are focusing on strengthening their core businesses before expanding.

In Kenya, banks have 'massive liquidity,' says Kuria Muchiru of PwC Kenya. He is less concerned about a similar financial sector meltdown in Kenya because 'the Central Bank and the Ministry of Finance are quite clear about financial sector stability,' and their leadership has led to a massive expansion of lending.

Another challenge in Africa is the availability of financing for small and medium-sized enterprises (SMEs). Many of them face difficulties accessing capital, says Francis Kamulegeya of PwC Uganda.

SMEs are an important engine of growth because they are the suppliers to bigger companies, says Larry Ettah of UAC Nigeria Plc. Improved access to capital would mean more investment and more productive capacity, but banks must be willing to lend at attractive rates.

What are companies doing to strengthen the financial sector so that it meets their needs? Despite their pessimism, 83% of CEOs in Nigeria say that they will increase their commitment to ensuring financial sector stability and access to affordable capital over the next three years, compared to 59% of CEOs in Africa and 61% of CEOs in Kenya.

CEOs in Nigeria are clearly willing to do their part, but their confidence in government has faltered; just 7% of them say that ensuring financial sector stability and access to affordable capital should be a government priority, compared to 33% of CEOs in Africa and 39% of CEOs in Kenya.

Financial sector stability and access to affordable capital is a risk in Africa, but in most markets no more so than elsewhere. Nigeria, however, still has a long way to go.

Risk management in Africa: integrated or piecemeal?

Risk is managed differently by CEOs in Africa, and so it follows that risk management practices would be implemented differently. Even so, it's not clear whether risk management is thoroughly integrated within companies in Africa. Are CEOs here so used to risk that they're neglecting some of the lessons learned recently elsewhere in the world?

Like CEOs globally, 72% of CEOs in Africa are allocating more senior management attention to risk management. A similar percentage of Africa CEOs (61%) are formally incorporating risk scenarios into strategic planning, compared to 67% of CEOs globally. But for every other measure of integrated risk management, fewer than 50% of CEOs in Africa are taking specific steps.

'Up until now, the attitude has been that one does risk management because one has to,' explains Vish Ashiagbor of PwC Ghana. He notes that for industries that have been impacted more directly by global or local financial crises, like financial services, risk management is being taken more seriously.

In fact, more than 50% of CEOs in financial services are focused on four of the most significant risk management practices identified in the survey—a far greater representation than shown among Africa CEOs generally or within other industry sectors.

Some observers would like to see a more holistic approach to risk management among Africa CEOs. Rather than responding to risk at an operational level, Anne Eriksson, a partner at PwC Kenya, would like to ask CEOs, 'Is your long-term strategy actually linked to enterprise risk that has been assessed?'

'The idea is not that risk management should drive strategy change but rather that the strategy formed by the bank needs to fit within a risk framework that is acceptable to the shareholders.' For Nasim Devji, risk keeps her awake at night and managing it is one of her top priorities

How do you balance the competing forces of risk management and competitive growth?

Financial institutions are in the business of taking risks. If DTB wanted to avoid risk, then it would put all its money into treasury bills. This would significantly reduce the bank's risk profile but it would also reduce profitability considerably.

Our goal is to maximise shareholder value within risk parameters that are acceptable to the bank's board of directors. For us to grow, and for us to offer a superior value proposition, we have to be committed to the discipline of risk management.

How much risk is acceptable—or prudent—for DTB?

DTB is pretty clear about its risk appetite. Based on our capital levels and based on our strategy, our board and management have a definite perspective on the level and nature of risk that we are willing to take.

Nasim Devji

Mrs. Nasim Devji joined the DTB Group in 1996 as Head of Regional Finance following which she headed a number of other business support functions.

She was appointed Group CEO of the Diamond Trust Banks in East Africa in 2001, making her the first woman in the Kenyan banking industry to hold that office. Prior to joining DTB Group, she had worked in the UK for 25 years in the accountancy profession as well as a taxation specialist in the oil industry.

67% of Africa CEOs say that inadequate infrastructure threatens growth

'We have expensive systems infrastructure that needs to keep running and that needs to be protected from power fluctuations.

'It is costly to have backup generators and backup servers but for us the costs of planning for this are low compared to the severe impact that system downtime would have on our business and customers.

'Therefore, we accept energy costs as a reality of doing business in our markets and build backup capability to ensure business continuity.

'Our clients are severely impacted by infrastructure risk so it indirectly affects us. If the cost of energy goes up exponentially or if one of our clients is unable to run their factory, then their ability to meet their loan payments may be affected.'

Specifically, what risks keep you awake at night?

Globally, the shift to electronic banking has come with an increase in electronic fraud. Whereas before banks were vulnerable only to people who could walk into their premises, interconnectivity now means that fraud can be perpetrated remotely.

How do you manage these risks?

We have invested heavily in systems and infrastructure that will help to monitor, identify and reduce our exposure. All our branches have state-of-the-art CCTVs and we have recently invested in the latest AML/CTF monitoring software. Our risk teams are manned by industry experts and we are continually providing them with training on the latest risk management tools and methodologies.

On the other hand, systems and processes are only as effective as the people who are managing them. We are paying a lot more attention to whom and how we hire so that we can continue to bring on board individuals with the highest levels of integrity and commitment.

We view ourselves as being stewards of the resources entrusted to us by customers and stakeholders and view risk management as an indispensable tool in faithfully executing that trust.

How do you direct senior or executive responsibility to risk management?

At DTB, the risk management team is a participant in all key business decisions and a stakeholder on all key organisational initiatives. When they express concern about something, it is a flag for us to be really careful about what we are doing.

We have a Board Risk Committee that meets once a quarter (and more frequently if necessary) to carry out a comprehensive risk review and provide approval before we can move on initiatives that create net new material risk for the organisation.

We have tried to create clarity of reporting, roles, responsibilities and mandates. What is important is to ensure that risk is properly communicated and that we have full transparency.

Our risk management framework ensures that there are adequate policies and procedures in place to effectively identify, quantify, and mitigate the various risks which the bank is exposed to from time to time.

Economic uncertainty tops the list of risks that CEOs in Africa are focused on mitigating. Why do you think this is and what are you doing about it?

Stability gives you a platform to grow and encourages growth whereas volatility discourages growth.

Rather than worrying about those things which are beyond our control, we prepare ourselves for economic uncertainty by maintaining a brutally honest view of who we are, what our values are, our strengths and weaknesses and where our true growth potential lies.

This then defines our sphere of engagement and ensures we are better prepared to face whatever the future will bring. Part of that preparation involves being careful with the resources that our shareholders and customers have entrusted to us. We are continually looking for ways to manage costs and we are focused on creating an atmosphere in which waste is unacceptable no matter how rosy the market.

Being in four African countries, our business is very directly affected by political instability and there is always a certain amount of uncertainty that we have to live with

Political instability is ranked by Africa CEOs as another top risk affecting their operations and outlook. Where do you think this sense of uncertainty is coming from?

We have recently seen that elections in Africa are fraught with uncertainty and unpredictability. We have also seen citizenry in North Africa rising up and demanding change in the way government delivers on its obligations.

The price of oil has been increasing significantly and its impact on the price of basic commodities creates uncertainty as well.

In the Kenyan market, we have seen the shilling lose value in the last several months. This affects the cost of imported goods and has multiplier effects across the economy thus creating a sense of unpredictability for business owners who are our clients.

And, of course, the major contributors to Kenya's GDP are global in nature. Remittances from the Diaspora now happen to be one of the largest sources of foreign exchange and GDP contribution for the Kenyan economy. Many of the Diaspora reside in the United States and the United Kingdom. When those economies experienced a recession due to the global financial crisis, remittances to Kenya declined and this had an impact across all sectors of the economy.

Tourism is also a major contributor to our income as a nation. Tourists will not come and spend their dollars if they perceive the local political environment as being volatile. On the other hand, they will not leave their countries to travel for leisure if they are uncertain about their own economies and their political environment.

So, in many different ways, our country, our economy and our business as a bank is very directly impacted by the global political climate.

What can CEOs do to mitigate the threat of political instability?

Our shareholders have chosen to invest their resources in this particular sphere and have therefore concluded that the potential upside of investing in our markets outweighs the risks of doing so.

Ultimately, maintaining an honest and realistic view of who we are as a business is a key factor in being able to deal with political change.

The talent challenge

CEOs in Africa may be used to managing a complex basket of risks, but as their companies and their economies expand, 72% of them still say that talent is a serious threat to growth. They simply can't always find the right people to do the jobs that growth requires

86% of Africa CEOs will change their talent management strategies this year

How CEOs feel about the talent challenge—and what they are doing about it—depends upon their market, their industry and their outlook.

Talent is a crucial need in financial services, with specialised skills a concern among 75% of CEOs. But James Mwangi, Chief Executive Officer & Managing Director of Equity Bank, says that the exact skills required depend a lot on the lifecycle of an institution.

With an expanding regional presence in four African countries, Equity Bank's operations are at different stages in each market.

Depending upon the needs of each, Equity looks at executive training programmes, refresher courses and outside consultants to deploy the right skills at the right time in the right place.

As with many other risks in Africa, the strategies that CEOs employ to manage the talent challenge are many and varied. Overall, it's a patchwork approach; they do what works to get by. Many CEOs see their organisations as training hubs which contribute to an expanding sea of talent in their markets.

Some send their employees for training outside of the country or they use expatriates to fill a talent need—with the understanding that they will help build local capacity. Increasingly, these expatriates are sourced regionally from more developed neighbouring economies like Kenya.

Others are simply overwhelmed by the vast need for basic skills. Nitesh Patel of PwC Zambia frequently hears CEOs exclaim, 'The market is crying out with opportunities but I can't find the right people!'

Some of these skills may already exist in other African countries. In Kenya, for example, just 55% of CEOs view the availability of key skills as a threat to growth. For the most part, the education system provides an adequate pool of talented workers, who are then trained in-house by companies and institutions. The real problem in Kenya, say many CEOs, is not scarce skills but unemployment.

A growing economy will expand employment opportunities—but perhaps not enough to meet the needs of a growing population. Fewer CEOs in Kenya intend to make headcount increases of more than 5%, as compared to CEOs in Africa generally, and more of them—55%—plan to keep headcount the same or increase it by less than 5%, compared to 44% of CEOs in Africa.

The message that CEOs are sending is that their companies are crying out for specialised talent—whether tractor drivers or software programmers. But they're not necessarily hiring new people in droves to fill the talent gap. Over the last 12 months and over the next 12 months, hiring trends reported by CEOs in Africa largely mirror those of CEOs globally.

For the 27% of CEOs in Africa who intend to keep headcount the same, there is an overriding sense that it's important to develop talent in-house and improve productivity and efficiency, according to Bernice Kimacia of PwC Rwanda. Most CEOs seem to agree that they need new people, but there is a more pressing need to develop the talent that they've already got.

However, some CEOs in Africa are focused on increasing headcount. Over the next 12 months, 21% of CEOs in Africa plan to increase headcount by 8% or more, particularly CEOs in financial services and infrastructure, compared to the 15% of CEOs globally who say the same.

Perhaps this is related to confidence. CEOs in financial services and infrastructure are very confident, with a higher percentage anticipating growth over the next 12 months and three years than the average for Africa as a whole. Growing companies require more people with better skills, but increasing headcount is only part of the solution to the talent challenge.

Retention challenges

Keeping the right people can be even harder than finding them in the first place. CEOs in Africa truly believe that they are engaged in a war for talent—where poaching of their best people by competitors is a constant threat and non-financial rewards are increasingly as important as direct remuneration.

Over two-thirds of CEOs in Africa—68%—say that competitors recruiting some of their best people is a serious talent challenge, compared to 52% of CEOs globally. The best people are in high demand, and they are highly mobile. CEOs know that they can lose their best people at any time, even to companies in other industries.

Among his competitors for top talent, Lamin Manjang, CEO of Standard Chartered Bank Uganda, includes breweries and communications companies, not just other banks or financial services companies. Mr Manjang is not alone. Poaching is a particular concern among CEOs in Uganda; key skills are in high demand and over 90% of CEOs say that losing their best people to competitors is a top challenge.

Losing people is not cheap, and losing them to competitors makes that loss even more tangible—because of the competitive edge gained by the recruiting company. Poaching also ramps up the salary scale for mobile employees who can demand ever-higher compensation for their in-demand skills, and it breaks down the ties of loyalty that buoy effective corporate cultures.

The talent challenge

The availability of key skills is a major challenge in most markets in Africa.
CEOs are hiring more people, but they're primarily focused on training and incentivising their workers differently.

58%

CEOs in Africa

Face challenges in recruiting and integrating younger employees

10%

CEOs in Africa

Cite poor retention of female talent as a top challenge

53%

CEOs in Africa

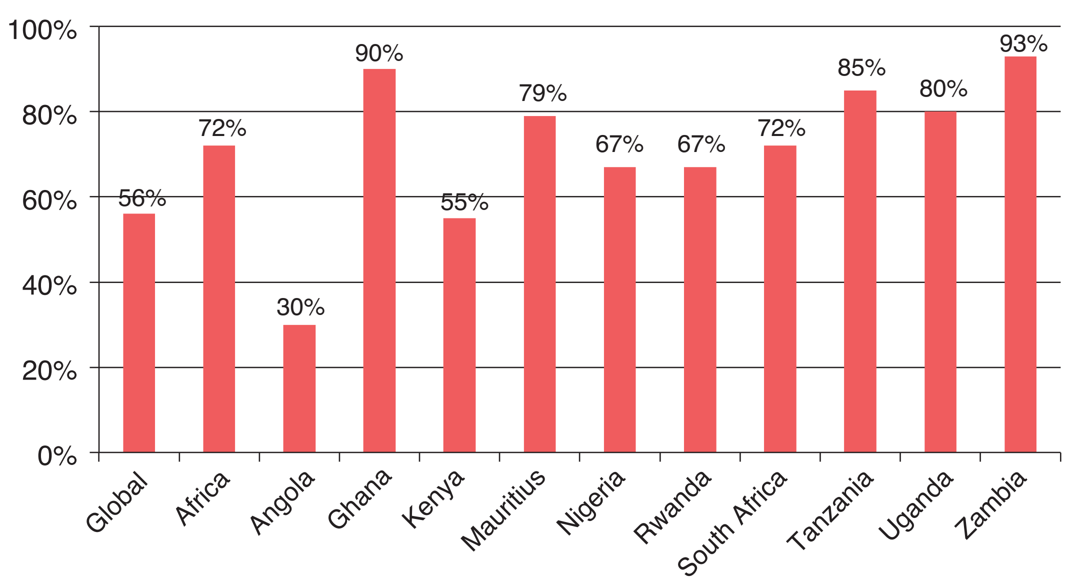
Plan to incentivise younger workers differently than others

46%

CEOs in Africa

Will change policies to attract and retain more women

Are you concerned about the availability of key skills as a potential threat to growth prospects?



However, Nitesh Patel of PwC Zambia has noticed that poached employees don't always acclimate well, having been immersed in their previous employers' strategies and corporate cultures. 'Confusion normally reigns and they move on again,' he says.

The question is how CEOs can keep their best performers happy. Competitive remuneration is one way, but the days of predictable salary increments corresponding to an exact corporate hierarchy are over. Companies are increasingly using salary surveys to calibrate remuneration on the basis of a number of local factors like inflation, says Uthman Mayanja, a partner at PwC Uganda. But salary surveys need to take into account the differing needs and living conditions of employees located in different places.

'The trick is to take account of the disparities in the cost of living and the regional distribution of people living up-country and people living in Kampala,' he says.

Aside from direct remuneration policies, however, 78% of CEOs in Africa are focused on non-financial rewards to motivate their staff, compared to 65% of CEOs globally. These rewards can include private health care schemes and flexible working hours. One of the best ways to retain talented workers, however, is to appeal directly to their self-interest.

'These are people who are looking to develop themselves and managers can give them skills so that they are more employable long-term,' says Kuria Muchiru of PwC Kenya. 'That's how you retain people.'

In some markets, however, keeping people is as simple as paying them on time. In Uganda, employees must function within an economy that is largely cash-based.

'Our staff are telling us that the reason why they like working for us is that we pay on time,' says Dr Gitahi Githinji, Managing Director of Monitor Publications Ltd in Uganda. 'I think that tells you how cash-troubled our economy is.'

What's different about women and younger workers?

Work-life balance—so long a fuzzy concept drafted by HR and gathering dust in executive offices—is now a requirement among many of Africa's most talented workers. Their enthusiasm for flexible work hours, attractive benefits, flatter corporate hierarchies, faster promotions and mobile office technologies is just the beginning.

Younger workers and women are voting with their feet and choosing to work for companies that demonstrate a firm commitment to these and other policies. But are companies in Africa keeping pace?

Roughly half of CEOs in Africa plan to change their policies to attract and retain more women and incentivise younger workers. Like CEOs globally, very few CEOs in Africa say that the poor retention of female talent is a top challenge.

The discrepancy between the retention of female talent and the recruitment and integration of younger employees can be explained partly by the gender demographics in many workplaces.

A larger portion of Generation Y workers are also women, compared to older generations of workers, says Anne Eriksson of PwC Kenya. Women tend to leave the workforce earlier in their careers to care for children.

Perhaps employers are listening to Generation Y workers more clearly because there are more of them, including more women. But among higher-ranking, older employees, there are fewer women and their collective voice is weaker, so that CEOs are under less pressure to manage the issues that they raise.

It's also possible that the policies that CEOs are putting in place are having the intended effect, so retaining female talent is not seen as a challenge so much as a fact of doing business.

In Tanzania, 70% of CEOs are focused on policies to attract and retain more women. According to Mbuvi Ngunze, Managing Director of Mbeya Cement in Tanzania, these efforts are intended to combat 'an historically male-dominated environment.'

The message is that many CEOs are trying to manage talent and retain workers, including younger employees and women. They're doing it primarily by listening, according to Ms Eriksson.

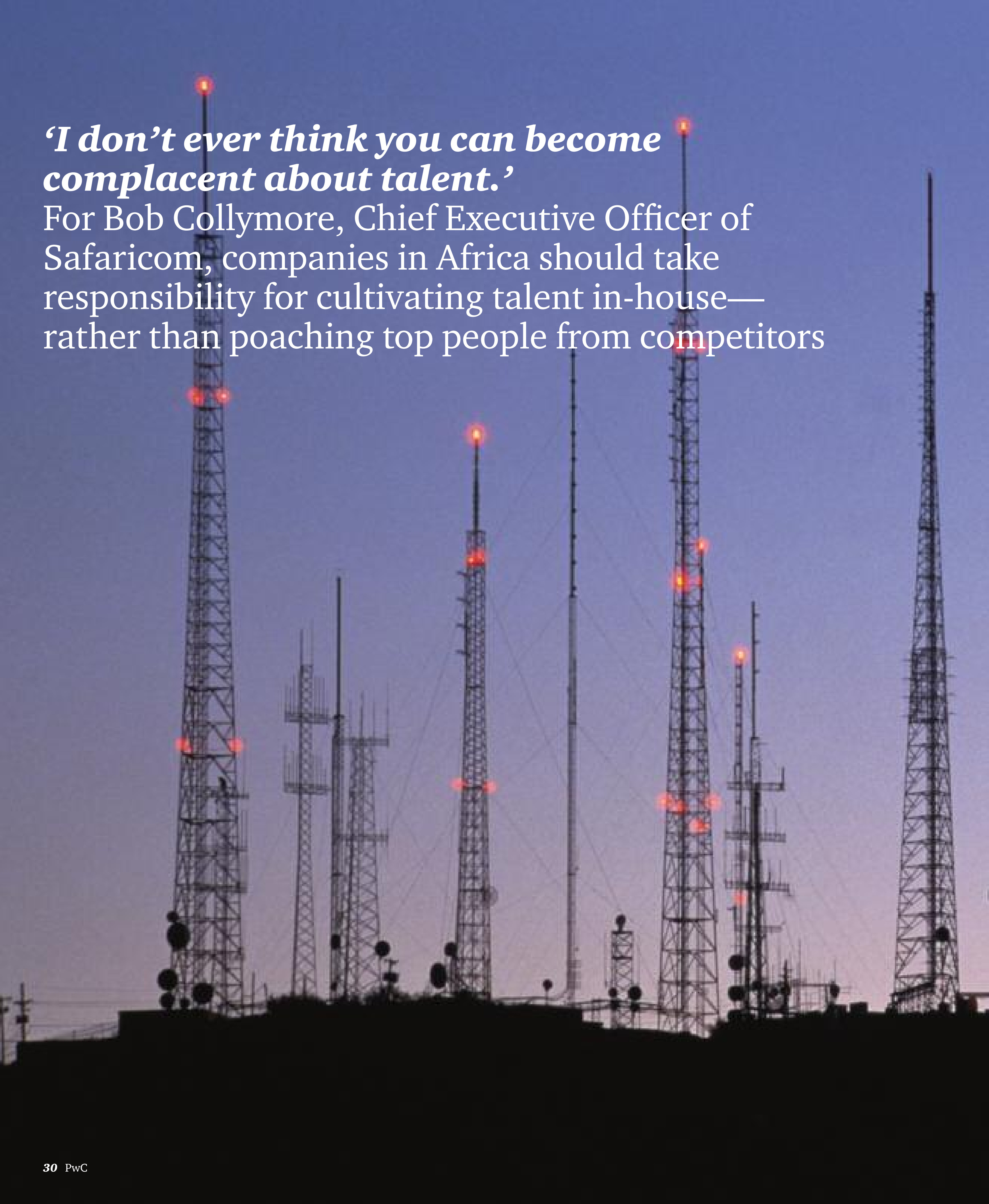
'It's a two-way street,' she says. 'You've got to continuously engage and together you develop policies that help everyone grow together.'

Working together

It's not clear where the private sector's role in fostering a skilled workforce begins and ends. A total of 87% of CEOs in Africa say that they will increase their commitment to creating and fostering a skilled workforce over the next three years, and that this commitment will improve national competitiveness and social well-being. Building skills among the workforce should also be a government priority, say 46% of CEOs.

In Nigeria, as is true elsewhere, private sector-financed training is more expensive because companies are largely doing it independently. Some CEOs would like the private sector to collaborate more but most agree that government should take the initiative to foster the kinds of skills needed collectively by local companies. To grow the economy long-term, government must do its part.

'We don't need ten thousand mechanics or tractor drivers in this country—we need hundreds of thousands. It's only government that can do that,' says Jakob Bejer, Managing Director of Heidelberg in Nigeria. The question is how governments in Africa can build up the type of targeted skills importation that has been so successful in Singapore and the Middle East.



‘I don’t ever think you can become complacent about talent.’

For Bob Collymore, Chief Executive Officer of Safaricom, companies in Africa should take responsibility for cultivating talent in-house—rather than poaching top people from competitors

‘You have to grow your own timber’

Bob Collymore

is the current CEO of Safaricom Limited, effective 1 November 2010. Prior to joining Safaricom, Bob was the Chief Officer for Corporate Affairs in Vodacom Group and the Governance Director for Africa for Vodafone. Bob has more than 25 years of commercial experience working in the telecommunications sector.

CEOs are saying that one of their biggest talent challenges is competitors recruiting some of their best people. Why?

Some companies take the lazy approach: they poach. The problem is when you poach, you bring someone in who doesn’t necessarily have the right DNA for working in your company—they simply came for the money. You end up hiring the wrong person and paying more.

If you take raw graduates and invest in training them in the relevance of what they do then you’ll find someone who will be much more loyal to your company and will actually work for less money.

How do you manage this threat?

You have to grow your own timber, not just buy the wood. Wherever possible, we try to grow our own timber.

The first thing we do is identify our talent pool. I know the 100 top potential people—not the 100 top people, but the 100 people with the highest potential—throughout the grades. I have a list of their names, I know them personally. You have to take an interest in them. You have to also make sure that the rest of the C-suite also take an interest in those people, rather than just taking an interest in the people who are working for you.

We put them through leadership programmes, rotation programmes, maybe we send them overseas to get some more development but we absolutely focus on those 100. If you do that, they will reward you with loyalty.

How much time do CEOs spend on talent?

My guess is that the typical CEO doesn’t spend enough time on it. I try. I don’t think CEOs by and large spend the time doing it, but they panic when a competitor comes onto the ballpark. That’s too late.

Are CEOs prioritising female talent?

The boardroom is usually dominated by males. So all of the decisions are driven by a male-type of mentality. One of our shareholders—Vodafone—has a principle called plus-1. They say, ‘I don’t care what your challenges are—next year, you have to have added one to your direct reports. And then the next year, you have to have added another one.’ And so there’s no point in you coming back to me as a CEO and saying, ‘Well, I don’t have any vacancies.’ That’s your problem. I’m going to hold you to plus-1, or plus-2 or whatever it is.

When I look at my team, my C-suite needs to be more diverse. So I look at the next layer down and the layer below that and now I need to disproportionately make sure that women have the right development programme laid out for them. Once you’ve done that, you’ve got people with the DNA of the company coming through.

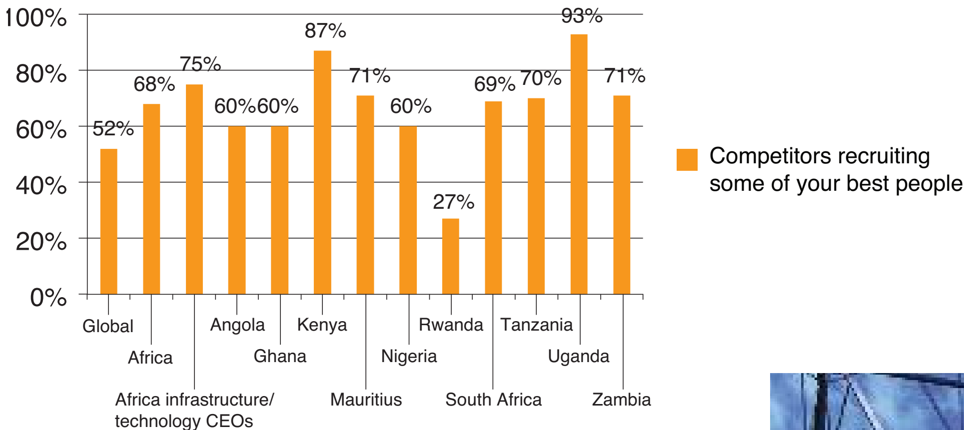
How are CEOs incentivising younger employees?

It’s the role of the more senior, seasoned people to understand what motivates them. Anybody in my organisation has access to my e-mail, my Twitter account, they all have my cell phone number. They just want a flatter structure.

Here at Safaricom, we had a mortgage scheme. And then we thought, why aren’t people taking it up? It’s part of Safaricom wanting to become the employer of choice. So we segmented our people in the same way that we segment our customers—by gender, by length of service, by age—and lo and behold, they all wanted different things!

Once you’ve done that, you then start to get into deeper employee insights. We also need to bridge the divide between the ages. I don’t want a C-suite that is all over the age of 40—nor do I want a C-suite that is all under 25.

Considering the talent required for the success of your business over the next three years, what are the key challenges you expect to face?



'We need to bring some of the Diaspora back. These are bright people who are leading industries in other parts of the world. The second thing we need to do is get corporates to take more of a responsibility for developing the right talent'

Shared priorities with government

South Africa's Motor Industry Development Programme has created a manufacturing environment favourable to both government and private sector interests. A fresh legislative approach encouraging private sector investment has led to 650,000 jobs among suppliers, manufacturers and retailers as well as greater output, exports and capital investments.

The programme demonstrates that alignment between the public and private sectors is possible—and even profitable. But for this to happen, government's priorities need to be clearly understood, which they are not currently by many CEOs in Africa.

CEOs say that they are contributing to national competitiveness by fostering skills, maintaining the health of the workforce, protecting consumers' interests and reducing poverty and inequality, among other areas.

They say that government should, above all else, facilitate growth by improving infrastructure, creating and fostering a skilled workforce and ensuring financial sector stability and access to affordable capital. Government should also reduce poverty and inequality, partly by facilitating growth but also through social programmes ensuring public health, for example. While CEOs are focused on many of the same areas, their view of government's top-most priorities is mixed, with fewer than 50% agreeing on any given priority except infrastructure.

CEOs are also clearer about their own contributions—and the role of government—depending upon their industry sector.

Energy, utilities and mining sector CEOs ranked improving infrastructure lower among government's priorities than CEOs in Africa generally, perhaps because for most of them, infrastructure development is a core service offering. When asked about their own companies' activities in this area, a greater proportion demonstrated commitment.

Among financial services companies, 38% said that ensuring financial sector stability and access to affordable capital should be a government priority, compared to 33% of CEOs in Africa generally. They recognise that government has a definite role to play in ensuring that financial services companies can function effectively in the marketplace. At the same time, 62% said that they contribute to national competitiveness by increasing their commitment in this area—more than the 56% of CEOs in Africa who say the same.

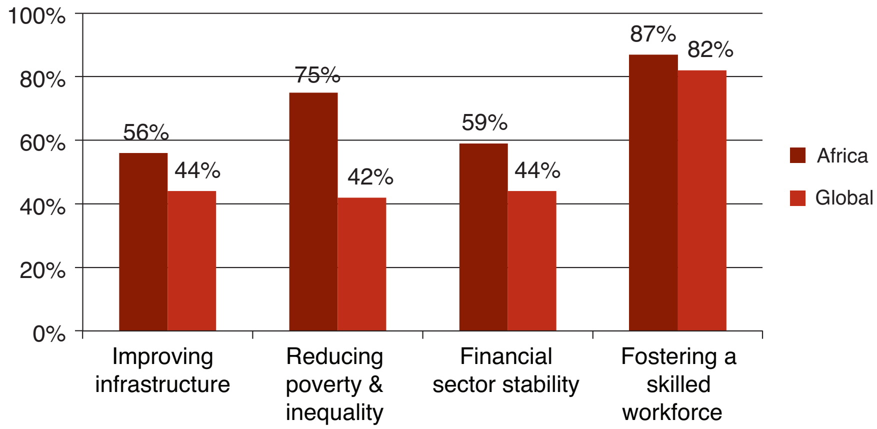
The government has many priorities and the private sector is doing a great deal to address them, but this doesn't necessarily mean that the private sector is doing more than its share.

Many CEOs believe that government should take a strong lead in some areas. CEOs are clear that government has a distinct and important role in providing education, so that the workforce is better prepared for private sector jobs. They also said that government should facilitate capital-intensive, long-term investments in infrastructure and energy.

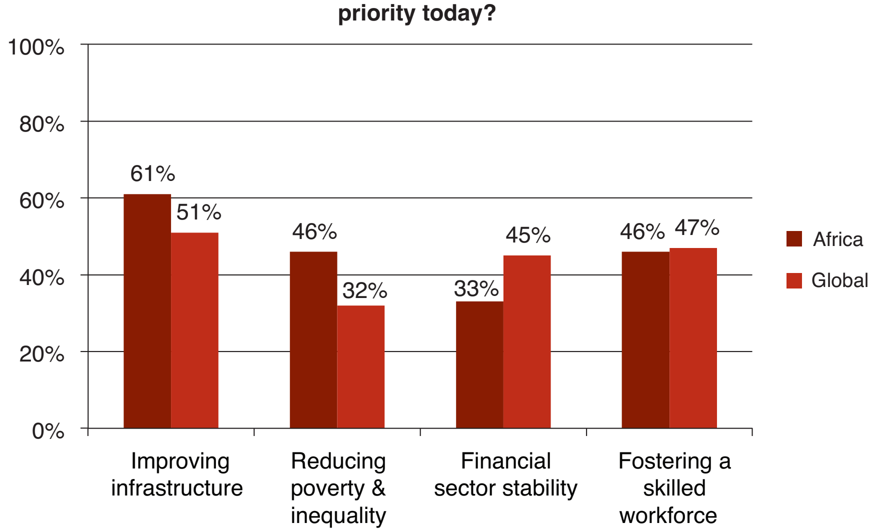
'My view is that you can never power a nation based on private investment alone,' said John Mirenge of RwandAir.

CEOs in Africa are much more uniform in identifying the areas where they are contributing to national competitiveness than they are about identifying government's priority areas. The highest percentage of CEOs to agree upon a government priority area is 61%, who say that government should focus on improving infrastructure. By comparison, 87% of CEOs say that their companies are helping to create and foster a skilled workforce

How much does your company plan to increase its commitment to the following areas and increase national competitiveness and social well-being over the next three years?



Which three areas should be the government's priority today?



A special relationship

Government and the private sector intersect on many levels, one of which is commercial. For many CEOs in Africa, government contracts represent a significant source of revenue. A total of 21% of Africa CEOs report deriving more than a third of their revenues from government, compared to 15% of CEOs globally.

That relationship is changing in response to many factors. In Africa, 67% of CEOs say that emerging market governments will drive growth for their companies compared to 52% of CEOs globally. And 56% predict that governments will increasingly prefer to purchase from domestic suppliers, a boon to CEOs in Africa who are already trading with governments in their (emerging) markets.

Changes in government purchasing behaviour could indicate a wider variety of goods and services available locally, which governments are influencing through their preferences. Over a third of CEOs say that government will play a more active role in product and service development going forward. At the same time, a higher percentage of CEOs in Africa (45%) are concerned about the protectionist tendencies of national governments, compared to 40% of CEOs globally. Government purchasing behaviour is worrisome if it is perceived to be unfair.

Hylton Bannon says that his company, Toyota East Africa Limited, has a simple philosophy with regard to its customers: treat everyone the same.

'Government has a different agenda where they need to ensure that economic growth is maintained and jobs are created,' he says. 'So where we can support them, we do as much as we can.'

But in terms of purchasing, 'government doesn't get treated any differently than a corporate fleet.'

Mugo Kibati, Director General of the Kenyan Government's Vision 2030 Delivery Secretariat, is focused on packaging investments in infrastructure projects so that they are more attractive to the private sector. Public-private partnerships can serve the needs and priorities of both as well as advance development.

Public-private partnerships have traditionally occurred during the project phase, but Alphan Njeru, a partner and head of PwC's regional public sector group, thinks that they would also be effective during the decision-making phase. That way, priorities are aligned right from the start.

Aside from direct partnerships, CEOs can influence government priorities by participating in the governing process. In Nigeria, political stability following the 2011 National Assembly and Presidential elections not only makes it a better investment destination but political stability opens up a new role for business, according to Larry Ettah of UAC Nigeria Plc.

'Even if we can't direct policy, we'll be in a better position to influence policy.'

Taxes and regulation create uncertainty in Africa

'I don't know any CEO or company that can make a decision based on uncertainty,' says Chima Ibeneche of Nigeria LNG Limited. Uncertainty with regard to government policy is a 'huge risk' according to Mr Ibeneche, and in this assessment he is far from alone.

A number of government policies are worrisome among Africa CEOs including tax and regulatory regimes and approaches to public debt.

Considering the tax burden, 62% of Africa CEOs view it as a threat to growth prospects compared to 56% of CEOs globally. CEOs in the services sector are the most concerned, with 75% viewing the tax burden as a threat.

Perhaps service sector CEOs are more concerned because their activities are often government's target. There are better ways to expand the tax base, says David Tarimo, a partner at PwC Tanzania. 'African policymakers should consider how to stimulate investment as well as widen the tax base—notoriously narrow in many African countries,' he says.

How else can government finance its priorities, other than raising taxes? It can borrow money, but half of Africa CEOs anticipate that their total tax contributions will rise in response to government actions to curb public debt, affecting growth prospects.

Tax policy can also facilitate growth, as many CEOs acknowledge, and in this regard may also serve to generate government revenue. In Uganda, a market where 80% of CEOs are concerned about an increasing tax burden, sections of the tax code have been revised.

'The government has tried to promote people buying brand new commercial vehicles,' says Gilbert Wavamunno, Sales Director of Spear Motors Ltd in Uganda. A growing economy requires more transport capacity, and new trucks will last longer than used ones. And although VAT and import duties related to the purchase of new trucks over 20 tonnes have been eliminated, trucking companies will still pay taxes on the fuel that they buy, among other activities.

In many markets in Africa, tax and regulatory policies are moving towards harmonisation through the efforts of regional trade blocs like the East African Community (EAC) and the Economic Community of West African States (ECOWAS). Among CEOs in Africa, 67% anticipate that new regulations will largely be harmonised and 56% say that tax policies and rates will increasingly converge among nations, compared to 39% and 41% of CEOs in the global survey, respectively.

This is good news for Africa's cross-regional firms, but one of the key issues moving forward is the complexity and variety of domestic tax regimes including VAT, income tax and excise tax, says Rajesh Shah, a regional tax specialist and partner at PwC Kenya. Many of these issues have yet to be fully resolved.

This helps to explain why more CEOs in East Africa—a region with a functioning Common Market that has virtually achieved harmonisation—did not indicate confidence in convergence. On average, 73% of EAC CEOs believe that new regulations will be harmonised and 58% anticipate that tax policies and rates will converge, very similar to the percentages of Africa CEOs who say the same.

In West Africa, ECOWAS has not levelled the playing field for CEOs in Nigeria, fewer of whom express confidence in tax or regulatory harmonisation than CEOs in Africa generally.

Ken Igbokwe of PwC Nigeria says that it costs less to manufacture goods in Ghana, and that ECOWAS has created a situation where 'Ghana is the gateway to Africa and Nigeria is a destination,' he said. 'We need to get people in government to understand these issues.'

Aligning priorities in government

One of the challenges for government is to manage its priorities strategically, says Mugo Kibati, Director General of the Kenyan Government's Vision 2030 Delivery Secretariat.

He says that his organisation is constantly debating whether development projects have been sequenced and resourced effectively, whereas for companies, identifying and acting upon their priorities is more straightforward.

Shared priorities with government
Dr Bitange Ndemo

'The government's role is simply to allow the private sector to work efficiently.'

In Africa, as elsewhere, this is not as easy as it sounds. Dr Bitange Ndemo, Permanent Secretary of the Ministry of Information and Communication in Kenya, compares the decision-making process in government to multiple CEOs attempting to find common ground

Dr Bitange Ndemo

is the Permanent Secretary in the Ministry of Information and Communications for the Republic of Kenya. Prior to this appointment, Dr Ndemo was a Senior Lecturer at the University of Nairobi's Business School, where he taught entrepreneurship, management and research methods. Most of his research work centres on Small and Medium Enterprises in Kenya with an emphasis on Social Enterprise.

What is the government's role in business?

If government steps into an investment role, it might crowd out private investment.

If you look at our sector, we had problems with infrastructure. Some of it was too expensive for individual companies to invest in. So government stepped in, invested in fibre optics and created an enabling environment allowing the private sector to grow at the rate that it's grown. We still have challenges in policy and we are seeing where we can make changes. Simply, the government's role is to provide an enabling environment.

CEOs believe that the government's priorities should be things like infrastructure, financial sector stability and fostering a skilled workforce. How well is government fulfilling these priorities?

When you create a road, everybody shares it. People compete on the road; you have your bus, your truck, your bicycle, your *matatu*—that is the level of competition. In the communications sector, we have enabled many to become players in the market who would never have come because we have an open access platform where they can come in and out. This is how you can enhance competition and the better management of resources.

If you look at our macro-economic policies, we have experienced stability over a very long period. We have experienced shocks and come out very comfortably because of the stability we have in our financial market.

[In terms of building a skilled workforce], this is one area where we need a lot of work to be done. The government, the private sector and the universities must work together. Industry has not been able to utilise all of our university graduates. I would blame the private sector because they have not come to discuss with universities how to get employable staff from universities. Youth don't know what needs to be done in order to become employable.

How well are government and the private sector working together to address shared priorities?

The private sector demands this and that, the government is saying it is doing enough. There are areas where we have shared priorities, especially infrastructure for example. We would not have put up [fibre optic] infrastructure if the private sector wasn't complaining about satellite costs.

The road network is a shared priority. There are other shared priorities but some of them are very expensive. Every country is grappling with health care.

Going forward, data requirements will be much higher than the current wireless solutions provide. Government is saying that we need shared infrastructure that provides greater broadband. We are listening to the public and the private sector.

Poverty reduction in this country is something that needs to be looked at by government, the private sector and by citizens themselves. We must find a common language that people will understand.

Government has given the enabling environment, roads, policy framework and regulatory framework. Government is not the one to provide food. We need the private sector to do the distribution. Distribution is the weakest point and that can only be handled by the private sector.

We also need to allow innovation to take place. We must begin to measure our growth in terms of productivity; next year, we should produce equal or more with the same resources.

Does the government compete effectively in the labour market?

At the moment, when you have surplus labour, you can actually get quality labour. But if demand were to exceed supply, government would suffer because the salaries are not adequate.

We have not fully equipped the labour that we have in government. But we are moving forward to make sure that we are able to attract people in areas where there is a shortage. In IT, we have had a shortage. Government is looking at the ways and means of retaining those whom we have acquired in this sector.

What kinds of non-financial rewards motivate public sector employees?

In some positions, you feel that it is good to serve the public. That is why some in very high positions are able to forego private sector employment in order to serve their country for a short period.

Research methodology

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The Africa Business Agenda is based on interviews with 201 CEOs in Angola, Ghana, Kenya, Mauritius, Nigeria, Rwanda, South Africa, Tanzania, Uganda and Zambia. The survey was conducted from September—November 2010. The number of CEOs surveyed in each market was based on each market's relative size in Africa. Most of the interviews were conducted face to face.

To better appreciate what is underpinning their outlook for growth, we also conducted in-depth interviews in May 2011 with eight CEOs, many of whom have regional roles. Their insights cover a wide range of topics, from prospects for growth to evolving industry and market dynamics as well as risks and priorities over the short and medium term. Their interviews are quoted widely in the report.

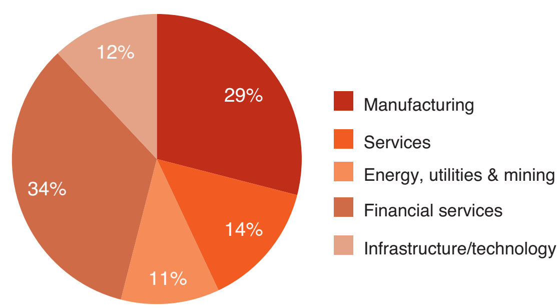
We also hosted four panel discussions in Kenya, Nigeria, Tanzania and Uganda in May—June 2011. Business and government leaders were invited to share their experiences. Discussions centred around findings from the Africa CEO Survey, and insights shared are also included in the report.

Our extensive network of experts and specialists provided additional input into the analysis of the survey. Our experts span many countries and industries in Africa.

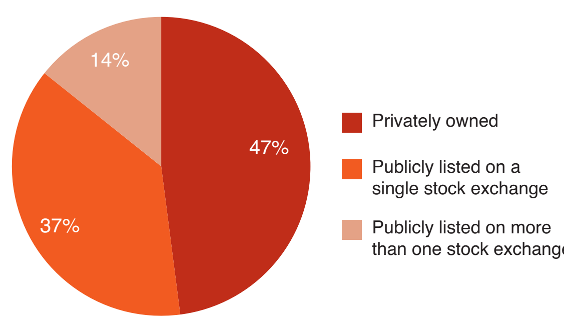
Surveys conducted by market:

Angola	10
Ghana	20
Kenya	31
Mauritius	14
Nigeria	30
Rwanda	15
South Africa	32
Tanzania	20
Uganda	15
Zambia	14

Survey respondents by industry



Survey respondents by type of ownership



The Africa Business Agenda

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