

Expanded engagement for Caterpillar: Boosting sales and alleviating poverty

WASHINGTON, US - A strong signal of growing business engagement with Africa by large US corporations was the [announcement last September](#) by Caterpillar CEO Doug Oberhelman of plans to invest over \$1b in Africa over the next five years. Caterpillar is not a new-comer, having begun doing business on the continent in 1926. At last month's [US-Africa Business Summit](#) in Washington, DC, David Picard, Caterpillar's regional manager for Africa and the Middle East, described some of the steps that have been taken since last year's announcement. He also talked about the challenges and opportunities he sees, including Nigeria, where the company has operated since 1948. He was interviewed by AllAfrica's Noluthando Crockett-Ntonga and Ladi Olorunyomi from Premium Times in Nigeria. The interview has been edited for clarity and length.



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Let's start by asking why Africa? Many don't view the continent as an easy place to do business.

There are challenges. There are the things you see on the news that scare people away. But once people actually get there on the ground, they understand that it is a place that you can do business, that there's an engaged group of people that want to work with American companies in particular.

What is the scope of Caterpillar's African engagement?

We're in 53 countries, and we've got 15,000 people on the ground through our independent dealer network. They're independent but they act as our distribution arm. They do all our sales and local marketing. We sell equipment for major infrastructure projects like rail lines, airports, dams - earth moving of any kind. We have a resource industries division which is in mining and extractive industries. And we have an energy and transportation business that provides electric power generation, diesel, gas and renewable and marine propulsion systems and locomotives for rail.

What has been achieved since the announcement of plans to invest over \$1b in Africa over the next five years?

The billion-dollar commitment is a combination of Caterpillar, our dealers, and the Caterpillar Foundation. The investment is going directly into facilities and a recent example is a state-of-the-art facility opened by our dealer Mantrac in Cairo. In August, we will be inaugurating our new 645,000 square-foot distribution center that's going to be serving all of southern

Africa with critical replacement parts that our customers need. We're looking at a parts facility in Abidjan as well, and we're investigating opening an office in Nairobi as well.

What role is the Caterpillar Foundation playing in this expansion?

The Foundation is focused on poverty and has launched the ['Together. Stronger'](#) platform to help 50m people rise out of poverty by 2020. One focus is empowering women. We believe that girls and women are at the core of success across Africa. We invest money through advocacy, but also through micro-finance projects to help women entrepreneurs enter the business and bring their wares to market.

Do you sell mostly to international companies or locals?

The face of our customers is changing - from international contractors, we're selling more to local African contractors, and we're pleased to see that transition.

How do you manage to attract the skilled work force that must be needed to maintain your extensive operations?

At every dealership, we have dedicated facilities that bring in apprentices and prospective employees and put them through a training programme. A good example is in South Africa where they even have a hotel that they own which allows them to bring employees from neighboring countries like Zambia and Angola and have them stay on site while they go through the training.

What is your advice to US companies who see an opportunity but don't quite know how to get started?

We absolutely endorse the idea of US companies going to Africa if they haven't been and for those that had been and left, to come back. We're happy to work with them. But more importantly, in each of the countries, the US embassy has Commerce Department people that help understand local rules and key people to contact.

You have one of the longest track records in Africa. What has enabled Caterpillar to get through tough times over the decades?

Our business model lends itself to the resiliency which is needed in Africa. Our independent dealers are financially strong. They're made up of local African businessmen and women who are well-connected - they understand how things work. It allows us to think global and act local in a way that we think is unmatched.

What has been your biggest challenge?

I'd say there are two principal challenges. One is skills - and we've talked a little bit about that. With [Technicians for Africa](#), we're trying to help overcome that challenge through this online e-learning curriculum that Caterpillar has put out there, absolutely free of charge for any African who would like to educate themselves. All they need is a computer and access to the internet. And at the end of the course, we'll certify their completion and then we'll ask them if they'd like us to share their name with the local Caterpillar dealer or customers to see if they could get employed coming out of that. In early 2016, we piloted in three countries - DRC (The Democratic Republic of the Congo) in French, Mozambique in Portuguese and Nigeria in English. Now, we're in 17 countries with over 10,000 students enrolled.

The other one is finance. Particularly for entrepreneurs that are entering construction, getting affordable finance. I've been hearing horror stories of 20% to 30% interest rates in a number of countries. It's really hard for an entrepreneur who wants to get into the construction business, who wants to buy a backhoe loader or a small excavator. It's very difficult to make their numbers work when they have to pay that kind of interest.

Zeroing in on Nigeria, for a moment, where they have really outrageous interest rates, how has that affected your full ability to do business?

We understand that the Nigeria situation is due to an economic downturn. I don't expect that that's going to be a permanent situation but it's one that's been a challenge for our customers. It makes it difficult for an entrepreneur entering the business and for those that are more experienced as well with those kinds of rates.

Do you regard the current government as business friendly?

The government has focused on stamping out corruption, and we applaud that. We think corruption is bad for business and bad for Nigeria. We also understand it takes time to get to a transparent economy.

Has it gotten harder doing business in Nigeria?

Nigeria has become the largest economy in Africa, and they've demonstrated the kind of growth that we think we're going to see in the rest of Africa going forward. There are challenges right now due to the falling oil price. But we've had success historically and currently as well. Our dealer in Nigeria, Mantrac, has facilities strategically placed throughout the country. They're in Lagos, Port Harcourt, Abuja and a number of other key locations. They also have mobile service capability, and they can mount a temporary service shop to support big projects outside of the cities.

Mantrac does a terrific job. They're our partner in eight different countries in Africa. They've been a Caterpillar dealer for many, many years. And they understand Africa, how to do business in Africa and how to be successful. We're very satisfied with the support that they have been providing in Nigeria.

You mentioned the problem of access to financing for entrepreneurs. Is that also an issue for large-scale projects such as infrastructure?

There is money available for bankable projects. For large projects, there is international financing from a variety of different sources.

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