

Africa is poised for a digital revolution

Africa remains one of the preferred frontiers for investment opportunities and doing business, according to a report released by PwC Africa on Friday, 19 May 2016. Growth and foreign direct investment has continued in Africa amid the recent global economic uncertainty.



Image by 123RF

This is confirmed by PwC's *Africa Business Agenda* survey which shows that Africa and the emerging markets remain a vital growth opportunity for CEOs. According to the survey's findings:

- Africa CEOs believe global economic growth is unlikely to improve and will stay the same in the short and mid-term; nonetheless they remain confident that there are opportunities for growth over the next 12 months (78%), and 9 out of 10 believe they can deliver growth in the next three years.
- The top three concerns cited by Africa include exchange rate volatility (92%), government response to fiscal deficit and debt burden (90%) and social instability (80%).
- Organisations are encountering a range of challenges in responding to wider stakeholder expectations: additional costs to doing business (62%), unclear or inconsistent standards or regulations (45%), and customers' unwillingness to pay (35%).

The *Africa Business Agenda* compiles results from 153 CEOs and includes insights from business and public sector leaders from across Africa.

Hein Boegman, CEO for PwC Africa, said: "CEOs in Africa are ramping up their efforts to innovate and find new ways to do business on the continent in a move to stimulate growth in a challenging and uncertain global business environment."

“The global financial and economic crisis has revealed Africa’s vulnerability to a number of external economic shocks. These include the decline in commodity prices fuelled by the economic slowdown in China; a marked decline in the demand for commodities; and the collapse in value of the emerging market currencies against the US-dollar in anticipation of an interest rate hike.

“Notwithstanding a multitude of challenges, many of which are cyclical, we remain confident that Africa’s prospects remain positive. Africa’s business leaders have the opportunity to pursue new business opportunities on the continent, more particularly in the light of rapid innovative and technological advances that have the potential to transform and shape industries.”

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Africa’s CEOs are critically aware of these issues and the impact they may have on their businesses. CEOs believe global economic growth is unlikely to improve and will stay the same in the short and mid-term; nonetheless they remain confident that there are opportunities for growth over the next 12 months (78%), and 9 out of 10 believe they can deliver growth in the next three years.

The global business environment has become increasingly complex and challenging. The report shows that CEOs in Africa share many of the same concerns with their peers globally. The top three concerns include exchange rate volatility (92%), government response to fiscal deficit and debt burden (90%) and social instability (80%).

CEOs in South Africa have similar concerns as their counterparts on the continent, with the report showing that there are uncertainties about government response to fiscal deficit and debt burden, social instability, and high unemployment or underemployment.

Across the continent, shifting demographics, rapid urbanisation, rising disposable income and technological change are all influencing growth opportunities and strategies. Africa’s CEOs rank technological advances (75%), demographic shifts (52%) and a shift in global economic power (58%) as the top three defining trends that will transform their businesses over the next five years. In addition, new advancements and breakthroughs in frontiers of R&D are opening up more opportunities for businesses.

The PwC survey of CEOs reveals four common priorities among Africa’s business leaders:

1. Diversification and innovation.
2. Addressing greater stakeholder expectations.
3. Effectively leveraging growth catalysts like technology, innovation and talent.
4. Measuring and communicating shared prosperity.

Catalysts for growth

In Africa, the environment is constantly changing and the growth opportunities are unparalleled. After more than a decade of urbanisation, Africa is poised for a digital revolution. Increasingly, organisations are using technology to challenge business models and disrupt competitors in markets. Technology was seen by CEOs in the survey as the best way of assessing and delivering on customer expectations by implementing customer relationship management systems (69%), interpreting the complex and evolving needs of customers through data and analytics (56%), and improving communication and engagement by means of social media (58%).

Corporate governance has also brought IT to the fore. In South Africa, the draft King IV report recognises that information

technology (IT) has become an integral part of doing business today.

Going forward, CEOs in Africa indicated that they will be more actively looking for partners, while keeping an eye on costs. Partnerships and alliances feature prominently in their plans, with more than half of Africa CEOs (56%) planning to enter into strategic alliances over the next 12 months. In addition, 16% say they intend carrying out cross-border merger and acquisition (M&A) activities in the next year. Looking at investment prospects, China (22%), Kenya (22%), Uganda (20%) and South Africa (18%) remain the countries Africa CEOs view as most important for growth in the next 12 months.

While many organisations across the globe are expanding or seeking to expand in Africa, the availability of key skills stands out as a key concern for CEOs both in Africa and South Africa. More than half of Africa's CEOs expect to increase their headcount over the next year.

"The talent trends that we are seeing suggest that the market is becoming more and more competitive," Boegman added. As a result companies are having to review their talent management strategies. Around half plan to invest more in their leadership pipeline and focus on developing their institutional culture.

Stakeholders' expectations

Across Africa boardroom agendas are changing, with many additional focus areas being brought to the table. The corporate landscape continues to undergo constant change, with companies being confronted by shareholders and other institutional investors who demand explanations around financial reporting and performance.

In the process business is encountering a range of challenges in responding to wider stakeholder expectations. These include: additional costs to doing business (62%), unclear or inconsistent standards or regulations (45%), and customers' unwillingness to pay (35%).

Dion Shango, CEO for PwC Southern Africa, said: "More successful companies tend to be collaborative and collective in their engagement with stakeholders. Business leaders need to have a business rationale for engaging and collaborating with stakeholders, while being acutely aware of the risks posed by not engaging with all relevant stakeholders.

"One of the most significant benefits of engaging and collaborating with stakeholders is that an organisation may be able to engage new markets in Africa and speed up the introduction of new products and services."

Trust is also emerging as an important differentiator in the business community. Building trust helps organisations to attract investment and build stakeholder loyalty. It is concerning to note that 65% of Africa CEOs are somewhat or extremely concerned about the lack of trust in business. Corruption is also seen as a major threat by businesses (86%). The private sector has taken the initiative to fight corruption by calling on government and regulators to enforce legislation and codes of business practice.

Communicating shared prosperity

It is positive to note that Africa CEOs are increasingly recognising the importance of reporting on non-financial matters. In addition, most Africa CEOs surveyed not only believe that success is dependent on more than just making money, they also believe that their organisations should do more to report on the broader impact of their activities and how these activities create value for stakeholders.

Shango concluded: "Africa and South African CEOs have built on the experience of the past few years and are better prepared to deal with the host of challenges and uncertainties. CEOs have and also continue to reshape their business strategies to take advantage of new opportunities for growth, both in existing and new markets."

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