



How Africa Could Astonish the World

Already the most dynamic and youngest continent, Africa could be the world's next growth miracle – with the right type of leadership.

Starved for sources of long-term growth, the global economy is increasingly drawn towards Africa. Not only is Africa the world's fastest-growing continent, but it is also demographically the youngest. In addition, recent trends suggest its growth is becoming more sustainable and equitable. Starting in the mid-2000s, **the extractive industries** such as oil and gas began declining as a share of overall FDI for the continent. A new trend of growth led by the service sector and manufacturing has emerged.

In line with these developments, we see a more pan-African style of business thinking starting to take shape. The continent is arguably at least as diverse as Europe or Asia, with 54 countries and a variety of significant regional differences. In times when major economies seem to be moving away from tightly integrated global trade, African countries are **strengthening their economic ties with one another**. The African Continental Free Trade Area (AfCFTA), which commenced this year, is the largest of its kind by total number of participating countries. If all goes to plan, the reduction of tariffs between African nations, as well as other trade-liberalisation measures, may **hike the GDP of most economies on the continent** by as much as three percent, according to the UN.

Collaborative leadership

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But regulatory and policy changes alone won't enable Africa to realise its untapped potential. At a recent roundtable event for the new INSEAD Africa Initiative, several speakers mentioned the challenges that would have to be overcome. African companies, for example, have been world leaders in **leapfrog fields such as fintech**. But successes fuelled by ingenuity and innovation surmounting infrastructure and ecosystem constraints can only take the continent so far. Gaps still remain – particularly between rapidly expanding cities and remote, rural areas – in terms of access to basic necessities such as healthcare and food. A new form of inclusive and collaborative leadership, both in business and government, is necessary to meet the dual needs of social development and economic growth.

In the past, infrastructure limitations, capital market shortcomings and institutional voids meant that business success was mainly occurring in large, diversified conglomerates such as Dangote Group in Nigeria or Bidvest Group in Southern Africa. Even when not a part of a formal conglomerate, much of the business activity in Africa could be traced back to a relatively small number of large-owning families. The prospects for even the most agile and disruptive market entrants to succeed were limited and restricted to relatively small sectors of the economy.

Much of that is changing with the emergence of new digital platform companies in the areas of e-commerce, fintech/payment systems, media, ride sharing and temp hiring. By reducing the transaction costs for suppliers of goods and services to serve a fragmented customer base, such companies are addressing some of the root causes of the problems which held new entrants back in the past. They are creating new pathways for business-led growth in key sectors of the economy. They are also creating new opportunities for business to contribute to social development. For example, large ecommerce companies such as **Jumia** and **Konga** could be a major force for good by providing products and services to poor rural communities that currently have to travel long distances to local markets to obtain many basic items. Enhancing their rural reach requires governments to pave the way for them to enter such markets and achieve sustainable cost economics.

For AfCFTA and global trade linkages to reach their full potential, not only must intra-Africa logistics improve but cross-border financial flows have to be smooth across the continent. Groups such as **MFS Africa** are building the much-needed interoperability in digital financial payments and helping to reduce transaction costs. (The Founder and CEO of MFS Africa, Dare Okoudjou, INSEAD MBA '05D, was a speaker at the roundtable.) These are just a few examples. Across the continent, startups and entrepreneurs within large businesses have displayed remarkable ingenuity by finding new, locally relevant solutions to market shortcomings. They are equally keen to create solutions for societal needs in healthcare, education and government services, but they need financial and policy support from governments.

In addition to homegrown businesses, global multinationals also have a key role to play in Africa's development by bringing know-how, capital and reach to larger markets. Africa's attractiveness to global multinationals is enhanced by innovations such as the **African Risk Capacity Group**, which uses pooled monies from various countries to underwrite pertinent risks ranging from floods to disease outbreaks. (The Group's Director General, Ibrahima Cheikh Diong, was a guest speaker at the INSEAD roundtable.) However, without local know-how, foreign players are often flummoxed by the hurdles and hindrances that locals have learned to deal with.

Given the degree of interdependence between these stakeholders, a collaborative leadership style becomes essential for business to make an impactful contribution in Africa. For global multinationals, this may mean embracing open, transparent partnerships with local companies, involving rich transfers of expertise and credibility back and forth.

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Government officials, in turn, need to view the private sector as a collaborator rather than a potential threat, and evolve cooperative strategies accordingly. Finally, leaders of both overseas and African companies must reorient their priorities around their companies' social contract.

A force for good

Business schools can be the engines behind this change and transformation. INSEAD is particularly well-equipped to make a difference on this score, with its emphasis on sustainability, its long-standing "force for good" mission and its worldwide presence matched by a truly global identity. The Africa Initiative, of which we are academic and executive directors, will harness schoolwide efforts in this regard.

The school is currently involved in a drive to invite more students from Africa, support their success during their INSEAD experience and engage them as part of our global alumni community. Efforts are underway to boost scholarships so that more of the continent's most promising leaders can come to INSEAD. Our hope is that they will share what they have learned with their organisations and business communities, creating a collaborative ripple effect.

To build expertise in collaborative leadership at scale, INSEAD is forming partnerships with African universities with the aim of "training the trainers", as Dean Ilian Mihov put it during a break-out session at the roundtable event. An Africa Fellows Programme has been launched, to provide opportunities for bi-directional learning between African and non-African business scholars and boost research efforts. More cases and other pedagogical materials will be developed and an annual conference and other events for research sharing are planned.

By enhancing learning about Africa's unique and diverse people, environment, businesses and innovations, by sharing educational best practices and by creating a vibrant community, the INSEAD Africa Initiative hopes to promote business as a true force for good on this great continent.

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