Three Keys to Creating Prosperity in Africa

By Lucy Quist , INSEAD

While each country must find its own path, every leader working on the continent must commit to improving its brand equity.

Too many minds are anchored on the notion of Africa as a place of need. To create sustainable prosperity, we need to revisit the lens through which we view the continent. We must also stop seeing its billion people in aggregate.

Africa is a continent of 54 distinct countries with their own histories, languages, victories, strengths and opportunities. These countries must formulate their own visions and strategies, as well as commit to proper execution. Every African must believe that their country has an equal human right to prosperity. Clearly, there are roles for governments on the continent to play. However, the purpose of this article is to address what business leaders can do to unlock Africa's vast potential.

First, we must address the fact that Africa is one of the most mismanaged brands in history

Over the years, I have encountered some foreign business leaders who would tell me what a favour companies operating in Africa were doing the continent. Had it not been for them, Africans would be unemployed, they said. Never mind that they were also on the continent to make profits, just like any rational business would. These leaders clearly placed limited value on the skills and contextual knowledge of their staff. I surmised that they did not believe Africans deserved the prosperity that job creation provides.

The mindset that Africans are unworthy of prosperity is more pervasive than people may wish to admit. Yet it is real. It has persisted for centuries. Coincidentally, 2019 marks 400 years since the start of slavery and it is not hard to imagine that this mindset must have contributed to the justification of the slave trade. For centuries, many Africans have bought into this narrative too. In a sense, this imbalance in thinking created one of one of the earliest first-mover advantages of our modern era. Colonial empires moved first to profit from the most important resource of all: people! In the process, they created modern economies over centuries while the continent was depleted of some of its most capable people. This imbalance created structural disadvantage for the continent.

Earlier this year, a CNBC journalist interviewing the CEO of Africa’s largest e-commerce business pointed out a few interesting facts borne out of the company’s pre-IPO SEC filings: Its headquarters were in Germany and Dubai, its engineering talent in Portugal and many of its top executives were French. The journalist asked whether it was “important to get technical talent in Africa to be more of a really African company”. The CEO replied: “The reality is, in Africa, there’s not enough development, and developers for example. We know that and we need to collectively – the start-ups and the VCs and everyone – address that.”

Africa may be the only continent where labour is always assumed to be not skilled enough. Meanwhile, in many developed markets, companies commit to the skills development of their workforce, especially for early-career entrants.

The African brand needs a shift that focuses on the realisation of the potential of its people.

Second, we must become value creators

By extension, goods produced on the continent are perceived to be of low value, which translates into a low willingness to pay. In fact, in most cases, the value placed on African goods is not much higher than their production cost. Even for its highest quality goods, the brand of Africa has systemically low equity. Regardless, business leaders must continue to produce high-quality goods. Only through deliberate action will Africans be able to increase willingness to pay and thus extract more value, both from local and international consumers.

In reality, Africa can and should prosper. It may seem like an obvious statement, but in practice, the spotlight remains on eradicating poverty. As business leaders, we need to stop thinking of social good in terms of tactical CSR, which has its place, and instead view the continent much in the same way business founders do – seeking out opportunities to create value.

To create prosperity, founders aim to solve core problems. For example, Henry Ford created prosperity when he devised a new method – the assembly line – to mass-produce cars and make them more accessible to the non-wealthy. Production efficiency was paramount to achieving that goal.

Just like anywhere else, the most successful industries and service providers in Africa are those that solve local problems. Typically, they are local companies that focus on providing needed, context-appropriate solutions. Take M-Pesa, a mobile payment service started in Kenya by telecommunications company Safaricom. It was created in response to emerging-market consumers' use of mobile phone airtime credit as a proxy for money. This consumer behaviour was turned into a product – M-Pesa – to send and receive money instead of airtime credit. It quickly morphed into a way to pay for goods and services. Dubbed the "world's most successful money transfer service", it is now offered in 10 countries, including two outside Africa.

However, developing such creative solutions often requires upfront investments. Africa needs access to appropriate capital to create these business solutions. As such, the global perspective of business has to shift allow appropriate access to capital and better enable local entrepreneurs.

Third, we must ensure continuity of ownership

To sustain the prosperity created, there has to be ownership. Business leaders must own the responsibility for sustaining new prosperity. It can be as simple as the ability and willingness to see businesses grow across generations. Each generation should not have to start over, recreating businesses that once existed. In Ghana, for example, there used to be a number of manufacturing firms, including a radio assembly plant. A generation later, these plants no longer exist and the skills that could have accrued over the years are lost. The country is now in the process of establishing new manufacturing plants, which is a positive move yet could have been a next-generation story if the old factories were sustained.

Proper succession planning and handover will foster business sustainability and continuity. This will allow companies to innovate beyond their initial core product offering into areas that take advantage of their knowledge and skill base.

An encouraging example of this is the continuity established by Nyaho Medical Centre, which is currently run in Ghana by the second generation. It was the first private facility of its kind to bring together medical practitioners from different fields. Sustaining the business beyond the first generation has created the opportunity for innovation and expansion.

Business leaders in Africa must be deliberate about taking advantage of the growing skill base on the continent. Admittedly, search costs for talent can be high due to insufficient aggregation of data on people. Yet this too is a business opportunity.

Africa is not one place. Neither are its people monolithic. The creation of prosperity must be based on country-specific strategies that will complement each other and stand the test of time.

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