Silver lining for African business prospects – IT Online 4 September 2019

Kathy Gibson is at the World Economic Forum on Africa in Cape Town – There has been a record rise in pessimism around global economic growth, a view that is echoed by African business leaders.

However, African CEOs are not as pessimistic about the outlook as their global counterparts, and they are more optimistic about generating good revenues over the next 12 months.

These are among the conclusions from PwC's CEO Survey, which polled business leaders on the global and African economy, prospects and growth.

Dion Shango, CEO: Africa of PwC US, says CEOs believe they have what it takes to achieve growth despite a global downturn.

In 2019, with the world beset by issues like trade conflicts and protectionism, rising conflict and nationalisation, it is becoming more difficult for business leaders to find markets where they can grow and achieve good returns.

"We are seeing an increase in CEOs saying they just don't know where to invest," Shango adds.

The issue of technology impact in Africa is seen as huge, with technologies like artificial intelligence already affecting business.

However, only about 5% of CEOs have planned for changes resulting from these advances.

The availability of key skills is still a tragic reality in Africa, Shango says. "We have the largest young population in the world, but these young people don't appear to have the appropriate skills that t CEOs say they are looking for."

This lack of skills is preventing companies from reaching their growth targets, CEOs says.

"So lack of key and relevant skills is an issue. And there is work to be done by private sector and governments across the continent to train and upskill the youthful population."

Shango says CEOs acknowledge the problem and realise they have to train and develop their own pipelines.

"If you can't get the ready skills, you have to create them yourself. It means private sector organisations have to go further down the value chain of key talent and identify people at school and universities."

He adds that companies have to help to prepare the people of the continent for a future that is a lot more digital."

To make this happen, government needs to create an enabling environment, possibly even setting up incentives to encourage companies to invest in training.

Shirley Machaba, CEO: southern Africa at PwC South Africa, comments that South Africa is experiencing the same risks that are seen in the rest of the continent.

Policy uncertainty is still a big issue, she says, while questions like land reform and National health Insurance (NHI) also raise uncertainty.

Promising moves include making it easier for SMEs to do business, and ideas to reduce the cost of doing business.

There are also government plans to upskill young people, Machaba says, and the private sector needs to get involved to make this a reality.

"I am confident that if we try to get involved in government initiatives, things will go well."

Technology could lead to job losses, while increasing efficiencies, she adds. "But CEOs believe that the data they have is not facilitating the decision-making process because of lack of skills.

"They have to reskill and upskill, and also get involved in the universities to create a stronger pipeline."

Leadership is important, Machaba adds, and CEOs can't wait for someone else to do what needs to be done.

CEO survey findings

The report shows that ongoing economic, social and political uncertainty is a perennial worry for CEOs globally, not least for those in Africa. Concerns over policy uncertainty, skills shortage, over-regulation and exchange rate volatility lead the long list of risks causing anxiety for CEOs in all regions.

What stands out in these findings is that a consistently higher proportion of African CEOs say they are “extremely concerned” about these issues compared to their global peers. While this is troubling both for businesses and the countries in which they operate, it is noteworthy that the proportion of CEOs who are concerned has in many cases declined since our previous survey. For instance, 39% of African CEOs were concerned about social instability in 2019 (global: 18%) – this was a significant improvement on the previous year’s results (50%), suggesting that in many countries conditions are ‘less bad’ than they were before.

Africa’s CEOs are mostly concerned about sociopolitical and economic threats, with 41% “extremely concerned” about uncertain economic growth (global 24%), unemployment (Africa 33%; global 13%); populism (Africa 33%; global 28%), exchange rate volatility (Africa 42%; global 26%) and inadequate basic infrastructure (Africa 35%; global 17%).

Of business threats, 43% of African CEOs (compared to 35% globally) said they were “extremely concerned” about over regulation, 35% (compared to 30% globally) cited cyber threats, and 45% (compared to 34% globally) were ‘extremely concerned’ about the availability of key skills.

It is notable that trade conflicts and protectionism do not make the top 10 list of concerns in Africa. In fact, there are a few countries in Africa that stand to benefit from trade tensions elsewhere.

While some of these issues present barriers to business and trade, there are also fresh prospects for revenue growth because of new trade arrangements.

As the rest of the world is embroiled in trade conflicts, African countries are looking at opening their markets to trade. The African Continental Free Trade Agreement (AfCTA) is at the centre of this activity.

The agreement establishes the Continent Free Trade Area – the largest in the world in terms of participating countries since the formation of the World Trade Organisation in 1992.

In general, African countries don’t trade much with each other. Currently, trade in Africa forms less than 3% of global trade. The low trade figure is due to several issues, namely poor infrastructure on the continent, high tariff rates on imports, bureaucracy and red tape, and problems at border posts.

“To boost economic growth on the continent, it is vital that African countries improve trading with each other and invest in infrastructure to drive trade,” Shango comments.

A large proportion of African CEOs (93%) are “somewhat confident” or “very confident” about their organisation’s prospects for revenue growth over the next three years – higher than the global average of 85%. Faced with uncertainty around current markets, CEOs are turning inward to drive revenue growth.

African CEOs identified operational efficiencies (Africa 80%; global 77%), organic growth (Africa 76%; global 71%) and the launch of a new product and service (Africa 58%; global 62%) as their primary drivers of revenue growth.

Only 36% of African CEOs (global 37%) said they would look enter a new market in pursuit of revenue growth.

The forces of globalisation and technology are transforming the workplace. A high percentage of African CEOs (83%) ranked technological advances among the top three trends to have transformed the workplace most in the past five years.

Despite massive investments in technology, CEOs identified a vast gap between the data they need to inform decision-making and the adequacy of the data they receive. African CEOs say the primary reasons for this is due to data siloing and a lack of sharing of information (Africa 59%; global 51%), as well as poor data reliability (Africa 57%; global 50%).

Most CEOs in Africa are taking a wait-and-see approach to the use of artificial intelligence (AI) in the workplace – currently 35% (global 23%) of CEOS have no plans in place to pursue AI initiatives right now, but 46% (global 35%) have plans to launch AI projects in the next three years. African business leaders are looking to governments to assist with the management of AI. Most CEOs (Africa 76%; global 65%) believe that governments should incentivise organisations to retrain workers whose jobs are automated by AI.