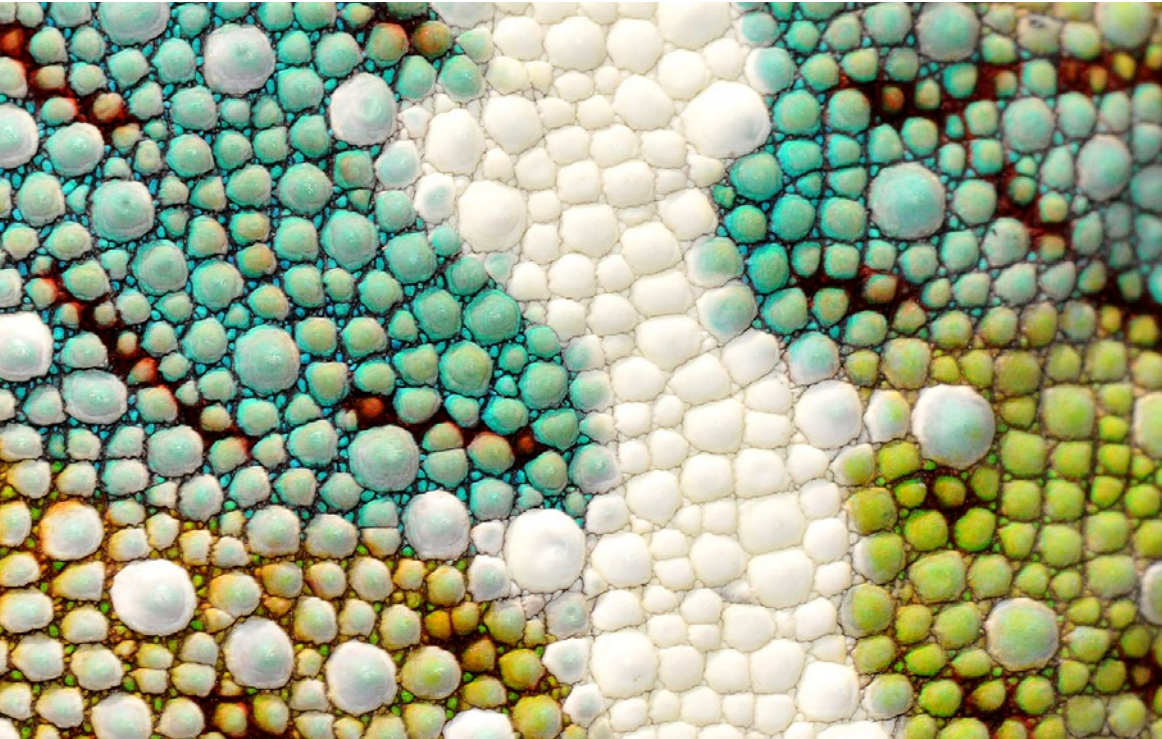


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Africa Round Table



AFRICA ROUND TABLE

A summary of the Spencer Stuart panel discussion held in Johannesburg, South Africa in October 2013

Over the past 50 years, Africa's economic development has for the most part been lacklustre. The post-independence period was characterised by poverty, high infant mortality, conflict, disease, low literacy rates, weak legal and governance frameworks, inadequate property rights and poor infrastructure.

The overdependence on foreign aid and technical assistance has long been recognised. African governments have been trying with varying success to escape this dependency, with the help of economic diversification and regulatory and trade policy harmonisation. Organisations such as The Economic Community of West African States, The East African Community and The Southern African Development Community have also played an important role.

The past 10–15 years have been a turning point for African economic development, with unprecedented growth across most economies. This growth has been driven by a general absence of conflict, economic stability and the growth of the consuming middle-class. In addition, an improving business-enabling environment (thanks to improvements in regulation and commercial law) and the return of experienced Africans from the diaspora bodes well for further development of these fledgling economies.

In October 2013, Spencer Stuart hosted a panel discussion featuring three business leaders whose organisations have a Pan-African footprint:

- > Sifiso Dabengwa, CEO of MTN Group.
- > Peter Matlare, CEO of Tiger Brands
- > Srinivasan Venkatakrishnan, CEO of AngloGold Ashanti
- > Bruce Whitfield, Business Journalist (moderator)

The panel discussion focused on the leadership and human capital challenges and opportunities across the African continent.

This paper contains a summary of the key points discussed during the roundtable.



Common questions about Africa's growth

- > Is this just another resource boom?
- > Is African growth sustainable or a flash in the pan?
- > How do Africans leverage this economic growth?
- > How do businesses and governments proactively manage the leadership challenges?
- > How do businesses grow, develop, nurture and promote leaders within Africa to address African challenges — for Africans by Africans?

“Many people talk about the African continent as though we’re not part of it. You say, ‘Our business in Africa is doing rather well.’ You are in Africa.”

Key trends

Finding and developing talent in Africa

Some would say that there is a dearth of talent in Africa and the gulf between qualification and experience contributes to this view. It is commonplace to think that because someone has the qualifications, he or she has the right attitude and experience to manage relatively complex business challenges, but this is not necessarily the case. The critical issue for any organisation is its ability to find the right people and place them in an appropriate environment with the tools (e.g. mentoring, job enrichment, capability development) to succeed.

Localisation

“We have an active exchange programme in which we develop South African talent and we transfer people to Latin America, the United States and so on, not just within Africa. One advantage of having a diversified group is that you can offer people experience within the group without them having to look outside for a role that will give them the experience they require to grow.”

Multinational oil companies operating in Africa have traditionally played a leading role investing in the growth of local executive talent.

Ironically, these companies are disinvesting their downstream operations.

A commitment to localisation is an increasingly important ingredient for companies securing their licences to operate. A sign of this commitment is significant investment in upskilling at every level, including the top executives, with the ultimate objective of having operations run by nationals.

The most forward-looking companies will make transferring skills to nationals over a given time frame a clear KPI for expatriates. Notwithstanding that companies are coming under increasing pressure from local governments to deliver this transfer of skills, firms must realise that it makes good business sense from a sustainability perspective. Having highly competent, well trained nationals in leadership positions makes it easier for the organisation to quickly grasp local market conditions, understand its consumers, build relationships with key stakeholders and manage local challenges in a more holistic and palatable manner.

Organisations are increasingly seeking Africans to run their businesses. Businesses need to move past issues of nationality and look beyond borders for the people with the right qualifications and experience. Five years ago it was very difficult to persuade a South African chief executive to consider a Kenyan or a Ghanaian to be a member of the South African executive team. More often than not the response

was that only South Africans were needed. As South African companies expand their operations across Sub-Saharan Africa they realise that they are better positioned to succeed with a Pan-African executive team. Africans in the diaspora are increasingly returning to their home countries to take advantage of the opportunities presented by the economic growth. Career prospects have never been more exciting across Africa.

To a large extent, concerns about the lack of talent are simply a state of mind. The talent is there; it's a case of how you nurture and develop it over time, of finding high-quality people, presenting them with the opportunities and empowering them to lead.

Another view is that there's not so much a shortage of talent across different countries as a shortage of experienced people who have worked in particular cultural settings. A key challenge for companies is to export a corporate culture that enables people inside any country to work in a manner that is aligned with the values and objectives of the core business. Deploying expatriates may be necessary in the first 4–5 years of operating in a new country, but thereafter management, in both technical and non-technical positions, should ideally consist mostly of nationals.

Boards

Boards need to better understand the challenges and opportunities that exist across Sub-Saharan Africa. There is no substitute for having non-executive directors visit the operations and “kicking the tires” in each of the countries where the business operates. This will help them gain a superior understanding of different African business environments. Doing the same with executive teams also greatly improves the quality of decisions when it comes to cross-border transactions and business opportunities.

Finding board members from across the African continent to sit on a South Africa-based main board is not straight-forward. Many companies have strong local African talent managing subsidiary or divisional boards; it is helpful to have one or two of those subsidiary board members represented on the main board, perhaps even rotating them every three or four years. The biggest challenge when a non-executive director transfers from a divisional board to the group board is that they should be able to think and act in confidence as a group non-executive director and not take the entire discussion back to that particular country.

Corporate governance

“Everybody must comply in all of our geographies with the principles of King III. This has been the one non-negotiable, which is one of the reasons that we’ve been able to operate comfortably in multiple countries.”

Upholding consistent standards of corporate governance across the continent is essential. Certain behaviours and practices may be taken as normal in some markets, but if the company’s governance standards deem them to be unacceptable it is important that they are never introduced into the business — even if it means losing some business or failing to win a licence.

There can be some grey areas, so it is important to spend sufficient time debating what is acceptable and more importantly what is not in the best interests of the business. For example, in some markets there may be absolutely nothing wrong with a company doing business with its directors, and perhaps offering positions to their family members. A commitment to act in accordance with King III is likely to provide clarity in support of credible decision making.

When operating across the African continent, most companies have to contend with the expectation that inducements are necessary to

“oil the wheels” of business. However, adopting local customs in this regard and satisfying questionable requirements is a slippery slope. Once you get involved there is no coming back. The answer is to draw the line upfront when opening discussions with the government and thereby build a platform of solid business ethics and integrity at the outset. That way your corporate reputation cannot be compromised. It may mean that it takes a company longer to realise its business ambitions, but thereafter the path to growth becomes that much easier.

Local talent management and appointments

“To the extent that we can find the right talent in country, we believe that is the better route to take. It allows you to have a much more granular understanding of how to run a business successfully.”

Bringing people from around the continent under the guise of a talent/ leadership academy and mixing them with local South African employees helps break down barriers. It is also a good way to educate South Africans about issues and challenges they have not been exposed to and don't understand. For businesses to thrive in Africa it is important that employees understand one another. Companies should strive to integrate their employee profiles across nationalities.

There is a danger that South African companies expanding their footprint across the continent will come across as “new colonialists”. There is, however, a clear distinction between promulgating culturally divisive attitudes and taking an uncompromising approach to spreading the discipline of good governance.

When deploying an expatriate from one country to another, whether inside or outside Africa, it is not enough for them to be technically strong. The critical question is, ‘Does the person have the ability to be my ambassador in that country? Does he or she have the ability to arrive with enough humility to acknowledge what employees in other countries are doing well and to try to learn from them and share ideas?’ Executives willing to develop a nuanced understanding of both the socio-political environment and the institutional infrastructure of a country are the ones who will achieve success.

Integration with local communities is key, and for a company this can include allocating a percentage of profits to helping address some of the social problems faced by those communities. Companies investing in Africa will be accepted to the extent that they can relate to local issues across the African continent.

Attracting the right human capital

Many black South Africans do not view the African continent as offering a great prospect, since there is plenty of opportunity at home. By contrast, white South African executives are currently more likely to grasp opportunities to develop their Africa expertise.

Transferring people to other countries within an organisation often results in a healthy cross-pollination of ideas and career progression for those who make cross-border career moves, whether in technical roles or in support functions.

Actively managing the pan-African talent pool is critically important for any business. Future business leaders will need to have spent significant amounts of time across a number of the territories where the business operates. Spending less than three years in any given country is rarely enough to give an executive a real understanding of that market. It is also important that opportunities are available to talented people from across the continent. This will pay dividends for a number of reasons, not least because many of the people who gain a broad set of experiences abroad are then willing to return to their country of birth.

Indeed, in the future it will probably be impossible for anyone to get a senior executive role in a multinational organisation without having worked in at least three or four of its different operations. It is just as

important to identify potential high performers across the organisation and post them to high-growth markets. Talent supply and demand have to be managed proactively and creatively. The real issue should be skills, expertise and experience. In Europe, executives move with relative ease between countries as they progress in their careers. Africans need to gain similar experience across multiple geographies. Sometimes the talent just isn't available, so companies must scour the continent for the best person to run an operation. Appointing someone from Senegal to run a business in Cameroon is a perfectly likely scenario.



How the panellists answered two final questions

What is the single-most difficult challenge that you faced in doing business in Africa apart from the talent issue and how have you dealt with it?

“GETTING THE SUSTAINABILITY MODEL RIGHT SO THAT THE BUSINESS AND THE COMMUNITY CAN CO-EXIST. For example, a mining company is not just running a mining company, it is effectively running a hospital, schools, infrastructure, power generation, the local community, even the provincial government. But mines are wasting assets which will run out at some point. It can take years to develop a good sustainability model.”

“DEALING WITH THE REGULATORY FRAMEWORK. Neither the regulatory nor the policy framework may be very well developed, so many of the processes that should be predictable, covering levies or taxes for example, are not in place. You therefore have to find a way to negotiate and work with the authorities to ensure that any decisions that are made enable the company to continue to do business in a sustainable manner.”

“THERE IS NO SINGLE HARDEST OR MOST CHALLENGING ASPECT TO DOING BUSINESS ON THE AFRICAN CONTINENT. It is not formulaic. In Ethiopia it might be a bureaucratic challenge because of the way that economy continues to evolve. In Nigeria it might be a route-to-market issue. In Kenya it could be the orientation of an export model and how that works for the balance of East Africa.”

What is the most exciting market that you are in right now?

“Nigeria is the most exciting market. You are constantly having to go through a myriad of things in order to ensure that you’re learning quickly enough to stay ahead of the game. It is the most challenging and difficult market, but with the right investment and the understanding of both the challenges and opportunities in this market, this is the market with the greatest rewards.”

“Ghana is a solid market, and a very peaceful one. However if one is to look at excitement in terms of challenges, then it is the small operations such as Guinea-Bissau and Liberia. They are challenging in terms of rolling out infrastructure and because of their undeveloped regulatory and policy frameworks. It is difficult to get the best, most skilled people to volunteer to go to such markets.”

“The jurisdiction I’m most excited about is South Africa and I’ll explain to you why. I think most people have written off the gold mining industry in South Africa — you hear comments that it’s a sunset industry and it’s on a declining trend. But we are introducing new mining technology and the moment you improve productivity by accessing higher grade ore, you can afford to pay the unions more, you will be able to employ more people and give better returns to shareholders and to the state.”

Conclusion

Now is the time to grasp the many opportunities that Africa offers. Those that succeed will have the best leaders who understand the context in which they operate and play within the rules. To build a sustainable business model, several factors must be in place: fair competition, developed infrastructure, and effective engagement with all stakeholders, including regulators, customers, government and local communities.

Spencer Stuart in Africa

Over the past five years, Spencer Stuart has found that more of our global clients are approaching us to enquire about leadership and talent issues across Sub-Saharan Africa.

Their concerns range from regulatory issues and needing to understand talent pools across the continent to how to attract the best talent and trends in remuneration practices.

We partner with clients to assist them in resolving strategic business challenges. Helping them to understand the context in which their businesses operate is a critical first step. We deploy our best team to meet client needs and employ proven search and assessment methodologies to identify future leaders across the continent.

We advise boards on CEO succession, helping them to think through the strategic imperatives and leadership challenges for the new CEO, which will in turn determine the skills, knowledge and attributes required in the role.

Contact

Lisa Mariano

lmariano@spencerstuart.com

www.spencerstuart.com/our-consultants/lisa-c-mariano

Moula Mokhobo-Amegashie

mmamegashie@spencerstuart.com

www.spencerstuart.com/our-consultants/keamogetse-moula-mokhoboamegashie

Mpho Seboni

mseboni@spencerstuart.com

www.spencerstuart.com/our-consultants/mpho-seboni

Chris van Melle Kamp

cvanmellekamp@spencerstuart.com

www.spencerstuart.com/our-consultants/chris-van-melle-kamp

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