

A new Dawn for Africa is arising from the south east of the continent,

Accordingly is it time to consider investing, leaving behind our old prejudice?

Subject:

[What are the key success factors of doing business in Africa?](#)

In order to take over those key success factors, it is also important to understand why Africa is finally emerging, and how to adapt to this new environment with a western mindset?

Whereas Africa was torn apart by European nations at the Berlin conference and lost 11 decades, since new millennium dawn arose Africa became the hopeful continent in a short-term notice. Africa is actually emerging and catching up quicker than anybody expected, being enhanced by IT revolution, globalization of trade relations and formidable inner strengths and opportunities despite past and remaining weaknesses as well as new threats:

Geographic strengths

Africa always had natural resources, sea access, climate and land diversity but due to the wildness of the continent and lack of investments in the past decades, Africa still suffers from weak infrastructure especially from land to

land logistics. For example, there is no railway that connects African nations between them, the cold chain for transporting fresh food is actually very poor, investment in refrigerating plants are made but it is still a challenge to transport fresh products through a wild continent, accordingly one has to never forget the logistic constraints.

Demographic threats

The population is young and unemployed and most of the people have low skills. Nevertheless there are opportunities as labor force is “young”, passionate and aspirational, furthermore women, often single young moms, stand tall and turned out to be even more reliable than men in a lot of activities.

There are also very powerful trade unions, for example in South Africa creating a vicious circle by non-integrating young workers in order to protect the mature population who in the past struggled for their rights.

Internet and telecommunications Revolution 2.0 for Africa

The IT revolution gives an opportunity for a large continent not renown for its infrastructure, financial system nor logistic efficiency, who had suffered from lack of investment from last decades as we have seen above. Accordingly mobile phone connect people and micro economies to each other, enabling economy to develop through communication and spreading of the

information and moreover easing financial transaction via mobile phones (the Mpesa example in Kenya or eWallet in South Africa).

[Education: the next challenge](#)

It is one of the big challenges for Africa; still English is becoming the second or the third language spoken by all the African nations enabling them to communicate with each other. Moreover The service industry requires high skill while a large part of the young population stops or is disheartened by the high level of unemployment be that as it may Economy lacks craftsman such as plumber, electricians, bricklayer, cooks....

[Housing and construction: the Issue](#)

With a growing young population, the demand for housing is rocketing. Even the huge RDP settled by South African government who achieved to build 2,2 million houses in a decade could not get rid of townships as people kept coming to the cities and being “temporary” set aside. Whether townships are the result of fast rural exodus combined with a flow of refugees from neighbouring countries, it still works as a replica of “Ellis Island”, poor people full of hope are coming to climb the social ladder and be part of something better.

[Health care: a battle almost won](#)

It is still an issue but it is improving thanks to generic manufacturers especially located in South Africa. As far as population is young (more than 55% is less than 34 years old and by 2020 it will

be 70%) and knowing that infant mortality has really improved and Aids on the brink to be overcome, health care is fortunately becoming less an issue than housing or unemployment for almost every African.

[Getting rid of corruption: a synallagmatic challenge](#)

Corruption always come from both side, but especially from the private sector to acquire competitive advantage, “Bribing” is usually tempting for small company because they can not afford time loss or worse. In developing countries you have to adapt to environment which can be facilitate by corruption, furthermore you should define situation by situation in an ethics code what to do cause sometimes in certain case it is "mandatory" for each employees and executives to know exactly how to behave.

Having identified all those key economic factors which have been seen for a long time as a burden for Africa’s development, besides slavery and colonization, western companies, especially Lx Patrimoine which operates in Finance and Investment have to bear in mind the 4 social and morale major values to succeed in Africa:

The First is trust

Second is inclusivity

Third is reciprocity in partnership

And the Fourth is philosophical equality (respect)...

Whereas western companies and especially mining companies behaved in the past by totally ignoring all those key aspects; they left a terrible image that will take time to erase. Actually doing a sustainable business in Europe requires the same values; nevertheless western people had for a long time considered that those essential values were not applying abroad and especially not in Africa.

Fortunately times have changed and new behaviors can be observed. Sustainability and Corporate Social Responsibility are actually mega-trends; it being understood it is important that those humanist values override decades of western selfishness and move from trend to real ethic values.

As we are now aware, Ubuntu style (South African brotherly style to do things) is prevailing in Africa: thus the other keys are empathy, sharing and caring for each others accordingly those value are not so far at all from western ethics and morale values.

The challenge seems to be a common mix of community (solidarity) and capitalism considering that the best input is human work, but companies for decades wanted to increase their profits by reducing costs, as they were sometimes too afraid to take risks or were out of innovative idea.

Unfortunately one of the easiest way to reduce costs was reducing workforce even if this management style can no longer be acceptable especially in Africa.

As we have mentioned it above, education will be the next big challenge for Africa. One part of the solution could be to combine skills at a micro-level within the community; indeed developing the craftsmanship culture could be a way to build an entrepreneurship culture, micro cooperative where knowledge and technics are shared can be a way to educate even people who have dropped school but still need a job and skills. For instance the middle age European craftsmen had 3 levels of skills: entered apprentice, fellow craft, master craft that formed the fellowship within they were sharing knowledge, skills and experience.

Having understood that and considering that Innovation can be an improvement of old concept by the most simple things, those approaches will have to be tested as it is mandatory for investors to realize that they have responsibilities towards the community and must help them growing and prospering especially by sharing knowledge.

A part of the financial solutions Lx Patrimoine provide consists in implementing and coordinating strategies and investments. Now that we are aware of all the factors and reasons

explaining why and how, it is clear that investing in Africa has to be a long-term approach. Some sectors are now growing really fast as telecom, infrastructure like airport, port and also refrigerant plants, nevertheless in the next ten years African demand for products and services will be booming enhanced by Europe and moreover by China's investments and purchases.

Large and reliable financial centers have emerged on the outskirts, especially in South Africa, but also in Dubai or Doha who are turning to be the platforms to invest and import/export to main Africa (lots of resemblances with Hong-Kong, Singapore or Shanghai regarding the role they played in the development of South-east Asia and China)

An African proverb says that some people have watches and others have time. For instance the African people have a different approach to nature and time than western people have, whether it might seem disturbing sometimes nevertheless it is essential to keep in mind that due to the nature of the ground, the climate, the infrastructure and the social tradition, time has to be managed differently from what European are used to.

As one of our host in South Africa mentioned: Africa requires an open heart, open mind and open will.

Despite a political persevering instability in some countries like Congo or Somalia, Eastern sub-Saharan countries are actually developing really fast at more than a 7% pace per year, thus, according to us, now is the time for long term investments in Africa by leaving behind our old prejudice but bearing in mind weaknesses and threats as identified above even if most of them are alleviating enabling a large middle class to arise.

Still to succeed in Africa, one has to be opened to changes, being aspirational and moreover positive, as all Africans are willing to.

Investing requires a good balance of risk and a certain amount of optimism thus we will conclude that obviously from our point of view the downside risks are asymmetrically twice lower than the upside potential returns. Accordingly we would like to add two quotations that could really apply for Africa right now as well as investors in Africa:

[“a pessimist is somebody who complains about the noise when opportunity knocks” Oscar Wilde ...](#)

Thus “Future belongs to optimists, pessimists are only spectators” François Guizot