

Recruitment in Africa: an overview

Johannesburg, South Africa – The continent of Africa is huge and diverse, home to over 1.2 billion people in 54 countries. Africa is rapidly expanding in terms of economic growth, infrastructural development, education, population, social mobility, and overall regional stability.



Accordingly, Africa represents the logical next stage of expansion for many international businesses seeking to enter emerging markets. Executive recruitment for companies expanding into Africa comes with its own set of challenges – often characterised by a shortage of skills at the local level, combined with a shortage of local knowledge at the international level. However, by assembling management teams with the right mix of knowledge and skills, a company can succeed in establishing itself in the world's largest emerging market.

In this overview, we will focus on the African countries south of the Sahara. (The Mediterranean countries of North Africa should be considered separately from Sub-Saharan Africa; all of these countries are members of the Arab League, and their economic and cultural milieus are broadly closer to those of the Middle East).

African economies

While a huge range of diversity exists across the 49 countries of Sub-Saharan Africa, it is nevertheless possible to identify certain trends within the region. Perhaps the most helpful categorisation comes from Harvard Business School [1], which divides these countries into four economic categories: **diversified economies**, **oil-producing economies**, **transition economies**, and **pre-transition economies**.

South Africa stands as the best example of a **diversified economy**. As Africa's largest economy, South Africa has its own manufacturing base, and a relatively high per capita income compared to the rest of the region. Although a cloud of potential political instability presently hangs over the nation, it is overall better equipped than its neighbours to withstand the vagaries of world markets.

Oil-producing economies, notably Nigeria and Angola, are in a rather different situation. For these states, oil is the largest single contributor to GDP, although far from the largest employer. These countries rely on strong oil prices for continued economic growth, and accordingly, have suffered significant economic downturns due to the global crash in oil prices of recent years.

The third economic category is the **transition economy**. Africa is home to a wide range of countries with fast-expanding economies and increasing economic diversification, but which nevertheless rely mainly on resource extraction and agriculture. Although economic growth is generally impressive in this category, these economies are strongly susceptible to fluctuations in global resource markets. Countries in this category include Kenya and Ethiopia in East Africa, and Ghana and Senegal in West Africa.

Finally, the fourth economic category is the **pre-transition economy**. These states, of which the Democratic Republic of the Congo is the largest, are among the world's poorest and least developed countries.

These categories are not fixed or absolute. For example, Ethiopia has experienced significant growth, economic diversification, and an increase in infrastructure quality in recent years. While Ethiopia was previously a typical example of a pre-transition economy, today it is better considered as a transition economy.

A rising continent

As well as being home to some of the world's fastest-growing economies, Africa as a whole is growing economically, although this growth is unevenly distributed [2]. Moreover, consumer growth is steady. Combine this with unparalleled demographic growth – a regional population projected to reach 2.7 billion by 2060 [3] – and we have the world's largest emerging market.

It is worth dispelling a few myths about the region. Despite popular stereotypes of rural isolation, 38% of the Sub-Saharan African population is urban [4], and 43% owns a mobile phone [5]. The internet is also increasingly widespread, particularly in South Africa, Kenya and Nigeria [6]. Africa in the 21st century is a place of megacities and digital connectivity, and it becomes more so every year. Internet and mobile technologies are crucial, as they have allowed Africa to bypass the stage of building physical telecommunications infrastructure.

A common set of growth industries for the medium-term future can be identified across most of the region: **telecommunications, banking, consumer goods, agriculture, infrastructure, and resource extraction**. All of these sectors are seeing steady growth which can be expected to continue in the future – and which will lead to an increasing demand for skilled personnel.

African challenges

There is no avoiding the fact that Sub-Saharan Africa as a whole faces a unique set of challenges. To understand these challenges properly, it is necessary to take a look at the region's recent history.

At the end of the colonial era, the peoples of Sub-Saharan Africa regained their independence – but they retained the old colonial borders, and inherited colonial infrastructures which were primarily geared towards resource extraction rather than development. Thus, for many parts of the region, the second half of the 20th century was characterised by political instability, coups and civil wars. In some countries, different tribal groups, with little shared culture other than the experience of a common colonial power, fell into dispute as each sought to monopolise control over extraction apparatus at the expense of its rivals. In other cases, militaries seized control of the state in the name of stabilising it, but fell into the same habits as the power structures they had sought to replace. Corruption often became rampant, while powers outside Africa often had their own preferences as to who should rule, and thus exacerbated unstable situations through external meddling.

The most common result was that a great deal of crucial infrastructural development did not take place. Today, this leaves much of the region still largely dependent on exports of extracted resources – and consequently, at the mercy of fluctuations in global commodity prices. This means that an economy which thrives today may experience serious financial shocks in a few years, which will impact the overall viability of doing business in the nation.

We can presently see this all across the region: the booming economies of Nigeria and Angola have recently seen their GDP plummet in recent years due to a drop in the oil prices upon which their economies heavily depend. Elsewhere in the continent, drops in the prices of commodities ranging from gold to cocoa have had similar effects.

Moreover, the region's democracies are still young, and in many cases – fragile. This can sometimes lead to rapid shifts in stability at very short notice, which can be very difficult to predict.

We can see the consequences of this by looking at the recent histories of two very different countries: South Sudan and Cote d'Ivoire. In 2011, South Sudan was widely regarded as the continent's most promising new destination for international investors; today, it is locked in a civil war with seemingly no end in sight. By contrast, in 2011 the nation of Cote d'Ivoire was in a state of civil war; today it is a stable nation with strong economic growth, and an increasingly attractive business destination.

Overall, the region today as whole is more stable than at any time since independence, and although economic growth has slowed in recent years [7], we can expect steady continued economic growth paired with similar increases in regional stability.

The data dilemma

When planning business operations in Sub-Saharan Africa, executives simply cannot rely on the accuracy of data to the same extent as elsewhere in the world. The largest reason for this is that the economies of Sub-Saharan Africa are mostly informal, i.e. they are neither taxed nor regulated by governments. This creates a dearth of accurate data on the true economic conditions of any given country, thus making business-level financial planning a far greater challenge.

This situation also makes consumer behaviour far harder to predict, not least because it is difficult to accurately measure consumer spending power. As a general rule, the region's urban centres generate the vast majority of consumer income, which then tends to be partially redistributed from urban earners to extended family networks in rural areas. In other words, higher income earners may have significantly less money than models would predict, while lower income earners may have more. Planning business operations in the region is thus often significantly more complex than elsewhere, and must proceed on the basis that available data is often far from guaranteed to be accurate.

A modern executive for a modern continent

The days of international companies parachuting entire management teams of expatriates into Sub-Saharan Africa are coming to an end. Although there is still a skills shortage, and a consequent need for international management expertise, a modern company investing in Africa cannot afford to do without significant local skills and knowledge. The unique challenges of doing business in the region will require in-depth knowledge of local factors.

For example, as we have seen, business planning for consumer goods in a primarily informal economy cannot rely merely on the usual forms of market data analysis. It is absolutely essential to have an in-depth understanding of the far more complex factors governing the real distribution of income in a market, and this is something that economic data alone does not reveal.

Similarly, in industries such as telecommunications or infrastructure building, hard international skills must be matched with a detailed knowledge of the true situation on the ground. In the absence of a strong existing infrastructure, all manner of pitfalls await the unprepared executive, who must be aware of the real state of affairs in the country at any given time, in order to plan logistically and financially in an effective manner.

Increasingly, the modern executive team in Africa consists of a mix of expatriates and locals. This approach benefits all parties: skills which are in short supply locally are imported so that knowledge can be shared; and at the same time, local knowledge and analysis of the real situation of the market is similarly shared.

It should be emphasised that while Sub-Saharan Africa does have a shortage of higher educational institutions, this is by no means the same as an absence. The region's universities have approximately 3 million students [8]. Historically, a lack of comparable data has kept Africa's universities out of the international rankings, but this is beginning to change: the prestigious Quacquarelli Symonds survey of the world's leading universities now includes institutions from Ghana, Kenya, Uganda, and Tanzania [9]. The region can now boast highly-skilled graduates, and will have more and more of them in the future.

A number of factors in Sub-Saharan Africa are picking up pace simultaneously: development, education, and investment by international firms. For companies seeking to expand into this region, the secret of success is to ensure a good balance of international and local knowledge, and executive-level skills. Africa is rising – and the businesses which are able to find the right managerial mix will be the most successful at capitalising on this rise.

Sources:

- [1] <https://hbr.org/2011/05/the-globe-cracking-the-next-growth-market-africa>
- [2] <https://www.weforum.org/agenda/2017/06/these-are-the-world-s-fastest-growing-economies-in-2017-2/>
- [3] <http://blogs.worldbank.org/africacan/7-facts-about-population-in-Sub-Saharan-africa>
- [4] <http://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS>
- [5] <https://www.gsmaintelligence.com/research/?file=7bf3592e6d750144e58d9dcfac6adfab&download>
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- [8] <http://ent.arp.harvard.edu/AfricaHigherEducation/Factoids.html>
- [9] <http://www.scidev.net/Sub-Saharan-africa/education/analysis-blog/africa-analysis-ranking-african-universities-globally.html>



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