Fach- und Führungskräfte von morgen – Qualifizierten Nachwuchs für Afrika- Kooperationen finden & binden

Impulsreferat von Professor em. Dr. Karl Wohlmuth, Universität Bremen, Fakultät Wirtschaftswissenschaften, Forschungsgruppe Afrikanische Entwicklungsperspektiven

Eine Veranstaltung des Afrika-Verein der deutschen Wirtschaft e. V. in Kooperation mit der Jacobs University Bremen, Campus Center/Conference Room

9. Mai 2014, 14.00 - 17.00 Uhr



Theme: New Business Opportunities in Times of Radical Change in Africa – How to deal with Shortages of Qualified Staff?

Presentation by Professor Karl Wohlmuth, University of Bremen, Faculty of Economics and Business Studies, Research Group on African Development Perspectives Bremen

An Event Organized by Afrika-Verein der deutschen Wirtschaft e. V. in Cooperation with Jacobs University Bremen, Campus Centre/Conference Room

May 9, 2014, 2 - 5 pm



Theme: New Business Opportunities in Times of Radical Change in Africa – How to deal with Shortages of Qualified Staff?

These are quite important issues as

- the competition for scarce qualified staff is increasing fast in the years to come, especially between foreign enterprises doing business in Africa and the growing number of African enterprises;
- the tertiary education in Africa as a supplier of qualified staff is under increasing demographic, financial and institutional pressures so that foreign universities have an increasing role to play in providing specialists and executive staff.



New Business Opportunities in Times of Radical Change in Africa – How to deal with Shortages of Qualified Staff?

The long-term cooperation up to 2020 between Jacobs University and Barry Callebaut, the world's leading chocolate and cocoa producer, is in my view important for both partners as

- the research cooperation on the chemical components of the cocoa bean can be made useful for the whole value chain - from sourcing the cocoa bean to chocolate production, product development and global marketing;
- the research cooperation can be extended easily to other areas (sustainable production, trade and marketing);



New Business Opportunities in Times of Radical Change in Africa – How to deal with Shortages of Qualified Staff?

- by such a cooperation Barry Callebaut can secure expertise and qualified staff via different forms of involving students, graduates, junior and senior researchers along the global value chain while Jacobs University can intensify research cooperation, education and training along the newly defined focus areas (diversity, health, and mobility).
- the methods of doing this at Jacobs University through transdisciplinarity, internationality, and interculturality are of great importance for any cooperation with Africa.

So congratulations to this cooperation with Barry Callebaut.



New Business Opportunities in Times of Radical Change in Africa – How to deal with Shortages of Qualified Staff? An Overview of Topics

- 1. New Business Areas and New Consumer Classes in Africa The Development Model determines the Structure and Demand of Qualified Staff
- Dynamic Development of African Enterprises and Entrepreneurship The Stage of Globalisation determines the Structure and Demand of Qualified Staff
- 3. Diverging Demographic Developments in Africa The Objectives of Employment Generation and Entrepreneurship Development will determine the Structure and Demand of Qualified Staff
- 4. Innovative Models of Qualifying and Recruiting Staff in and for Africa



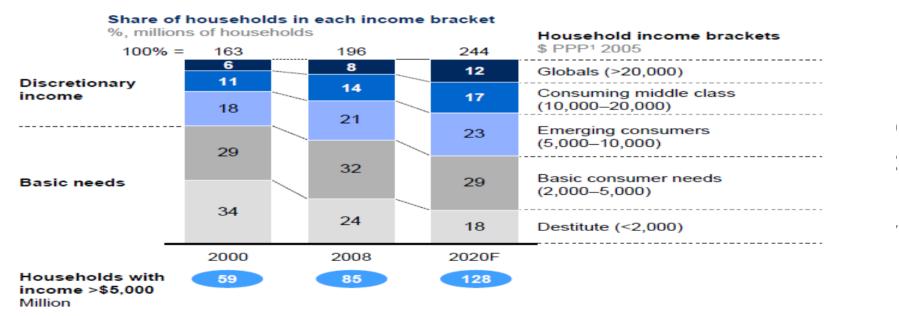
- Talk about "African Lions" and "African Tigers" since 2010: McKinsey "Lions on the move: The progress and potential of African economies";
- Many African countries are listed as "lions" (many countries) or as "tigers" (Ethiopia and Ghana): the meaning is that these countries have exorbitant growth rates, huge growth potentials, large investment opportunities, and rich labour and natural resources as assets for future development;
- International Consulting Corporations are active (14 reports reviewed!) in analysing prospective business opportunities.



New Business Fields and New Consumer Classes in Africa – McKinsey 2010, Lions..., page 4

Exhibit B

By 2020, more than half of African households will have discretionary spending power



¹ Purchasing power parity adjusts for price differences in identical goods across countries to reflect differences in purchasing power in each country.

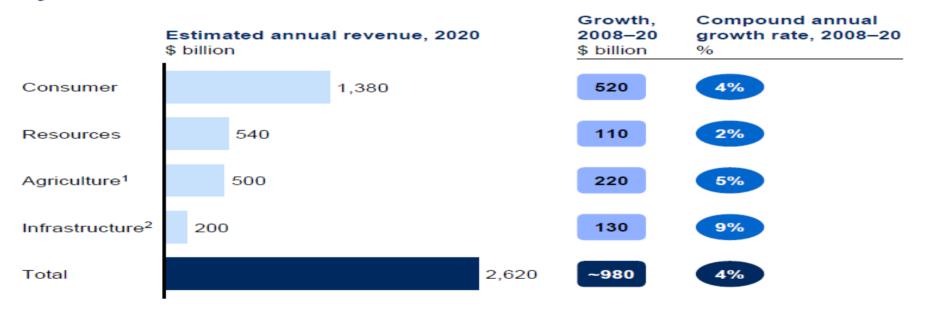
SOURCE: Canback Global Income Distribution Database (C-GIDD); McKinsey Global Institute



New Business Fields and New Consumer Classes in Africa – McKinsey 2010, Lions..., page 7

Exhibit D

Four groups of industries could have combined revenue of \$2.6 trillion by 2020



- 1 We took the 2030 value of \$880 billion and calculated straight-line equivalent for 2020.
- 2 Represents investment. Assumes need remains as same share of GDP through 2020. SOURCE: McKinsey Global Institute



- McKinsey 2010: Four sectors and five consumer classes;
- Boston Consulting Group 2010: Dynamic Companies as African Challengers;
- Roland Berger 2010: Impacts of Global Megatrends on Business Opportunities in Africa;
- Deloitte 2013: Five Regional Hubs as Centres of Business Activity in Africa;
- Goldman Sachs: 2012: Africa will see the next great "consumer story" followed by huge investments;



- Deutsche Bank Research 2013: Macroeconomic Management and Management of Commodity Sectors are key for business development in Africa;
- Deloitte 2013: Opportunities of "new consumerism" by the growing middle class in African regions;
- McKinsey 2012: The rise of the African Consumer Class;
- Ernst & Young 2013: Africa is attracting foreign investment;
- KPMG 2013/2014: Business opportunities in oil and gas, chemicals, and mining sectors;



- *Mc Kinsey 2012 and 2013:* Perspectives of employment and inclusive growth in the context of the prospects to realise Africa's "demographic dividend"; digital economy in Africa;
- Global Entrepreneurship Monitor (GEM) 2012: Identifying the attitudes and the resistance of African entrepreneurs towards shocks and risks
- PricewaterhouseCoopers (PwC) 2011 on African skills;
- All these 14 reports give by implication some information about the need for qualified staff and about staff shortages.



- Countries: Which countries represent growing markets by 2020, by 2035, and which country groupings are key (diversified economies, natural resource exporters, transition countries)?
- Sectors: Which sectors are the base of growing sales revenues and of growing investment (consumer-facing industries, resources, agriculture, and infrastructure)?
- Classes: Which consumer classes matter for business (global consumers, consuming middle class, emerging consumers, consumers of basic goods)?



New Business Fields and New Consumer Classes in Africa – The Lion Kings/The Economist, January 6th, 2011

Go south, young man World's ten fastest-growing economies* Annual average GDP growth, % 2011-2015 2001-2010 Angola 11.1 China 9.5 China 10.5 India 8.2 Myanmar 10.3 Ethiopia 8.1 7.7 Nigeria 8.9 Mozambique Tanzania 7.2 Ethiopia 8.4 Kazakhstan 8.2 Vietnam 7.2 Chad 7.0 7.9 Congo Mozambique 7.9 Ghana 7.0 Cambodia 7.7 Zambia 6.9 Rwanda 7.6 Nigeria 6.8 *Excluding countries with less than 10m Sources: population and Iraq and Afghanistan The Economist: IMF 12010 estimate IMF forecast

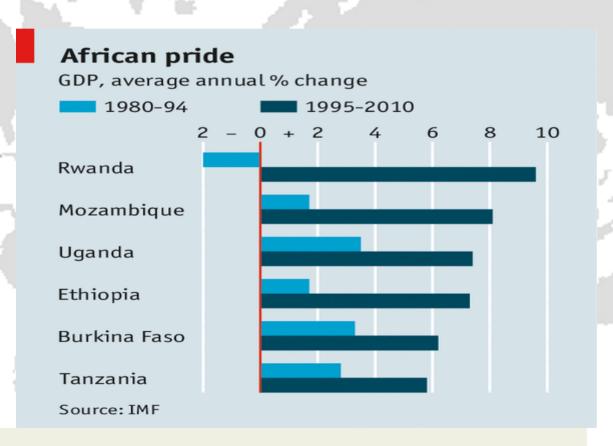


New Business Fields and New Consumer Classes in Africa – Top Growers 2014, The Economist, November 18^{th,} 2013

Rank Country		GDP growth, %
1	South Sudan	35.0
2	Mongolia	15.3
3	Macau	13.5
4	Sierra Leone	11.2
5	Turkmenistan	9.2
6=	Bhutan	8.8
6=	Libya	8.8
8=	Iraq	8.5
8=	Laos	8.5
8=	Timor-Leste	8.5
11	Eritrea	8.0
12	Zambia	7.9

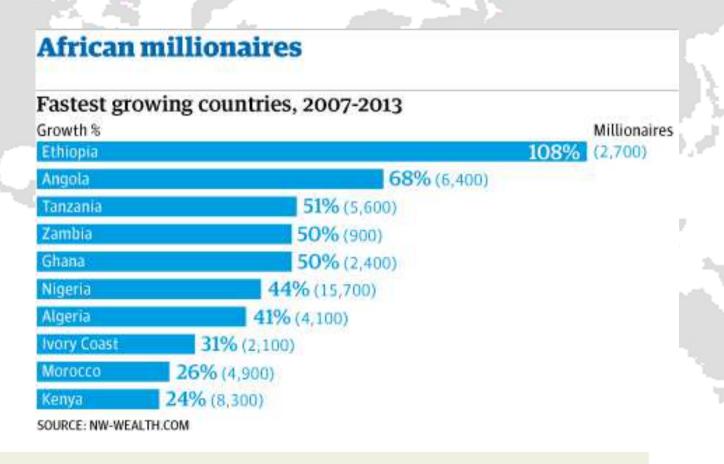


New Business Fields and New Consumer Classes in Africa – African Pride, The Economist, November 2nd, 2013





New Business Fields and New Consumer Classes in Africa – Ethiopia hailed as "African lion"..., theguardian, 4 December 2013





- Looking at rankings for important indexes of development we see that only a short list of African countries has *conditions of inclusive growth and development*, with high ranks for economic, social, legal, governance, corruption, globalization, technology, and human development indicators;
- This has implications for employment, entrepreneurship, and the demand for qualified staff; only in these countries the transition of informal small companies to formal companies will succeed.



- Important indexes (ten) to identify the conditions of inclusive growth so as to build a "super-ranking":

HDI/Human Development Index; GII/Gender Inequality Index; MPI/Multidimensional Poverty Index; KOF-IoG/KOF Index of Globalisation; GCR/Global Competitiveness Report Rankings; DB/Doing Business Rankings; IIAG/Ibrahim Index of African Governance; PIA/Performance Index Africa; NRI (Networked Readiness Index); and TI-CPI/ Transparency International - Corruption Perceptions Index 2013



- Countries with conditions of inclusive growth (by "super-ranking" on these 10 indexes, in the following order): Mauritius, Seychelles, South Africa, Botswana, Tunisia, Cape Verde, Morocco, Namibia, Egypt, Ghana, Algeria, Gabon, and Libya;
- Countries with business opportunities, but being poor on important indexes: *Nigeria, Zambia, Senegal, Rwanda, Kenya, Lesotho, and Sao Tome and Principe;*
- Other countries (also Ethiopia) poor on most indexes.



- These 13 countries have conditions for establishing formal enterprises and for investments of corporations into human capital formation; a transition of informal small companies to formal small and medium-sized companies and increasing demands for qualified staff can be expected; long-term business opportunities and incentives for human capital formation are secured;
- In the other African countries these conditions are not there, but business opportunities can be exploited on the basis of partnerships with African corporations.



- The new areas of business emerging up to 2020 and 2035 in Africa and the increasing competition for qualified staff (from local African firms, from South-South investors, and from Western companies) request that strategies of *long-term human capital formation* are developed by German firms being active in Africa.
- The situation is different in countries with some form of "inclusive growth" where the conditions of entrepreneurial development in small and medium sized firms are better. German firms have to adapt to it.



The structure of African enterprises is rapidly changing with dramatic impacts on manpower demand and human capital formation:

- The African billionaires and millionaires: The growth of the number and the assets of the billionaires and millionaires is spectacular. There are two groups to distinguish from the entrepreneurial side: first, the dynasties (with interests in oil, mining, financial services, construction, retail business, and with access to government contracts) with long established firms;



the number one is the Nigerian A. Dangote with \$ 20.2 billion; he is commanding a leading manufacturing group in *Nigeria*. The combined fortune of the 55 billionaires is \$ 143.68 billion, while the median age of them is 65; *Nigeria, South Africa and Egypt* have 20, 9 and 8 billionaires; 7 further countries in Africa have a billionaire; *South Africa, Egypt, Nigeria and Kenya* lead the group of millionaires; the number of *Nigerian millionaires increased by 44%* in the review period (2007-2013) to 15,700; this number is expected to grow



to 23,000 in 2017; commodity sector and telecom sector interests as well as other new businesses are key; for *Kenya*, there are 8,300 millionaires with a combined wealth of \$ 31 billion, representing 62% of *Kenya's individual wealth*; a growth to 10,700 millionaires by 2017 is expected; key business interests are in commodities, construction & real estate, telecoms, banking, transport & logistics sectors; the growth of billionaires and millionaires is higher than the growth of the African middle class;



there is a second group of more independent, international and innovative African millionaires (mostly in the age of under 40); this new class of millionaires is not related to traditional forms of African wealth generation; they have ties to international investors and they work in new business fields (in technology solutions, mobile media, online marketing and other IT businesses, electronics, but also in financial services, real estate, renewable energy, and in the funding of start-ups and social networks);



- The African Challengers: Boston Consulting Group (BCG) identified 40 African large-scale companies and banks as African Challengers with increasing regional and global networks; these are companies/banks with sales revenues of more than \$ 300 million, double digit revenue growth over the past 5 years, and being most dynamic in international presence; these companies are in South Africa (18), Egypt (7), and in Morocco (6), and in 5 other countries; diversified by economic sectors; outperforming in returns the companies from



developed and emerging countries; they are moving up the "globalization ladder" quite fast – and are involving increasingly local and international talent for their globalized businesses; BCG also analyses the 100 fast-globalizing companies from rapidly developing economies (RDEs); the African presence on the list is limited to South Africa with 5 Global Challengers (GCs) and Egypt with 1 GC; the GCs are competing and cooperating with global multinationals, and are increasingly active in building capabilities and skills.



Exhibit 1. South Africa Is Home to Nearly Half the Challengers

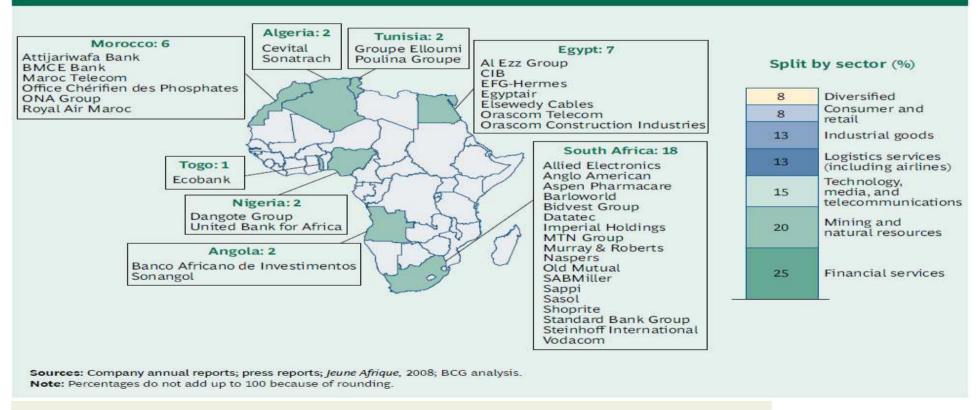
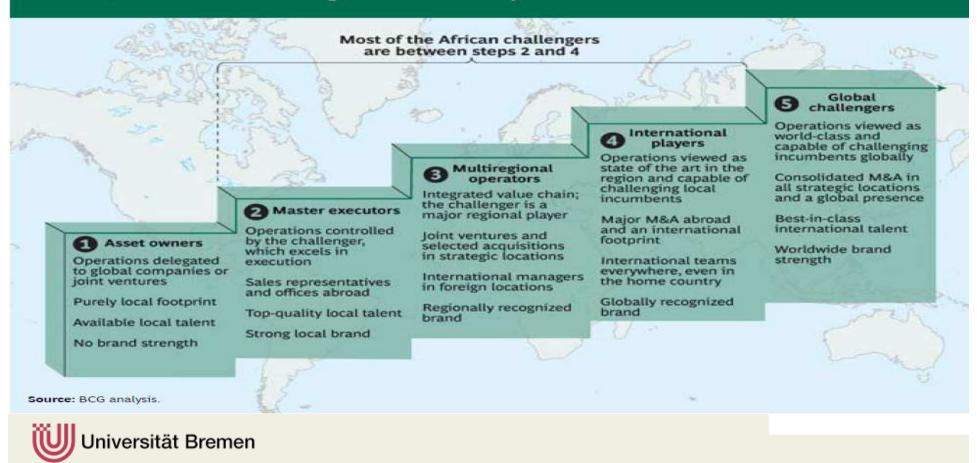




Exhibit 3. The African Challengers Must Move Up the Globalization Ladder



- African Large-Scale Companies and Large Banks: The annual list of 500 large African companies and 200 large African banks by the Groupe Jeune Afrique Group/The Africa Report is of great interest as also other major sectors, such as agribusiness, agricultural raw materials, and food and beverages, and companies and banks from smaller African countries are covered; the presence of South Africa is overwhelming, but North African and Nigerian companies and banks have also strong positions; Sub-Saharan African countries



have a much smaller presence (Ghana, Zambia, Kenya, Mauritius); because of secrecy politics and data problems some large companies in the military-industrial complexes are not covered; similar is the situation with the 200 major banks in Africa; extending the number of branches by the banks and introducing new functions (such as financing of SMEs on a long-term basis) and new forms (such as "agency banking" in cooperation with third parties like mobile phone companies) will increase the demand for qualified staff;



Small & Medium African Companies: There is a gap between the large African companies and the informal small and micro businesses. The gap in terms of formal small & medium African companies means losses in terms of employment, trade and competitiveness, and in developing rural and peripheral regions; a second gap is in terms of the low degree of internationalization of the SMEs in Africa. Around 90% of the formalized businesses in Ghana and South Africa are SMEs, but in most of Africa the conditions for formalized SMEs are



poor; the study "Lions Are Going Digital" by McKinsey 2013 reveals however a great potential for developing African SMEs on the basis of internet platforms and communication tools for internationalization. Africa's SMEs are benefitting from globalization and the "digital revolution", especially so the African countries with more "inclusive growth"; but qualified staff will be needed for this stage of globalization of SMEs. Internet platforms for SMEs contact suppliers and customers, and SMEs are also supported by global logistics firms.



Demographic Developments, Education and Employment in Africa – How to realise the "Demographic Dividend"?

- Africa has the youngest population in the world (200 million people between 15 and 24), and the working age population (15-64 years) has increased between 2000 and 2008 from 443 million to 550 million, what is an annual growth rate of 2.7%; this will then make *a one billion labour force by 2040*, the largest in the world.
- Africa is increasingly better educated. By 2030, 59% of the then 20-24 year olds will have secondary education level 137 m. of the 20-24 year olds will have secondary education and 12 m. will have tertiary education.



Demographic Developments, Education and Employment in Africa – How to realise the "Demographic Dividend"?

- The African labour force represents a valuable potential if used in productive sectors in Africa. Although Africa has created between 2000 and 2008 73 million jobs, only 16 m. were created for young people (15 to 24 years). So, 60% of Africa's unemployed are young people, and the costs of unemployment are very high;
- Crucial are the prospects of a "demographic dividend", a chance when the ratio of the working age population (15-64) to the children under age 15 increases;

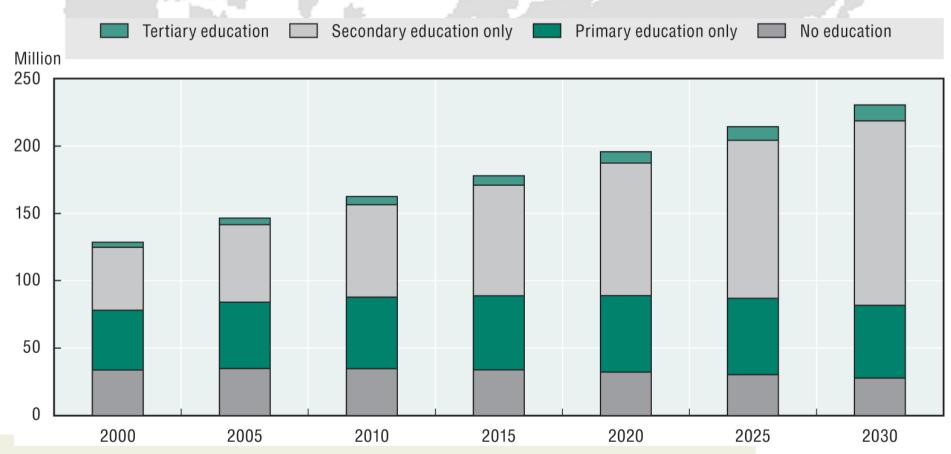


Demographic Developments, Education and Employment in Africa – How to realise the "Demographic Dividend"?

- In Ghana an increase of this ratio - between 2006 and 2030 - from 1.5 to 2.2 can be expected; this allows the workforce to save on funding the children and to invest in education, skills and technology, and to create wealth; but this will occur only if there is stable employment (wage and salary employees and business owners) for the growing workforce; with aging of the workforce the window will close; but around 60% of the new jobs created in Africa are vulnerable ones (subsistence farming, informal self-employment, etc.);



Africa's Rapid Growth of Educated Young People (20-24 year-old cohorts by education, 2000 – 2030), taken from: African Economic Outlook 2012, p. 100





Africa's Demographic Transition – not uniform (taken from: New Security Beat, ECSP, E. L. Madsen, 2013, p. 3)

Table 1: Sub-Saharan African Fertility Rates & Transition Status

Country	TFR, Previous Survey	TFR, Most Recent Survey	Status
Benin	5.6	5.7	stall
Burkina Faso	5.9	6.0	stall
Cameroon	5.0	5.1	stall
Chad	6.4	6.3	stall
Ethiopia	5.4	4.8	transition
Ghana	4.4	4.0	transition
Guinea	5.5	5.7	stall
Kenya	4.9	4.6	transition
Lesotho	3.5	3.3	stall
Madagascar	5.2	4.8	transition
Malawi	6.0	5.7	transition
Mali	6.8	6.6	stall
Mozambique	5.5	5.9	stall
Namibia	4.2	3.6	transition
Niger	7.2	7.0	stall*
Nigeria	5.7	5.7	stall
Rwanda	5.5	4.6	transition
Senegal	5.3	5.0	transition
Tanzania	5.7	5.4	transition
Uganda	6.7	6.2	transition
Zambia	5.9	6.2	stall
Zimbabwe	3.8	4.1	stall

Source: MEASURE DHS STATcompiler. Countries included are those with at least two surveys with an interval of less than 10 years. The most recent survey is no older than 2003.

* Niger, where fertility has never dropped below seven children per woman, could be more accurately considered a pre-transition country.

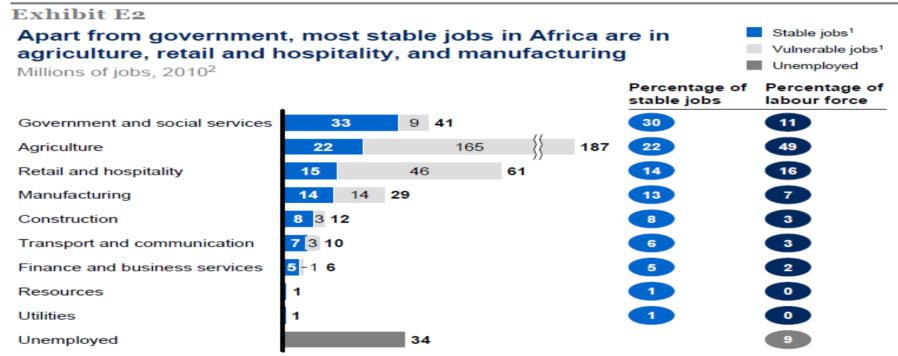


Demographic Developments, Education and Employment in Africa – How to realise the "Demographic Dividend"?

- While Africa will see – according to McKinsey 2012 - an addition of 122 m people to its workforce between 2010 and 2020, the number of stable wage jobs could increase by 54 m (on the basis of current policies) or even by 72 m (on the basis of new policies), nonetheless leaving millions unemployed and/or in vulnerable jobs. Stable jobs can be created in agriculture, manufacturing, retail and hospitality, government and social services, and in other sectors; key sectors are agriculture, manufacturing, and retails.



Demographic Developments, Education and Employment in Africa – Stable Employment Sectors, McKinsey 2012, p. 4



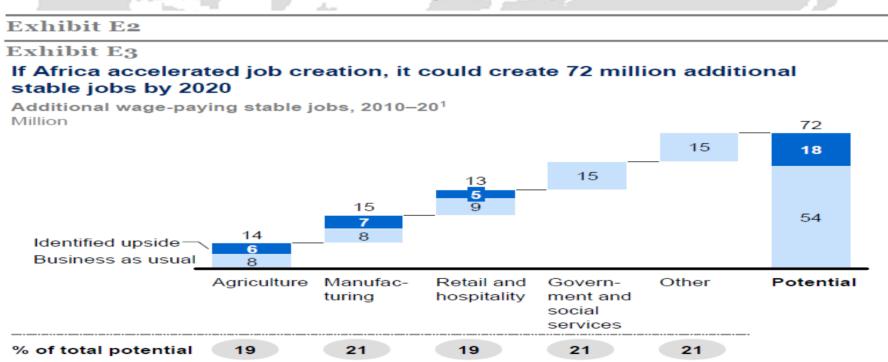
¹ Stable employment includes wage and salary employees and business owners; vulnerable employment includes subsistence farming, informal self-employment, and work for a family member.

SOURCE: International Labour Organization; McKinsey Global Institute analysis



² Estimated using data for Algeria, Angola, Egypt, Ethiopia, Kenya, Morocco, Mali, Nigeria, Senegal, South Africa, and Uganda. NOTE: Numbers may not sum due to rounding.

Demographic Developments, Education and Employment in Africa – Stable Employment Sectors, McKinsey 2012, p. 5



1 Estimate based on ten countries: Algeria, Angola, Egypt, Ethiopia, Kenya, Morocco, Nigeria, Senegal, South Africa, and Uganda. Business as usual based on consensus GDP forecasts and trend rate of employment growth. Upside scenario based on accelerated growth in three sectors: agriculture, manufacturing, and retail and hospitality. NOTE: Numbers may not sum due to rounding.

SOURCE: McKinsev Global Institute analysis



The Internet has the potential to increase stable employment in six sectors: financial services, education, health, retail, agriculture, and government; according to McKinsey 2013 technology-related productivity gains between \$148 and \$318 billion are possible by 2025; firms become more competitive, many more consumers can be reached, markets are connected and developed, and information is spread much more quickly; new countries will get opportunities: Kenya, Senegal, Cameroon, etc.



- The tertiary education in Africa is set to increase rapidly to 2030 from 1.6 m tertiary graduates in 1999 to 5m in 2009 (only SSA) and for the whole Africa region to 10 m (by 2020) and 12 m (by 2030), but the relevance for the key employment sectors (agriculture, manufacturing, social services, retail and tourism) is so far insignificant; so urgent reforms are needed.
- In agriculture, only 2% of the tertiary students are enrolled (2008-2010). In this period, 44% of tertiary students are enrolled in social sciences, business and



- law and 26% in education, humanities and arts, so that a shift to fields according to stable employment sectors is needed. There is also a gap between academic education and practical application, and so a high share of the tertiary graduates are unemployed around 20 % in low income African countries and 35% in the middle income African countries.
- Most of this unemployment is transitory and can be overcome by *near graduation cooperation* with potential employers (businesses, government, etc.).



- Because of this *mismatch* foreign companies bring in staff from outside and increasingly African IT companies outsource internationally; public African capacity development programmes are not effective enough; *new technology institutes and excellence centres are built*, also networks like AGNES (African-German Network of Excellence in Science), the IBM Africa Technical Institutes, the African Virtual University as an e-learning network in around 30 African countries, and the Africa Information Highway.



- Cooperation of German Firms with Firms in Africa: The African Challengers, the growing community of IT firms in Africa, the 500 plus 200 largest African companies/banks, and the formalized small and medium-sized companies (SMEs) in the "inclusive growth" African countries are ideal partners for cooperation in qualifying and recruiting personnel; the AFRIKA KOMMT! Programme of the large German companies should be extended to German SMEs being active in Africa and to African partner companies;



- large and medium-sized German IT companies can cooperate with African IT companies in training and recruiting; the main issue is to support the African IT companies to work not only for African end consumers but also for SMEs so that they can benefit from the Internet to grow; Connect Africa plays a role;
- Cooperation of German firms with *Entrepreneurship Development Programmes for Africa and in Africa* is also an important step in furthering qualification and recruitment; TAN, the African Network, is an example;



- Cooperation of German Firms with African and German Universities: American, Chinese and Indian firms are active in direct cooperation with African universities, technology institutes, excellence centres, via scholarship programmes, research contracts, mentorships from the business side; this is especially relevant in the areas where stable employment will increase in Africa; an important channel for recruiting!
- Also, the cooperation of German firms with German universities should be deep where African students



- are enrolled in the fields with high future employment creation potential in Africa (engineering, IT, agriculture, health, entrepreneurship development, marketing, tourism, etc.); German SMEs with interest in the African market can develop new instruments to invite such African students for short-term contracts to their businesses; also the Go Africa...Go Germany (GAGG) Programme of the Stiftung Partnerschaft mit Afrika e. V. can be supported and used for getting long-term contacts to qualified students and alumni;



- Cooperation of German Firms with African Governments and German Government Development Institutions: Increasingly projects in Africa for tertiary education reform, new STI (Science, Technology, Innovation) initiatives, entrepreneurship development programmes, IT connectivity projects, etc. are undertaken jointly, and inputs from businesses and from the research community are welcomed; but also independent programmes by African governments in these fields can be supported by business and by the



- research community; the programme COMENGA (Commitment and Engagement for Partnerships with Africa), also from the Stiftung Partnerschaft mit Afrika e. V., has a component Aktionsraum Wirtschaft (Action Room Economy); supported are three collaborative programmes (German-African Consumer Council, German-African Social Business Hub, and ict@frica); the aim is to strengthen consumer protection in both regions and to promote joint African-German start-ups in the areas of social businesses and ICT companies;



- also such *collaborative* ventures can be supported by German firms of all sizes and may be avenues for future qualification and recruitment programmes;
- The execution of development projects by GIZ in Africa is increasingly dependent on German and African firms, agencies and research institutions; such forms of cooperation are reported in GIZ's Company Reports; German SMEs should have a larger role in this, so enabling them to recruit staff in Africa.



Innovative Models of Qualifying and Recruiting Staff in and for Africa – What can Universities in Bremen do?

- While in the Anglo-American world businesses, universities, and development partners cooperate rather effectively on African development, such as in programmes like Business Fights Poverty (BFP) and Business Action For Africa (BAFA), the situation in Germany is different; the Afrika-Verein der deutschen Wirtschaft e. V. and universities could initiate similar development initiatives in cooperation with BMZ and GIZ; the Jacobs University can play a lead role in such a venture;



Innovative Models of Qualifying and Recruiting Staff in and for Africa – What can Universities in Bremen do?

- Because of the three focus areas (diversity, health, and mobility) and because of the guiding principles of the university (interdisciplinary research work, international cooperation, intercultural exchanges, etc.), the Jacobs University can also take the lead in cooperation with other partners in Bremen;
- The Business Fights Poverty approach is so important as companies make profit while promoting sustainable development in Africa; there are so many examples from such businesses:



Innovative Models of Qualifying and Recruiting Staff in and for Africa – What can Universities in Bremen do?

- Gold mining companies in Ghana initiate malaria prevention and other health programmes; mobile phone/IT companies in various African countries develop apps for health diagnostics in remote rural areas; foreign and local large and medium-sized agribusiness corporations improve their supply chains so that they become more sustainable in terms of labour conditions, health situation, local employment, entrepreneurship development, environment protection, and women participation;



Innovative Models of Qualifying and Recruiting Staff in and for Africa – Towards A Programme "Universities And Businesses Fight Poverty in Africa"

- Jacobs University can take the lead in creating awareness and competence among its students, especially those from Africa, how to fight poverty by business action; this is relevant for all study fields and study programmes; also specific programmes and study components for African students could be initiated, such as Providing Nutrient-Rich Foods for the Poor, Making the Cocoa Value Chain more Inclusive, Entrepreneurship Development towards Fighting Poverty; and African Diaspora Networking.



Innovative Models of Qualifying and Recruiting Staff in and for Africa – Towards A Programme "Universities And Businesses Fight Poverty in Africa"

Many thanks for listening, and I hope for a stimulating discussion on new concepts and innovative models of qualifying and recruiting qualified staff for a more intensive cooperation with Africa.

