

5 pillars for doing business in Africa

A road map for companies planning to enter African markets.



January 1, 2015

By **Robert Mudida** & [Alejandro Lago](#)

At the turn of the century, a prominent World Bank study raised a serious question: [Can Africa claim the 21st century?](#) Given that the first 40 post-independence years of many African states had seen little in the form of meaningful development, posing such a question was certainly relevant.

Since then, there has been intense debate between those who see the glass half empty, such

as Paul Collier's [*The Bottom Billion*](#) (2007), and those who see it as half full, such as Vijay Mahajan's [*Africa Rising*](#) (2008), Steven Radelet's [*Emerging Africa*](#) (2010) and Charles Robertson et al.'s [*The Fastest Billion: The Story Behind Africa's Economic Revolution*](#) (2012).

Without overstating Africa's potential (as many of its economies are small in global terms), we do believe "economic revolution" is the right way to describe how, in just a decade, the lists of the world's 10 fastest growing economies have come to be consistently dominated by those from Africa. Macroeconomic indicators aside, the ground-level reality reveals sizable business opportunities.

Given the prospects, many companies around the world are setting their sights on Africa as a new frontier for business.

This article highlights the main macroeconomic trends, and presents a road map for companies planning to enter African markets. As our research is in its early stages, this article is based on personal experiences and local insights distilled from interviews and collaborations with dozens of entrepreneurs and executives who are living the realities of doing business on the continent.

The facts on Africa

To state the obvious, Africa is a continent, not a country, and a huge one at that. Sub-Saharan Africa, the focus of this article, comprises 47 countries, representing a land mass bigger than China, India and the United States combined. Its population of around a billion could double by 2050. Its GDP of \$1.6 trillion is the result of not one monolithic economy but a myriad of economies, each requiring an independent approach.

To make things more manageable, Africa is often grouped into blocs, but within each bloc — indeed, within each individual country — we find wide-ranging political, regulatory, business and cultural differences. These differences can sometimes appear more magnified than in other emerging economies, due to transport, infrastructure and other logistical issues that have historically made trade, communication and integration of systems more difficult. This means not all countries are advancing at the same rhythm — an important consideration when making any macroeconomic assessment of the region.

For the purposes of this article, we speak in broad terms, focusing on the commonalities across the continent.

However, readers should be prepared to challenge each statement at an individual country

level and understand the general opportunities in light of specific circumstances.

Macroeconomic trends in Africa

Much of the recent excitement about Africa is generated by positive macroeconomic figures, which indicate that sub-Saharan Africa's overall performance is fast closing the gap with other developing regions in East Asia and Latin America (South Africa being a forerunner that needs to be considered separately).

Here we reflect on the overarching trends.

The full article is published in [IESE Insight 24 \(Q1 2015\)](#).

This content is exclusively for personal use. If you wish to use any of this material for academic or teaching purposes, please go to IESE Publishing where you can purchase a special PDF version of "[5 pillars for doing business in Africa](#)" (ART-2670-E), as well as [the full magazine](#) in which it appears, in English or in Spanish.

Thanks for reading  **IESE** insight
To continue reading this premium content,
please click below

Array

www.iese.edu/insight