

Leadership lessons from Africa's trailblazers

How five leaders are seizing opportunities and overcoming challenges to build successful organizations in—and a brighter future for—the nations of Africa.

by Mutsa Chironga, Georges Desvaux, and Acha Leke

Africa offers growth-minded companies exciting opportunities. Its population is young, fast growing, and increasingly urbanized. The rapid adoption of technology, meanwhile, makes the continent a fertile arena for innovation.

As in any market, there will be losers and winners—some of which are already emerging. This article presents reflections from five of Africa's leaders. Taken together, their insights illustrate what is needed to thrive on the continent. Nadia Fettah, CEO of Saham Finances, describes the strategic revitalization of the Moroccan insurance company she leads. James Mwangi, the CEO of another financial-services player, Equity Bank, explains how his company has innovated its business model to boost financial inclusion. Aliko Dangote, who has transformed a trading company into a large-scale manufacturer, elaborates on the resilience he's trying to build into Dangote Industries and how he hopes this will help the company thrive far into the future. Fred Swaniker, founder of the African Leadership University, shows how technology-enabled solutions can unleash Africa's young talent. Finally, human-rights advocate Graça Machel shares insights about doing well by doing good, through the lens of New Faces New Voices, the network she founded to expand the role and influence of women in the financial sector.

We spoke with these leaders, and many others, as part of the research for *Africa's Business Revolution: How to Succeed in the World's Next Big Growth Market* (Harvard Business Press, 2018). That book, as well as this article's companion, "Africa's overlooked business revolution" (available on McKinsey.com), set out five core requirements for building a successful enterprise in Africa: mapping the right portfolio of countries and cities, innovating with business models, cultivating resilience, unleashing local talent, and doing well by doing good. We hope that the stories of these five leaders, in different sectors and across multiple countries, will enhance understanding of the opportunity in Africa, clarify what it takes to build a sustainable business there, and inspire global leaders to do so.

Map your strategy: Building a pan-African insurance company

Nadia Fettah, CEO, Saham Finances



Nadia Fettah, CEO of Morocco-based Saham Finances, has overseen the company's expansion from a small local firm into a leading African insurance company operating in 23 countries across the continent. Between 2005 and 2015, it increased its sales nearly tenfold, to over \$1 billion. In 2016, Saham took its African expansion strategy to the next level: it partnered with Sanlam, a long-established South African insurance company that had also made Africa its major growth focus. This partnership became a merger in 2018, when Sanlam fully acquired Saham in a \$1.1 billion transaction, purchasing the remaining stake in the company it didn't already possess.

Nadia Fettah: Our goal was simple: to become the best insurance company in Africa. Our first step was to become a major player in Morocco, which we succeeded in doing over three or four years. But our ambition was big and our market was small, so we looked for the next countries into which we could expand. We considered North Africa and Europe, but when we started traveling in sub-Saharan Africa we realized that we could have a major impact there. Most countries had very low insurance penetration, so there was great potential to serve clients who had very little access to insurance.

That led us to expand quickly across different regions of Africa. In 2010, we made an acquisition that gave us an immediate presence in ten countries in francophone West Africa—which made life easier for our Moroccan managers, all of whom speak French. But we also wanted to go to other big markets in Africa that were

underpenetrated. So we went to Angola and acquired the company that had become the first private insurer there back in 2005. We also invested in Nigeria, Kenya, Rwanda, Madagascar, and Mauritius. Despite language and cultural differences, we built successful businesses in all these markets, creating lean, highly empowered local leadership teams backed by shared, technology-driven back-office systems.

Of course, that rapid expansion came with challenges, as the example of our entry into Angola illustrates. We bought a fast-growing local insurance company in 2015, but just as the deal closed, the oil price collapsed, putting Angola's oil-dependent economy into a tailspin. Suddenly, everything went wrong, and we were facing a crisis.

But we took a long-term view, and our local management team quickly came up with a strategy to save the business. Rather than scaling back, that strategy focused on ramping up sales to business customers, including thousands of smaller enterprises. Within a year, our Angolan business had returned to profitability and built a real beachhead for us. As we were growing, our competitors were halting their investments. That will give us a strong competitive advantage as Angola's economy recovers.

Today, we have a large portfolio of businesses in smaller countries, so we at headquarters can't micromanage. Instead, we give our country managers a lot of freedom and make sure the people we appoint to those roles are real entrepreneurs. We issue guidelines on topics such as asset management, and we provide our country operations with technology-driven back-office support. Beyond that, we let our local operations decide what to do and how to do it. Consider the example of Burkina Faso, one of Africa's smallest and poorest countries. Saham's local country manager there is just full of good ideas, such as targeting underserved business customers. As a result, Burkina Faso has become one of our fastest-growing markets.

Talent is an essential component of our success. I personally spend one-third of my time on talent management and development. One key component of our talent strategy is to make geographic mobility a requirement for career advancement at senior levels—a key step in building a pan-African business with shared values and practices. We have instituted a rule that, in any given African country, the deputy CEO of its local operation can never be the next country CEO. That pushes people toward greater mobility: you can grow in your own country, but if you want to have the number-one position one day, you need to travel. To source new talent, we hire the best people straight from Morocco's universities, which have many students from sub-Saharan Africa. We also invest heavily in training, even though it is difficult to find training providers across African markets who meet our standards. As a result, we have built our own training solutions internally.

Innovate your business model: Fulfilling a societal need for financial inclusion

James Mwangi, managing director and CEO, Equity Group Holdings



James Mwangi, CEO of Kenya-based Equity Bank, built the company with one core purpose in mind: *to solve the social problem of lack of access to financial services. Equity Bank was born out of Mwangi's turnaround of a then-small Kenyan building society, which was converted into a commercial bank in 2004. Today, it has more than 12 million clients in six countries across East and Central Africa, as well as nearly \$5 billion in assets and reported pre-tax profits of \$270 million.*

James Mwangi: I grew up in a rural area of Kenya, and my own mother, Grace, didn't have a bank account. The nearest bank branch was 50 kilometers away, and the minimum opening balance was equivalent to several years of her earnings. My mother would also have been intimidated by banks, with their granite floors, long queues, and formally dressed officials. To make matters worse, banks often had a seven-day rule between withdrawals. If your child got sick, you couldn't go back and withdraw money from your account if you'd been there the day before. Banks simply didn't understand the day-to-day financial situations of ordinary people. Kenyans' response was to keep their money under the mattress.

Fewer than one in ten Kenyan adults had a bank account at the turn of the 21st century. Today, thanks in part to Equity Bank's innovations, two-thirds of them do. We knew we had to address the needs of people like my mother. We wanted to give banking a human face and create the concept of the bank as a marketplace where people would feel at home. We did away with high minimum balances, created affordable products, and, most importantly, delivered them where people lived. One innovation was to introduce what we called "mobile village banking," or banking on wheels. Long before cellphone banking came along, we created minibank branches that could fit in the back of a Land Rover and drove them from village to village across rural Kenya.

Maybe our best-known innovation, though, is our agency banking model: Equity Bank has accredited more than 30,000 small retail outlets across the country as bank agents, able to accept deposits, dispense cash, open accounts, apply for payment cards, pay bills like those for power or water, and much more. It took us six years to convince the Central Bank of Kenya that shopkeepers could accept cash as banking agents. But once we did, we were able to multiply our network 1,000-fold. That has really taken banking to the last mile in every village. As a result, banking now competes with sugar and salt as a product. The agency model has assisted in our continued pursuit of demystifying banking. Our agents don't talk to customers



in banking jargon—they use the language of the common man in their environment. We've assisted those 40,000 shopkeepers to professionalize: they've become owner-managers, managing a bank for a commission. That in turn has distributed wealth across the country.

Our business model is high volume and low margin. Cost-effectiveness and efficiency are key, and technology plays an important role. Today, Equity Bank has moved beyond Land Rovers and enabled true mobile banking via our Equitel mobile-banking application, which we launched in 2015. Equitel uses SIM overlay technology to enable easy access by customers of every mobile provider. Equitel has become very big, very fast. Today, our branches are doing 5,000 transactions a day, our agents are doing 300,000 transactions a day, and Equitel is doing 900,000 transactions a day. As customer preferences for channels of service continue to evolve to self-service devices, the old brick-and-mortar branches are moving to become service and advisory centers. The bank's cost model is shifting from a fixed-cost to a variable-cost model. This has helped us reduce our cost-to-income ratio to an average of 49 to 50 percent, down from a high of 60 to 70 percent some years previously.

We are already looking ahead at future innovations. We see social media as the next channel for banking, so our next big focus is channel innovation. We are also looking beyond financial services and building a new business in the healthcare space—a network of medical centers called Equity Afia. The inspiration came from our charitable foundation, which has awarded some 6,000 university scholarships through paid internships to academically gifted students from across Kenya's 47 counties, under the Equity Leaders Program. We looked at our graduates and

found that 600 of them had been to medical school. We already knew that 40 percent of the defaults on our bank loans were due to ill health in the family, so we empowered our medical graduates as entrepreneur doctors, helping them start clinics and supporting them with systems to manage their clinics. At the same time, we are providing our banking customers with medical insurance. These products intertwine the commercial interests of the bank and a solution to address the health challenge of our society.

Social impact is embedded in our DNA, and it is what has enabled Equity Bank to scale: today it is the biggest bank, by market capitalization, in East and Central Africa. We see the bank not just as a company but as a movement for socioeconomic transformation. People see themselves as part of that movement. They say, “I joined, I became a member,” not “I opened an account.” That concept of belonging has been central to Equity Bank’s growth.

Build resilience for the long term: Forging Africa’s industrial revolution

Aliko Dangote, president and CEO, Dangote Industries



Aliko Dangote has built one of Africa’s largest industrial firms from humble origins as a trading company started with a small loan from his uncle in 1978. Today, the Nigeria-based Dangote Group manufactures commodities, including cement, sugar, and flour, in massive volumes and has annual revenues exceeding \$4 billion. At the helm, Dangote continues to aim high: his new growth projects include the world’s largest single-train petroleum refinery, currently under construction near Lagos, Nigeria’s bustling commercial capital.

Aliko Dangote: As a trading company, we had the infrastructure, the logistics, the warehouses, the customers. But we were importing the goods we sold—for example, pasta from Italy. It was clear to us that the only way forward for us was industrialization. Yet we knew that everyone who had tried industrialization in Nigeria pre-1995 had gone out of business, so before I invested my money in building manufacturing businesses in Africa I went to investigate the manufacturing sector in another big, challenging emerging market—Brazil. I did a lot of research, spent time in factories, and really thought through the challenges.

At the time, Brazilian manufacturers were dealing with hyperinflation and massive exchange-rate problems. They helped me realize that if we were going to build

industries in Africa, we would have to be the boldest people around. If we weren't going to be bold, we could just forget it. Even today, my philosophy is "think big, dream big, and do big things." Our target is to achieve annual revenues of 10 percent of Nigeria's GDP—some \$45 billion to \$50 billion.

I didn't start my manufacturing businesses assuming I'd have zero problems. I said, "Even if there are problems, I'll solve them." For example, in the early years of Dangote Industries, I was offered a 30 percent stake in a new sugar-refinery project in Nigeria, but my partner pulled out when costs began to mount. Not only did I decide to go forward on my own, I increased the plant's capacity by another 50 percent.

For us, an essential strategy to build a resilient manufacturing business is to diversify as much as possible. There's no sector that's permanently healthy—if, today, cement is excellent in Nigeria, it might not be in the next five years—so we're fully diversified across different products, as well as downstream, midstream, and upstream. For example, our push for backward integration involves producing our own raw materials on a massive scale. We are investing close to \$5 billion over the next three years in sugar, rice, and dairy production alone. Such investment matters not just to our company but to our continent. The majority of African countries depend on imported food; Nigeria alone imports around five million tons of wheat a year. We have land, we have water, we have the climate. We shouldn't be a massive importer of food.

For many of our manufacturing businesses, we also generate our own electric power. This is based on the realization that a lack of reliable power has been one of the major impediments to industry in Africa and has caused many manufacturers to fail. Here, too, our vision extends beyond our own operations. For example, we have partnered with Black Rhino, a subsidiary of the US-based asset manager Blackstone, to develop power-generation projects to feed into Nigeria's grid.

Talent is another important enabler of our success as an African manufacturer. We established the Dangote Academy in 2010 to train employees in technical and managerial skills. We recognize that we cannot rely on universities and colleges to provide the very specialized technical and managerial training required to run major industrial factories such as ours, particularly in the large numbers of such people that we will need. In Nigeria alone, we already employ 26,000 people. I always say, "If a country imports manufactured goods, it also imports poverty. If you don't want to import poverty into your country, you have to create jobs."

Doing business in Africa is for the discerning, imaginative, and bold executive. I am convinced that Africa is the best-kept secret as a place for a profitable and fulfilling business enterprise. You don't have to be African to succeed in Africa. But if you really want to do business here, you have to think long term. Africa is not a place where you can come and invest for two or three years, milk the business, and run away. You have to build a business that can succeed in the good times, the OK times, and the bad times.

Unleash Africa's talent: Imagining new approaches to shape the skills of the future

Fred Swaniker, founder, African Leadership University



Fred Swaniker is the founder of several innovative educational and leadership institutions, including the African Leadership University (ALU), whose campuses in Rwanda and Mauritius are based on a new model of higher education. ALU students manage their own education, using technology, peer-to-peer learning with classmates, and four-month work-experience internships with partner companies. That enables ALU to provide a world-class education at a fraction of the cost of traditional universities.

Fred Swaniker: I spend my life today looking for and developing Africa's future talent. What I can tell you is that there's an abundant source of talent in Africa: it has the youngest population in the world, with an average age of 19.5, compared to 46 or 47 in Germany and Japan. And this talent is driven, hungry, and willing to learn—all they need is an opportunity. When we give them that opportunity, even though they may have come with less preparation than you might find in other parts of the world, they catch up fast. We're able to get people who come from very disadvantaged backgrounds with very weak foundations to perform at world-class levels within two years.

Companies that succeed in Africa need to look beyond the rough edges that they might see in a young African that they interview—someone who hasn't necessarily been to a fancy university and doesn't speak English the way they might expect. They need to really invest in that talent; that investment will reap significant rewards for them as they grow.

You also have to take a strategic role in developing your own talent—to look at talent development as part of your value chain, not as something that is outsourced to the national university system. And to convert Africa's raw talent, you don't necessarily need to put people through a full four-year degree. A three-month or nine-month training program could be enough to unlock the skills that companies need. Compare Africa to India. For years, companies in India used to complain, "The universities are not producing the people we need." So companies like Infosys created their own corporate academies, and they started training and developing their own people.

Technology is a game changer in talent development. Universities, for example, were invented in a world where information was scarce, but today we live in a world where knowledge is ubiquitous. Today's technology enables an African sitting in Kenya to get access to world-class curricula and attend classes virtually from



Harvard Business School, from Cambridge, from MIT. That's why we've been able to leapfrog and build the universities of the future in Africa, driving significant improvements in human-capital development with much less capital than would have been needed before.

Talent development is a critical part of the social mission of business in Africa. Because when you're in Africa, you're not just doing business, you're touching lives, you're creating meaning for your employees, you're transforming societies, and you're really creating history.

Do well by doing good: Making business a full partner in Africa's transformation

Graça Machel, chair, Graça Machel Trust



Graça Machel, an international human-rights and development advocate, is the founder and patron of New Faces New Voices, a pan-African network that focuses on expanding the role and influence of women in the financial sector. The program not only promotes women's access to finance and financial services but also aims to bridge the funding gap for African businesses owned by women.

Graça Machel: I advocate for a social compact which would see governments, the private sector, academia, and civil-society organizations agree on shared responsibilities to solve Africa's biggest social and economic challenges and achieve the United Nations' Sustainable Development Goals. Those

goals are an ambitious, universal call to end poverty, protect the environment, and ensure that all members of our global family enjoy peace and prosperity. They require that we leave no one behind.

I see a central role for the private sector to partner in poverty-eradication efforts and collaborate with public-sector and civil-society actors to drive job creation on a massive scale. Business leaders should ask themselves, “If our country has a certain percentage of young people who are unemployed, what kind of creative, forward-thinking changes do we have to implement to accelerate job creation and increase employment opportunities for our youth? How can we move from producing 5,000 jobs a year to two million a year, for example?”

Those kinds of audacious goals require a change in mind-set for all of us. Entire industries—and leaders themselves—have to meaningfully transform; it can no longer be business as usual. Development doesn’t happen without transformation, first of people themselves, then of institutions, then of systems. That means we all have to move out of our comfort zones and move to a different level of thinking, operating, and engaging one another. Ultimately, business leaders should see themselves as responsible partners in a national pact for development.

Part of the change required is a set of very clear policies and strategies to bring more women into top leadership. Business leaders in particular should make women’s advancement part and parcel of their strategy of growth and sustainability for the next five, ten, 15, 20 years. Human-resources departments and CEOs

need to make upward mobility for female staff part of HR strategy and succession planning and ask themselves, “How can we get more qualified women into the C-suite? How are we nurturing our female talent? How do we ensure more capable women are sitting at the highest levels of decision making?” You need to value diversity as an element of strength and make it part of a cultural and institutional transformation.

The reflections of Nadia Fettah, James Mwangi, Aliko Dangote, Fred Swaniker, and Graça Machel are drawn from interviews conducted as part of a broader research effort underlying a new book, *Africa’s Business Revolution: How to Succeed in the World’s Next Big Growth Market* (Harvard Business Press, 2018), by **Mutsa Chironga**, a Nedbank executive and an alumnus of McKinsey’s Johannesburg office; **Georges Desvaux**, a senior partner in the Hong Kong office; and **Acha Leke**, chairman of McKinsey’s Africa offices, based in Johannesburg. The authors wish to thank Jalil Bensouda and Omid Kassiri for their contributions to the book and this article.

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