

# Africapitalism: Purposeful thinking for African business

Africa offers a ray of hope in an uncertain global economy. Many parts of the continent are experiencing rapid and sustained economic growth, with political, social and infrastructural conditions continually improving. Market attractiveness has begun to outweigh the risks of doing business, and foreign investment is flooding in. Most exciting is the emerging growth in intra-African investment: Africans doing business for Africa.



By Nicole Velleman 17 Sep 2013

Now is the time of the African Challengers. These local businesses with global ambitions are expanding rapidly and fending off larger global competitors. This movement can be observed in the workings of big business, SMEs and entrepreneurs alike. Increasingly, local B-brands are investing in marketing to grow brand equity, using local know-how and quick decision making to compete against (and beat) multinationals.

Our latest white paper, '[Doing Business on Purpose](#)', demonstrates how businesses can make a positive societal impact in a way that is also commercially advantageous. We show that by uncovering the *why* behind your business and brand, you can give your employees a reason to wake up in the morning, engage meaningfully with consumers, be a part of something that is bigger than yourself, and enjoy sustainable growth.

## Purpose is relevant

Purpose is especially relevant on the African continent, where businesses cannot separate themselves from the social contexts in which they operate. The successful African brands of the future will be those that view societal challenges as opportunities rather than barriers, and that become financially and emotionally invested in Africa. This is not philanthropy - this is for-profit business done with long-term, holistic goals in mind.

Can purpose be used as a competitive advantage by local businesses as they take on global players?

Key private sector figures are advocating new models of 'philanthropic investment', 'venture philanthropy' and 'philanthro-capitalism'. [Africapitalism](#), the term coined by Nigerian mogul Tony Elumelu, is a for-profit model aimed at stimulating economic development. Elumelu believes that the African private sector has "the power to transform the continent through long-term investments, creating both economic prosperity and social wealth", and by doing so, we can teach non-Africans how to approach investing in the continent. And he's not alone in his thinking: the likes of Aliko Dangote, Lucien Ebata, Theophilus Danjuma - other key figures with enormous economic power - have realised the value they can create by investing in development.

## Unique advantage

African businesses have the unique advantage of fully understanding the risks, opportunities and, crucially, the social contexts of the markets in which they operate. International competitors, even with large research and marketing budgets, lack the social sensitivities, on-the-ground access and long-term experience needed to build relevant brands in the way local businesses do. While multinationals are making decisions overseas, African businesses can adapt quickly to meet the needs of more demanding consumers with growing spending power.

Additionally, African governments have earned a reputation of hostility towards exploitative foreigners. It makes political sense to create attractive business environments for locals through innovation and investments in human capital. We are seeing spending on education increase and social innovation hubs and accelerators popping up all over the continent.

## Embracing new business paradigm

Africa is embracing a new business paradigm. Why try to convince the sceptics that doing business in Africa is a good idea, when you can enable those who are already investing in the continent to create better-functioning businesses?

environments?

In a recent television interview, Aliko Dangote said that the reason for his success was that he believed in Nigeria, and invested when others were too scared to do so. Whether you look at it from a financial point of view (creating the best environment for business to prosper) or an emotional point of view (working towards fulfilling Africa's potential), all roads lead to the same point: Africa's future requires the business world to think purposefully to solve key problems, drive development and improve the quality of life.

The mission to build better societies cannot be left to government alone. Responsible business practice is critical in building better-functioning environments, which in turn improves the attractiveness of these markets.

Public-private partnerships are a key tool in getting this right, and there are encouraging examples of these engagements taking place. The Power Africa initiative, for example, is a multi-stakeholder partnership between the United States, the governments of Ghana, Tanzania, Kenya, Liberia, Nigeria and Ethiopia, and the African private sector. It aims to double access to power in Africa over the next five years. Elumelu's company, Heirs Holdings, is the single largest private sector investor, having pumped \$2.5 billion in the project.

These governments understand that energy sector reforms will drive growth and investment and only by partnering with the private sector can they make their ambitions a reality.

## Creating societal value

So, how can African businesses go about creating societal value while still serving their own interests?

- Collaborate with government, other businesses and civil society to create better business environments
- Encourage private sector investments in infrastructure
- Produce safe, affordable and responsible products and services
- Develop human capital by investing in training and skills development
- Recruit locally
- Empower local business through strong supplier and distribution networks
- Innovate, invest in technology development, and share knowledge

These emerging patterns of thinking are incredibly exciting. Business leaders who think about success in terms of purpose will prove to have a competitive advantage: one that allows African businesses to realise both financial and social wealth.

## ABOUT NICOLE VELLEMAN

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