

Highlight

Leading through Engagement: Creating Foundations for the Africa of Tomorrow, Today

By Sean Culey



Africa is at a tipping point. It is poised for growth, but the question is whether this growth will be based on sustainable foundations that benefit the majority, or on commodities that only benefit a few. Below, Sean Culey argues that Africa's business leaders need to play a pivotal role, but only if these leaders learn from the mistakes of the rest of the world.

It is always difficult for a non-African to comment on Africa, given that it is a continent with 55 different states and an even greater number of different cultures. My personal fascination with Africa originated from my time working in Kenya during 1999 and 2000 for a multinational FMCG company. I remember vividly feeling at the start of my engagement in Nairobi that the potential for the country was enormous, and was puzzled as to why it was unable to mobilise its resources to leverage this opportunity. However during my time in Africa the reality became apparent, as I had to face some very different challenges compared to my engagements in Europe, the US and Australia. These included power outages (running out of electricity the night before an SAP go-live was a unique challenge), personal security issues (the Sales Director was car-jacked – twice – during the project),

transportation issues (no trucks moved after dark) and of course, corruption (the company subsequently implemented a policy to never have a leadership team entirely composed of members of the same tribe).

Yet my time in Africa is perhaps the most memorable of my career to date. The people I worked with in Kenya were well-educated, passionate and lacked issues such as ego and complacency that afflict many Western companies. However, after a while the sheer challenge facing the country became evident. The crushing poverty, the corruption and the cultural and infrastructure challenges ensured that whilst technology advanced and opportunities changed elsewhere; in this part of Africa at least, most things remained unchanged.

Africa on the rise

14 years later and Africa is now seen by many as the next major economic mover and shaker. A 2010 McKinsey study *'Lions on the Move'*¹ stated that Africa's economic growth is creating substantial new business opportunities, with its collective GDP now roughly equal to Brazil's or Russia's, and a labour force projected to reach 1.1 billion by 2040, outstripping China and India. A pivotal factor in the GDP growth is the rise of the African urban consumer. Today 40 percent of Africans live in urban areas - a percentage similar to China's

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- and the number of households with discretionary income is projected to rise by 50 percent to 128 million over the next 10 years. By 2030, it is predicted that the continent's top 18 cities could have combined spending power of \$1.3 trillion. Africa has therefore become a magnet for consumer goods companies that hope to cash in on its favourable demographics and plethora of fast-growing economies.

One of these companies is Diageo. *"The last two decades were about the BRICs – now it's about Africa,"*² said Andy Fennell, Diageo's chief operating officer for Africa, citing the 65m extra drinking age consumers – equivalent to the UK population – expected to come from Africa over the next decade. Likewise L'Oreal, the Paris-based cosmetics group, acquired the Kenyan beauty business Interconsumer Products earlier this year, stating it: *"demonstrates our confidence in this region and its market potential driven by a rising middle class, growing income and long tradition of beauty practices."*

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But for this growth to be sustainable, strong foundations are required. One of these foundational factors is infrastructure. Ntlai Mosiah, Head of Power, Infrastructure & TMT at Standard Bank recently declared that: *"inadequate (African) infrastructure is responsible for holding back potentially higher levels of economic growth"*.³ He believes that African nations need to invest at least US \$100 billion over the next decade to upgrade their infrastructure in order to unlock this growth.

But as well as infrastructure, Africa also needs to create consumers - and to create consumers they need to create jobs. Good jobs.

The 2013 African Economic Outlook report⁴ stated that to sustain this growth African economies have to look beyond commodities and face the formidable challenge of creating gainful employment opportunities for millions. Nicholas Chauvin made the observation in a recent TABR article⁵ that the problem with commodity driven growth is that it doesn't create many jobs - to be job-intensive, growth must be accompanied by a structural transformation; that is, the reallocation of economic resources from activities with low to high productivity.

Failure to achieve this transformation has hampered other emerging nations, with recent headlines documenting the rapid slowdown of all of the BRIC countries bar China. Jim O'Neill, the Goldman Sachs Asset Management Chairman who coined the term BRIC a decade ago, recently stated in the *Wall Street Journal*⁶ that China is the only BRIC nation currently worthy of

the title. Brazil's economic growth has plunged from 7.5% in 2010 to 0.9% in 2012, Russia is too dependent on oil and the World Bank expects their economy to only grow 1.8% this year, and in India a mix of global headwinds and disastrous domestic policies have sent growth to a 10-year low. All three of these countries have recently experienced protests by a population frustrated that potential hasn't been converted into prosperity.

How can Africa fulfil its potential?

Jobs *and* infrastructure are therefore the ingredients that will be needed to generate further investment, and this in turn must be translated into better education and healthcare in order to make this growth sustainable and beneficial to more people for longer. In his new book, *The Coming Jobs War*,⁷ Jim Clifton, CEO and Chairman of Gallup, makes the assertion that job creation and successful entrepreneurship are the world's most pressing issues right now. *"Leaders of countries and cities should focus on creating good jobs because as jobs go, so does the fate of nations. Jobs bring prosperity, peace, and human development -- but long-term unemployment ruins lives, cities, and countries."*

Simply providing employment is a start - a good start - but it's not enough. For Africa to succeed long-term, access to large amounts of low cost unskilled labour will not be sufficient to attract and sustain future business investment. The rise of the second age of automation, spurred on by a quadrant of key technological developments - Robotics, Cloud Computing, Big Data analytics and The

Internet of Everything - coupled with recent brand damage sustained through bad press around working conditions in places like Bangladesh and China, means that unskilled labour is no longer the desirable commodity it was a decade ago. Companies are increasingly using new technology to re-source manufacturing and distribution nearer the customer and rely less on unskilled labour. For example, Foxconn Technology Group - the electronics manufacturing giant - is addressing scandals such as worker exploitation and the subsequent 17 well-publicised suicides by spending the next three years replacing most of its workforce with 500,000 robots.⁸

African business leaders have to therefore look beyond promoting the abundance of low cost labour to the world and instead find new ways to use their position to create an environment where Africa can flourish. They need to focus on helping to raise standards, becoming inspirations to their workforce and to their communities. By creating jobs - great jobs designed to create improvement for the individual, the business and the community, jobs that provide not just a means by which to live but also a meaning, African business leaders will unearth its greatest commodity - its people.

Companies in the developed world with traditional 'command and control' management structures, structures which enabled their success in the 20th Century, have now found them to be their Achilles Heel, restricting employee engagement, innovation and long term vision. The weakness of the 'command and control' management model was clearly articulated by Konosuke Matsushita, the founder of Panasonic. *"We will win and you will lose. You cannot do anything about it, because your failure is an internal disease... You firmly believe that sound management means executives on one*

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side and workers on the other, on one side men who think, and on the other side men who can only work."

This soft 'underbelly' can be exploited by business leaders willing to develop three new attributes:

1. New Mindset (Employees and customers first)
2. New Leadership Skills (Engage, empower, inspire, listen)
3. New Management tools (Aligned and integrated work teams, not hierarchical structures)

1. New Mindset: Employees and Customers First

This new mindset requires leaders to fundamentally review the existing theory of the firm. The current theory holds that the singular goal of any profit focused corporation should be shareholder value maximisation. However, I am not a lone voice in advocating a return to Peter Drucker's key principle that the only valid purpose of a profit focused firm is to create a customer. By winning and delighting customers, shareholders will still benefit handsomely. However the opposite is simply not true: if you focus on taking care of shareholders, customers don't benefit and, ironically, evidence shows that over time shareholders don't either.

In organisations where focus is primarily on creating greater Shareholder Value, the business is on a doom-loop of employee disengagement, as shown in Diagram 1 below:

In this model employee motivation is solely based on securing their role in the organisation. The success of the

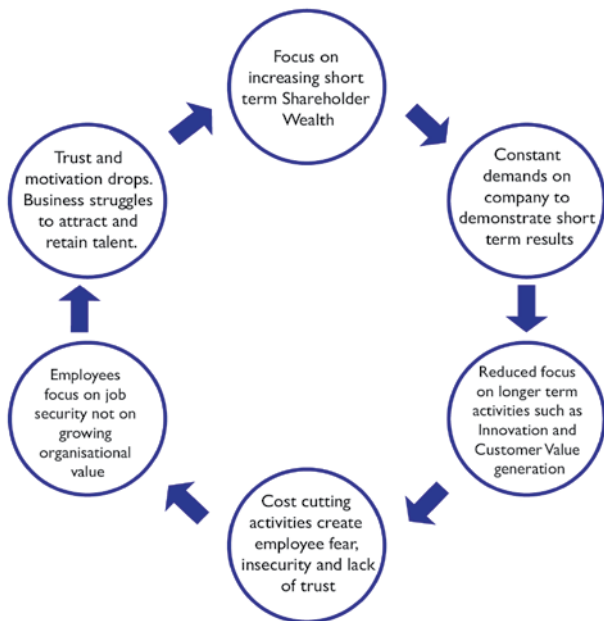


Diagram 1: 'Disengagement Doom-loop'

organisation as a whole has little relevance to them as they feel completely disconnected from the decision making process, and await instruction from above before proceeding with any initiative.

The way leaders and managers treat employees has a direct, measurable effect on how these employees treat your customers. The key to engaging with customers is thus to first engage with your employees, and improving the quality of this engagement ensures brand loyalty, customer advocacy and can give your organisation a competitive edge. Organisations that focus and engage employees to execute aligned, value focused strategies designed to re-establish customer delight as the key principle uniting the firm will win over the long term. This isn't restricted to consumer facing organisations - every company has customers - and every customer wants to do business with suppliers who they feel understand their needs and are completely engaged in meeting them.

Diagram 2 demonstrates the alternative model demonstrating the benefits focusing on creating engaged, customer focused employees.

In the short term shareholder wealth model, the employ-



Diagram 2: 'Engaged Employees' Flywheel

ees are seen as costs, and therefore something that can be replaced by more efficient automation tools like robots. Here the oncoming robotic revolution is something to be feared and deemed a job replacement scheme. People act to resist the movement.

Conversely, in the Customer and Employee model employees are assets, empowered to continually generate improvements and innovations that mere robots cannot possibly hope to achieve. In this case the oncoming robotic revolution is deemed an opportunity to automate non-value adding tasks, and instead focus their time on improving the customer experience, and creating new and exciting ways to delight the customer.

If Africa is to compete globally your company will need to attract and retain the best talent possible. You should focus on creating engaged, loyal and motivated employees through providing more than just a pay packet – by also providing a purpose and platform for personal growth.

If, as Jim Clifton found, ‘what the world wants is a good job’ – which one sounds most like a ‘good job’?

It’s a trick question, because if you’ve understood the difference, only the first one should sound like a job. The second shouldn’t feel like work at all; it should be a role, a ‘calling’ that just so happens to pay a salary as well. A place where people choose to contribute their best efforts because they believe the company cares – cares about its customers and cares about them. Now for a country that struggles to create enough jobs to meet the basic needs of a desperate population aspiring simply to achieve the lower levels of Maslow’s hierarchy this might sound like a pipe-dream; but think of it this way – human capital is one of the very few assets that can appreciate in value over time. Also, if Africa is to ever compete against global competition your company will need to attract and retain the best talent possible – or they will either quit (if there are better options available) or disengage and quit but stay. Either way

you lose. Instead African organisations should focus on creating engaged, loyal and motivated employees through providing more than just a pay packet – by also providing a purpose and platform for personal growth.

Focusing only on profit does little for employee engagement, but focusing on engagement does plenty for profit. Rather than just being a community spirited emotional and psychological hygiene factor, multiple studies have shown that employee engagement also has a considerable impact on a business’s bottom line.

A Towers Perrin Global workforce study⁹ involving 90,000 respondents compared the financial performance of organisations with engaged workforces to their less engaged peers. Key findings included:

- Highly engaged workforces improved operating income by 19.2%, whereas low engagement companies saw operating income decline by 32.7%.
- High engagement workforces demonstrated a 13.7% improvement in net

income growth, whereas low engagement companies saw net income decline by 3.8%.

Similarly a 2013 US Gallup report¹⁰ reported numerous dramatic economic impacts from employee engagement: (See Diagram 3 below)

As well as transforming corporate performance, greater engagement could also transform a country’s. Studies by Kenexa¹¹ have established that engagement has a direct link to a country’s GDP - a 0.25 point increase in engagement corresponds to a 1.2 point increase in economic growth.

Despite what companies (and countries) stand to gain, the Gallup report also established that they struggle to connect engaged employees’ actions into an engaging experience for their customers. Engaged employees create value, *but aligning that engagement with the delivery of customer and brand value creates truly great businesses.* Here lies a great opportunity for African business leaders; resisting short term pressures and instead having the courage

Engagement's Effect on Key Performance Indicators

Median outcomes between top- and bottom-quartile teams

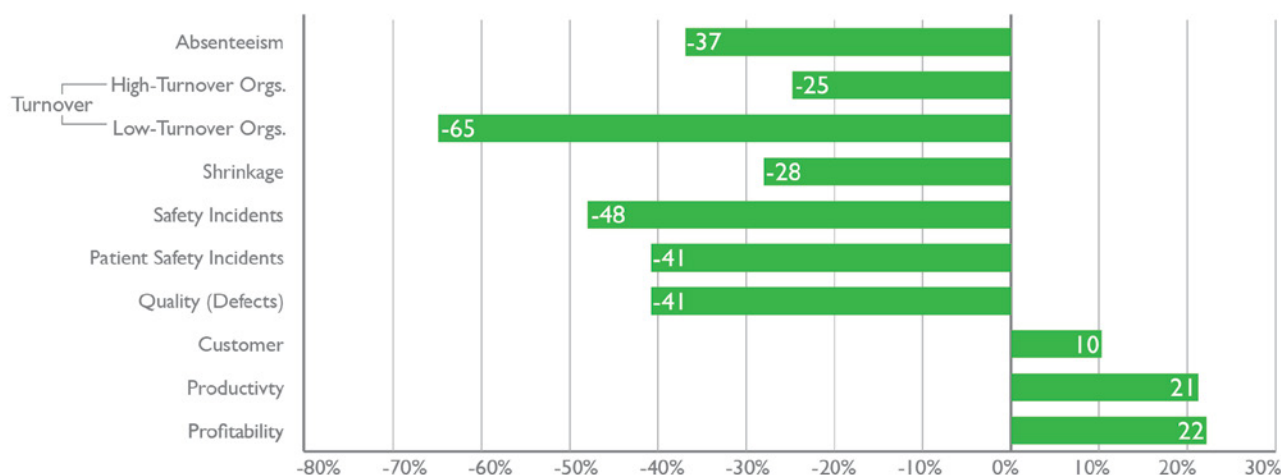


Diagram 3: Gallup 2013: The State of the American Workplace: Employee Engagement Insights for U.S. Business Leaders

The real drivers of business success: a long-term perspective which focuses employee actions on the delivery of customer value at every stage, using clearly defined values and ethics as decision making guides. The business needs to create volunteers not workers.

to create an environment that allows for greater employee development, engagement and integration in order to deliver customer and community value, and with it brand loyalty. Consumers gravitate to brands that they recognise as delivering more than just products and profit.

So - how do you create aligned, engaged employees?

2. New Leadership: Engage, Empower, Inspire, Listen

The biggest impact on employee engagement is the behaviour and messages sent down from the leaders. Inc. magazine¹² recently reported the results of a study of 30,000 employees which found that 75 per cent highlighted their boss as the worst and most stressful aspect of their job. The top 5 leadership flaws they identified were less about what their leaders did, and more about what they didn't do, namely:

- Failure to Inspire
- Accepting Mediocrity
- Lack Clear Direction and Vision
- Unable to collaborate as a team player
- Failure to walk the talk.

People join companies, but leave managers. Truly great leaders know this and therefore expend their time and effort on building, empowering and inspiring really great teams. Really great teams in turn change the culture of the organisation and create a high performance environment that can be hard, if not impossible, for competitors to replicate. Average leaders on the other hand, assume they have to come up with the answers. As Peter Drucker once said; *"Most discussions of decision making assume that only senior executives make decisions or that only senior executives' decisions matter. This is a dangerous mistake"*.

Many business leaders in the West are aware of this failing, but their hierarchical management practices and silo structures, established and reinforced over decades and strengthened by the constant firefighting culture and pressure for short term results, means that they often lack the courage to do anything about it. This environment restricts the mindset, narrows the focus and when combined with functional measures and rewards creates an environment where people are fixated on their immediate needs, and not whether they are helping create long term success for the company.

Here management is deemed extremely important; because leaders know that the workers do not contribute to decision making process, they rely on management to manipulate the actions of individuals in order to deliver short terms outputs. This manipulation creates a low-trust environment where employees feel disconnected from the company other than

its ability to provide an income – and they are always aware that strategic decisions outside their circle of influence can be made that may affect their future, and so seek ways to secure their job, even if this means undermining the efforts of others or seeking security through external bodies such as unions. Strong tribes need a common enemy, and in these disconnected organisations the leadership and management often becomes the enemy.

African executives can therefore do more than simply follow Western management practices; they can lead by learning from its failings. Employees don't undermine management when their activities are aligned, and don't seek union protection when they feel the business is on their side.

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The best leaders understand the real drivers of business success: a long-term perspective which focuses employee actions on the delivery of customer value at every stage, using clearly defined values and ethics as decision making guides. In order to create the foundations for this environment, the business needs to create volunteers not workers - and for people to willing volunteer their best efforts they need to buy into the concept of the corporation. This relies on developing principle centred leadership, and one of the best examples I can think of comes from the 19th Century. The company I worked for whilst in Kenya was Cadbury Schweppes, and Cadbury's, like the other chocolate manufacturers J.S. Fry and Sons, Terrys and Rowntree, were based on Quaker principles that considered people and community as much as profit and capitalism - but by doing so developed very profitable, well-loved and enduring organisations. When I joined Cadbury in the mid 1990's its principles of understanding the role employers need to play in the community was still very evident. Following the departure of the last Cadbury family member from the board in 2000, the company started to dilute these values and replace them with a short-term shareholder return mindset – actions that changed the culture and ultimately resulted in this once proud company being broken up and eventually acquired by Kraft in 2010.

What separates leaders like George Cadbury from the pack is not just a more sophisticated and empirically accurate understanding of individual behaviour and the sources of organisational success, but also the courage to implement

Employees and customers first?



Diagram 4: Engaged Employees focused on Customer Value = Outstanding Performance

these insights even when they seem to defy conventional wisdom. Leadership is about winning hearts and minds, not balance sheets and stock value. Throughout history people have been drawn to passionate, courageous leaders because they inspire them – just think of the late Nelson Mandela. So how can African business leaders win hearts and minds? How can they create an enabling, engaging environment where employees are inspired and their value is linked to customer value is deemed an immediate win-win?

To clarify the roles and responsibilities required, the business needs to answer 3 critical questions:

- **Value Proposition:** What do we stand for? Which customers do we value? What do they value?
- **Profit Proposition:** How much are they prepared to pay for this Value? How do we design the Value Chain to effectively, sustainably and profitably deliver that value?
- **People Proposition:** How do we align and engage our people so they willingly contribute their best efforts to deliver profitable customer value? How can we enhance their lives beyond providing a pay packet? Which leads us to attribute #3.

3. New Management: Aligned and Integrated Value Teams

The findings from the 2013 US Gallup study included the key to unlocking the 'People deliver Value, Value delivers Profit' proposition. When they examined engagement by company size, Gallup found the highest employee engagement level by far (42%) in companies with fewer than 10 people, suggesting something unique and beneficial about

working in a smaller, tight-knit work environment.

This strongly supports empirical evidence from leading companies that have adopted Value Chain segmentation and differentiation as a way to create lean, integrated customer focused teams. These companies have realised that the most effective way to produce customer value is to first understand how value is generated, clarify the strategy required to generate it and develop and bring together under one management as many of the tasks involved in its generation as possible. They've realised that what matters is not how well every process works, it's how well they all work together.

These integrated teams work together to learn how to deliver their differentiation to the front line, creating an organisation that lives and breathes its strategic advantages day in and day out, and learns how to sustain it over time through constant adaptation to changes in the market. The result is a simple, repeatable business model that a company can apply to new products and markets to generate innovation and sustained growth. The simplicity means that everyone in the team is on the same page, and the continuity and change balancing act is achieved. Every employee understands their value to the company by understanding their role in delivering customer value, meaning that employees will work with a purpose and understand not just what to do and how to do

it, but why.

This creates a more aligned and self-motivated workforce which does not need cheap motivation tactics to work hard; they will choose to work hard because they have a new found clarity of role and feeling of worth, with clear understanding of customer value and their contribution to its generation. Now self-actualisation becomes achievable for workers regardless of their status or position, as members of self-organising teams share leadership and management responsibilities, developing skills that they can carry into the wider community.

Diagram 4 shows the basis of the new integrated 'value delivery' team structures and the value it can bring.

Combining the three elements of mindset, leadership and organisation allows for the alignment of the following elements associated with high performing organisations:

- Common purpose
- Long term focus
- Emotional Engagement
- Innovation
- Self-Organisation

Without this clarity, all effort is on managing a series of unconnected functions with unconnected metrics undertaking unconnected best practices to deliver an unconnected result.

Light a fire, Start a Movement, Lead the way

Africa needs investment – in infrastructure, in education and in healthcare. To achieve this requires growth that is both sustainable and attractive for companies to invest in long term, and to create sustainable foundations Africa has to be about more than just exploiting natural resources and cheap labour; it also needs to create consumers, and for this it needs to create jobs. Jobs that provide opportunity and engagement;

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jobs that excite, educate and empower; jobs that revitalise the inner spirit and help to create more leaders. Africa's business leaders therefore need to focus on creating emotional as well as economic profit, helping to lay these foundations for the future to ensure Africa becomes a beacon that attracts the best companies and retains the best talent, rather than just watching it go elsewhere.

Dr. Kwame Nkrumah once declared; "We face neither the East nor West. We face forwards." Now more than ever, this needs to be true. Africa requires courageous, visionary business leaders if it is to finally fulfil its potential and regain its place at the centre of the world. While Western businesses are stagnating through a constricting focus on demonstrating short-term results, they can grasp the opportunity to lead not follow, think differently, and act in the long term interests of both the company and community by focusing on customer value and employee development.

Your people want a better business. They also want a better Africa. Companies can make a difference; through providing engagement, education, understanding and opportunity. Operate with integrity, communicate openly and frequently, share credit and reward the right behaviours, and in return your people will live and breathe your business, and delight your customers.

There are so many barriers that appear to distract, deter, and divert leaders from making these clear strategic choices. Some of the most significant barriers come from the many hidden biases embedded in company (or even country) mythology, bureaucratic systems, organisational structures, and decision-making processes. *However, this barrier is a mirage.* There is nothing stopping you from starting the process except elements that are completely within your control. Use your position to make a difference that improves your company, community and country.

So, do not wait for permission to proceed. Do not wait till the government changes or the roads and power supply are better. As the Chinese proverb goes; *'the best time to plant a tree was twenty years ago. The next best time is today.'* **EBR**

About the Author



Sean Culey is a member of the European Leadership Team of the Supply Chain Council, the global, not-for-profit centre for Supply Chain Excellence, and founder of Aligned Integration Ltd. Previous to this he was CEO at SEVEN, and a Principal at Solving Efeso. Sean has worked around the globe helping companies create dramatic increases in profitability and

engagement; breaking down their barriers through the alignment and integration of their people, processes, systems and data. He helps companies progress from functional silos into end-to-end, integrated customer and profit focused Value Chain teams that enable continual improvement and innovation through the alignment of Strategy, Integrated Business Planning, Management and Execution. Sean is a frequent conference chair, speaker and author with many published articles on Business Transformation, Cultural Change, Value Chain Segmentation, Supply Chain Excellence and ERP. He is currently working on two books due to be published in 2014, including *'Becoming Great – Developing the Aligned and Integrated Organisation'*. He can be contacted via sean@seanculey.com

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