



# Creating Value in Africa through Innovative Execution Models

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# Africa presents significant opportunities for European Contractors, being a source of sustainable value creation

## Key messages

- I ▶ Roland Berger is a **leading top management consulting** firm with extensive experience in assisting Engineering and Construction Groups
- II ▶ Africa is a continent with specific requirements, with **strong potential** for European Engineering and Construction companies
- III ▶ The continent can offer a basis for a **innovative business model** to create **sustainable value** for the **companies** and for the **local markets**

# Roland Berger is the largest top management consulting firm of European origin

## Our profile



## Our clients

**30%** of the global top 1,000 companies

**40%** of the leading European enterprises

Public institutions in **25%** of all countries world-wide

**75%** repeat clients



# We have a strong presence in the Engineering and Construction industry

## Engineering and Construction credentials

### SELECTED CLIENTS<sup>1)</sup>



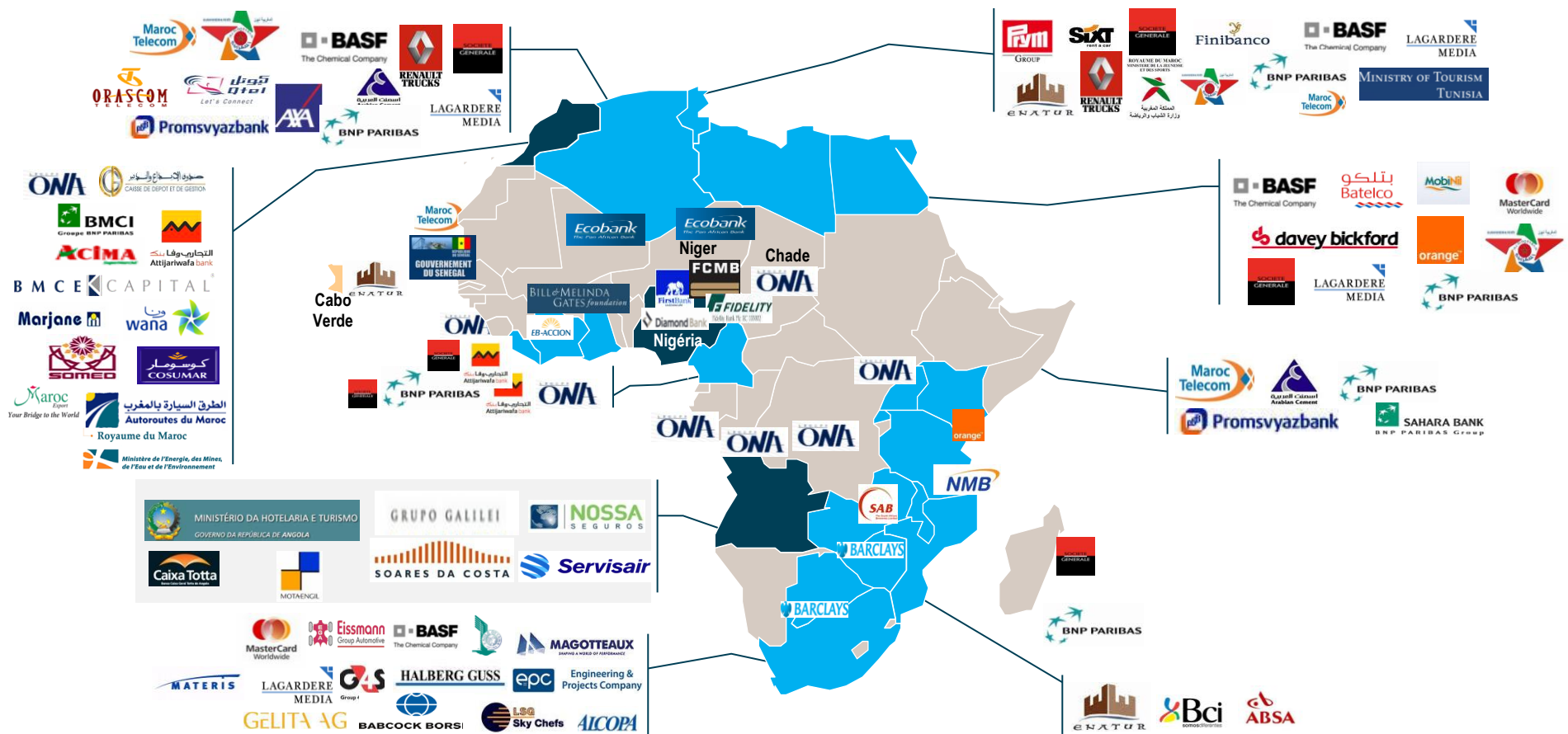
### KEY PROJECTS

- > Market entry strategies
- > Corporate and Business Strategies
- > Organizational design, processes and systems optimization
- > Transformation projects
- > Cost reduction projects
- > Governance models
- > M&A

<sup>1)</sup> Clients who have made public our assistance  
Source: Roland Berger Strategy Consultants

## We support major private and public corporations in Africa

## Selected clients of Roland Berger in Africa



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# Africa is a continent of huge diversity and opportunities – need to overcome misconceptions

## What Africa is today...

- > **Huge diversity** in 54 countries, thousands of ethnicities and languages
- > Rapidly **growing cities** & consumer base
- > **Diversifying economies** driven by domestic demand
- > **Beneficiaries of the BRIC boom** and demand for commodities
- > **Tied into the global economy** and its modern communications links
- > Soon the **world's largest labour force** with young jobseekers
- > **Improving governance** and rule of law

## AN EXCITING MARKET

- > **1 billion** potential customers
- > Larger **middle class** than India (> 310mn)
- > **Fast growing urban centers** (+3.5% p.a.)
- > **Youthful population** (median age <20 in most countries)
- > Some of the world's **largest resource deposits**
- > **Leapfrogging** to latest technologies
- > **Fast-growing trade** (trippled over last decade)
- > World's largest share of **unbanked population** (~80%)

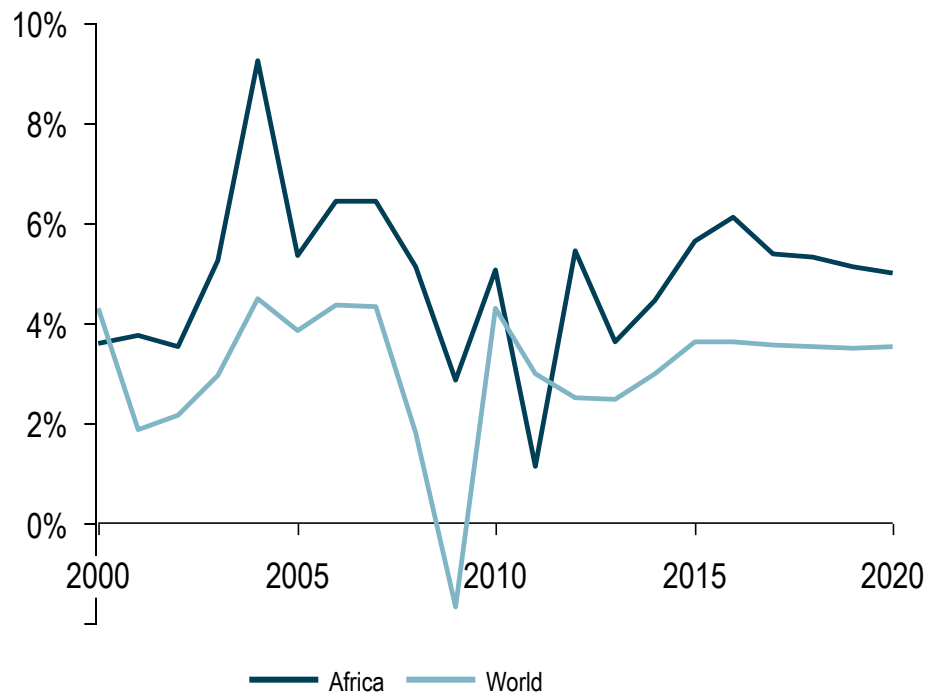
## ...and typical misconceptions

- > A **monolithic block** of hunger, poverty, disease, war, and stagnation
- > **Corruption of business** and public sector worse than in India or China
- > Thin layer of **elites** with discretionary income
- > A prohibitively **dangerous environment**
- > Economies where only **extractive industries** are worth a look
- > A **market to neglect**

Economically, Africa is now growing well above world average, being expected to remain a forerunner for the next decades

## Economic Growth

### AFRICA VS. WORLD GDP GROWTH<sup>1)</sup> [2000-2020e; %]



### PROJECTED GDP GROWTH RATE<sup>1)</sup> [2012-2040e; %]

Annual  
Population  
growth [%]

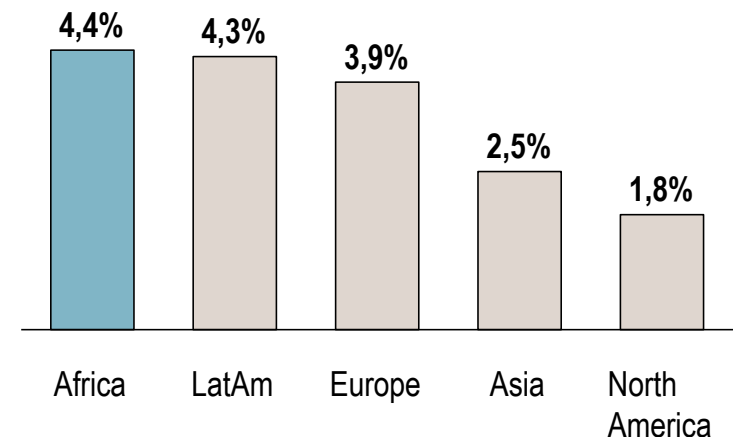
2,3%

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0,8%

0,7%

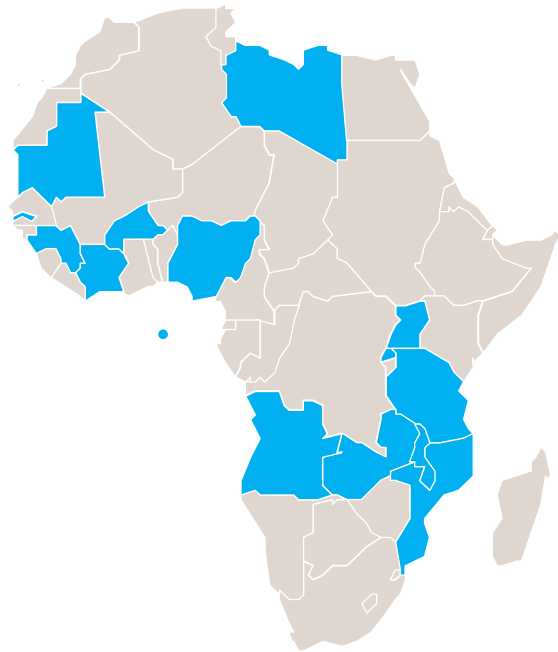


1) Constant Prices



In the top 30 expected highest growth countries in the world, 15 are from Africa

Global Top 30: World's fastest-growing economies – average real GDP [2013-2030; CAGR; %]

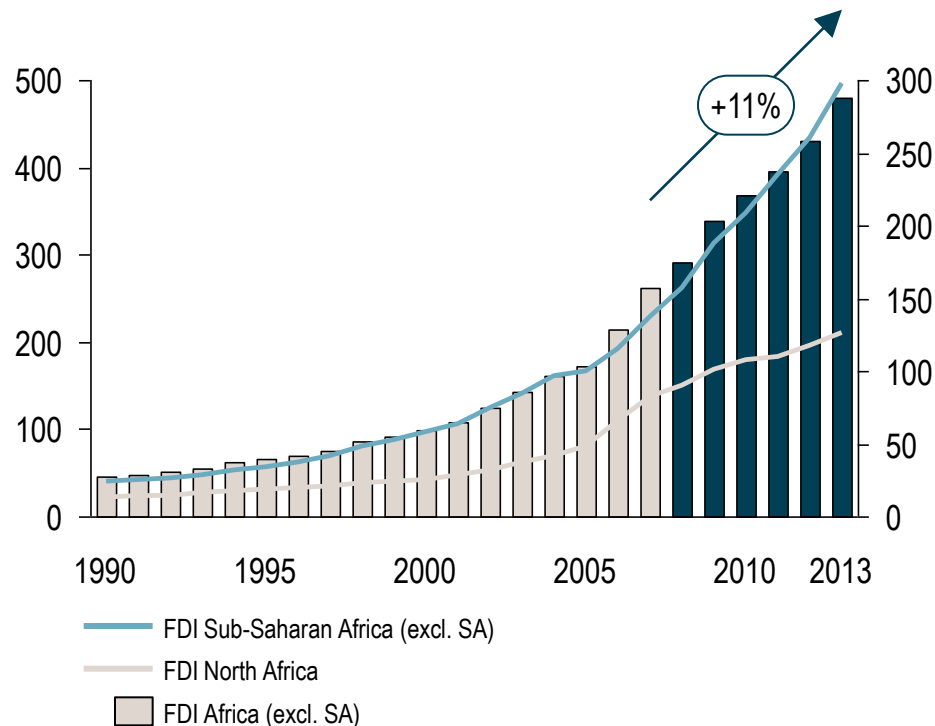


1	Mongolia	8.6	16	Turkmenistan	6.1
2	<b>Mozambique</b>	<b>7.8</b>	17	<b>Gambia</b>	<b>6.1</b>
3	<b>Zambia</b>	<b>7.8</b>	18	Tajikistan	6.0
4	<b>Guinea</b>	<b>7.7</b>	19	<b>Mauretania</b>	<b>6.0</b>
5	Cambodia	7.3	20	Vietnam	5.9
6	<b>Malawi</b>	<b>7.3</b>	21	<b>Angola</b>	<b>5.9</b>
7	<b>Tanzania</b>	<b>7.0</b>	22	<b>Burkina Faso</b>	<b>5.9</b>
8	China	6.7	23	Myanmar	5.9
9	<b>Rwanda</b>	<b>6.7</b>	24	<b>Libya</b>	<b>5.8</b>
10	<b>Sao Tome e P.</b>	<b>6.6</b>	25	Qatar	5.8
11	<b>Uganda</b>	<b>6.5</b>	26	India	5.7
12	Sri Lanka	6.3	27	Bangladesh	5.7
13	Uzbekistan	6.3	28	Moldova	5.5
14	Lao PDR	6.2	29	<b>Cote d'Ivoire</b>	<b>5.5</b>
15	<b>Ethiopia</b>	<b>6.2</b>	30	<b>Nigeria</b>	<b>5.5</b>

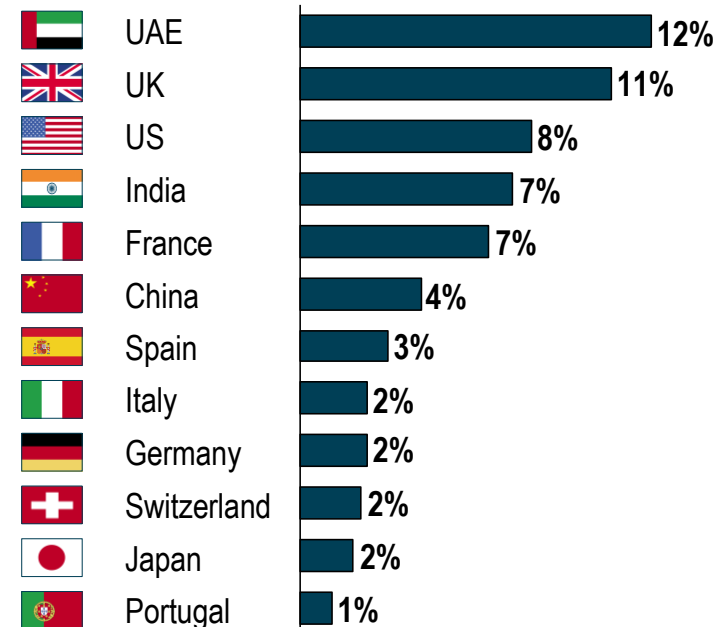
# Investment in Africa has taken off strongly and especially brought Sub-Saharan Africa into the spotlight

## Globalization of capital as a megatrend

### FDI STOCKS [1990-2013; Bn USD]



### SHARE OF FDI INFLOWS TO AFRICA BY ORIGIN [2007-2013; %]



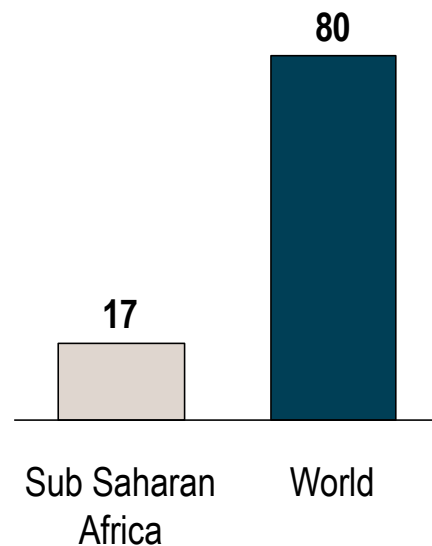
**12 most important investors in Africa represent  
~60% of total inflows to the Region**

The expected growth is enabled by significant infrastructure needs

## Examples of KPIs for Sub Saharan Africa

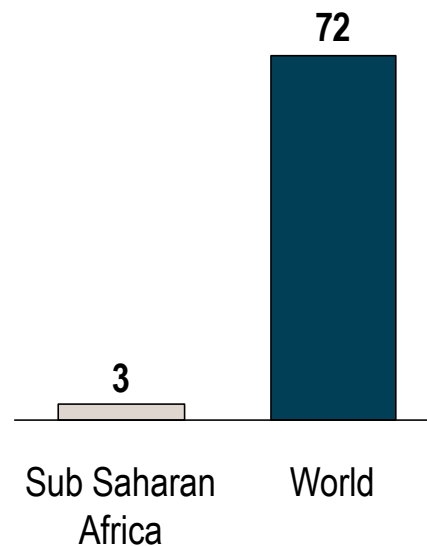
### ROADS

**Paved roads density**  
[Km/ 1000 km<sup>2</sup>]



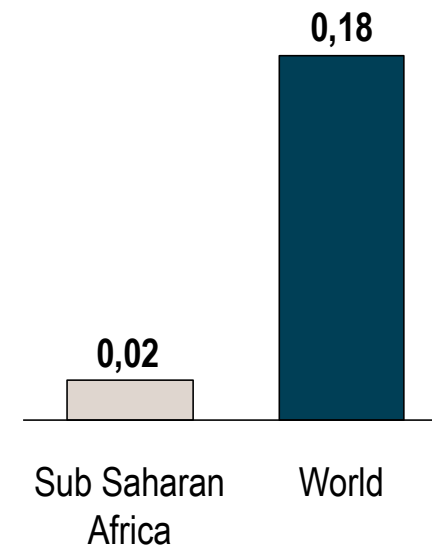
### RAILS

**Railway density**  
[Km/1000 km<sup>2</sup>]



### AIRPORTS

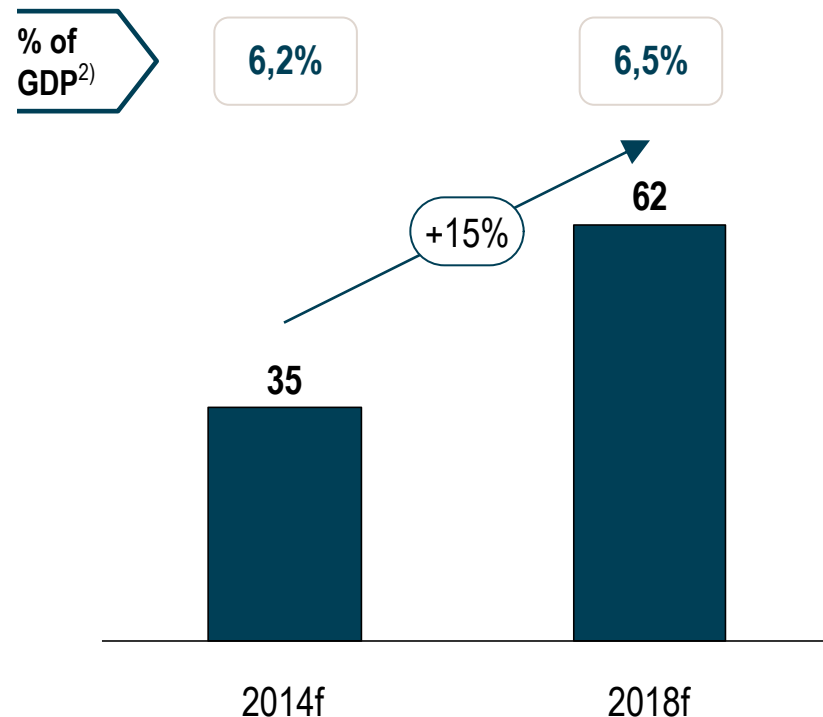
**Airport runway density**  
[per 1000 km<sup>2</sup>]



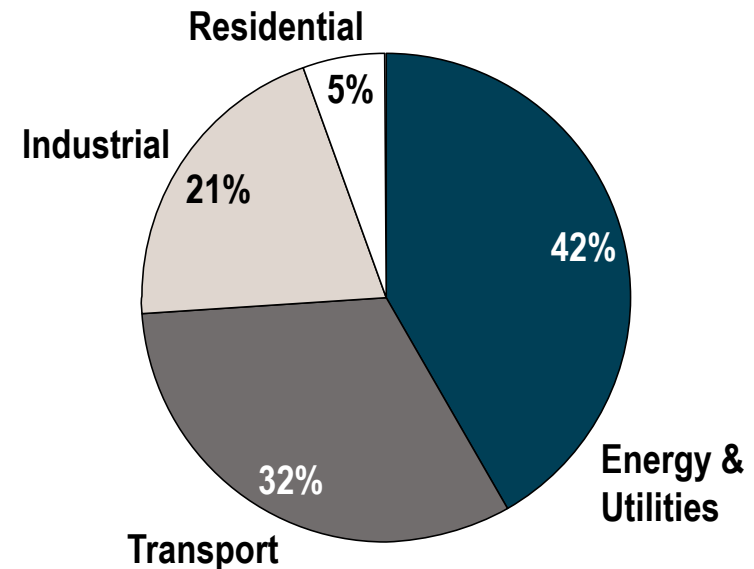
The construction output is expected to grow on average by 15% per annum, with diversified sectors

## Selected Engineering & Construction markets in Sub-Saharan Africa

### Construction output forecasts in sample of markets<sup>1)</sup> [Bn €]



### Examples of projects in bidding phase [% total]



1) Includes Angola, Botswana, Cameroon, Ghana, Mozambique, Nigeria, Kenya, South Africa, Uganda, Zambia and Zimbabwe; 2) Nominal GDP

Source: BMI; Roland Berger Strategy Consultants



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# Africa "a land of opportunities" but a few companies create shareholder value

## Quotes of Top Management of E&C companies present in Africa

*"... we have designed an African Strategy, we have invested but unfortunately we are not growing and creating value ..."*

*"... we navigate well the African waters, because we behave as "locals" and we adapt our business model..."*

*"... the continuous delays on investment plans, have created a "stop and go" business which has destroyed our profitability..."*

*"... we have developed a few "physical platforms" in key countries and on the others we serve only "large projects" and it works!..."*

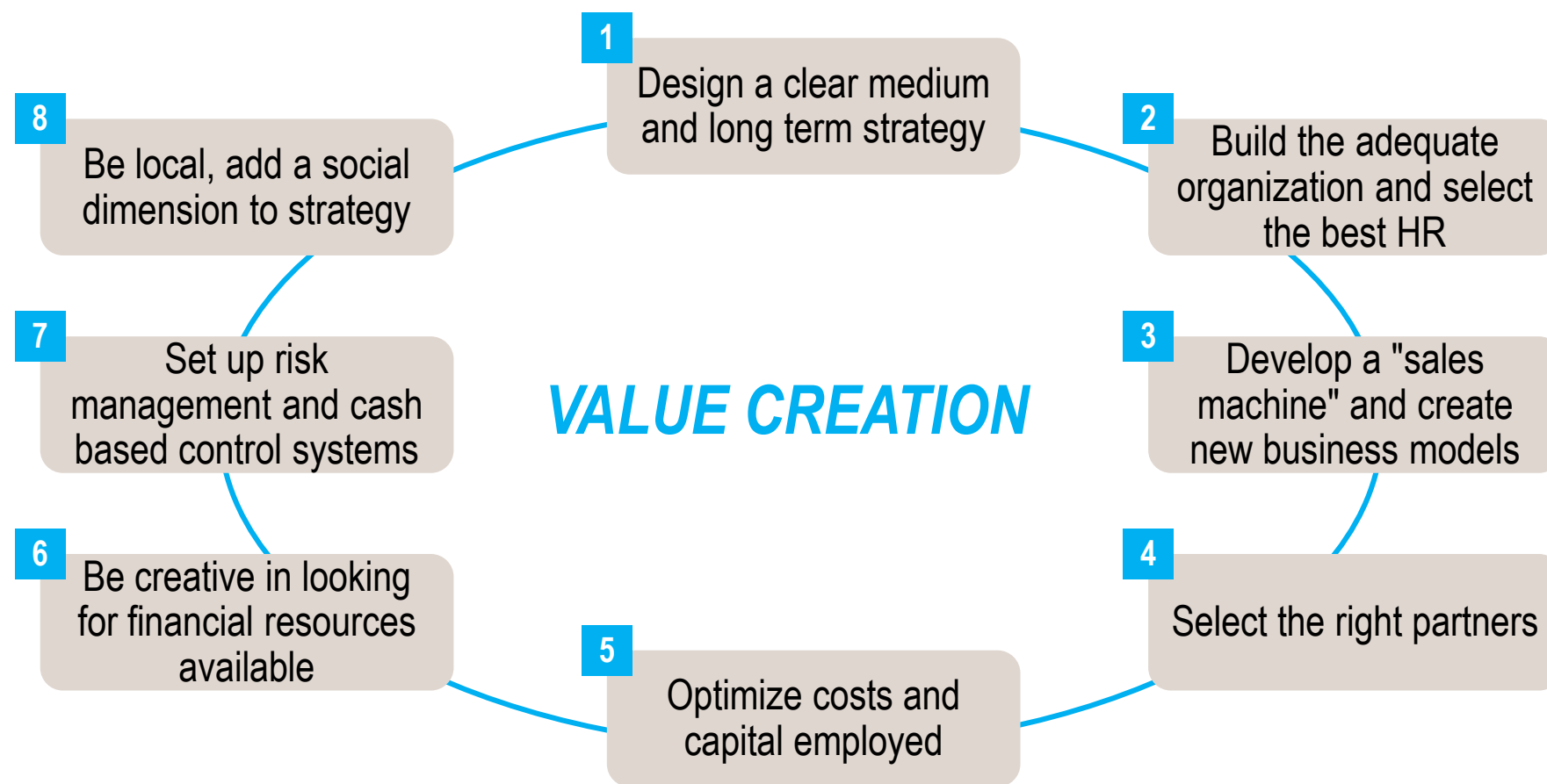
*"... the long receivable periods is creating serious liquidity problems..."*

*"... our company invested strongly in equipment but now we can't make it productive..."*

*"... we have designed some attractive projects but we couldn't finance them..."*

Based on the work done with medium and large E&C companies in Africa, we found a set of factors critical to value creation

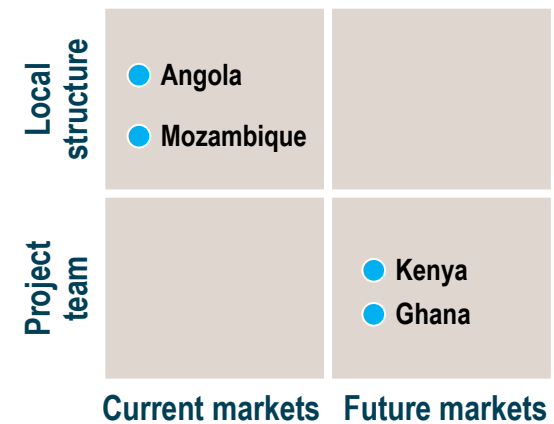
Value creation levers in Africa



Based on the work done with medium and large E&C companies in Africa, we found a set of factors critical to value creation

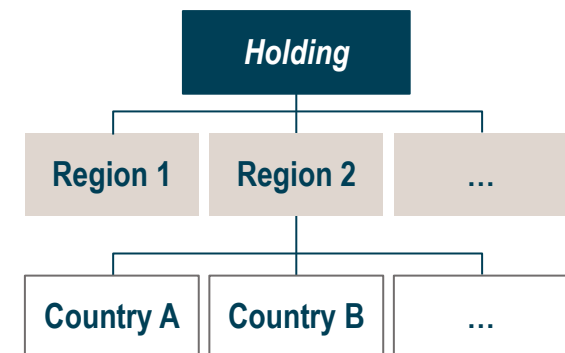
## 1 Design a clear medium and long term strategy

- > Define a **vision for Africa** – what does the firm want to achieve and which impact for the Group
- > Agree on **strategic objectives** for the next 5 years – size, growth, return on capital
- > Define the **portfolio of markets** and its evolution, projects and clients to focus
- > Select **key human resources**
- > Assess **capital requirements**



## 2 Build the adequate organization and select the best HR

- > Set up a "**Strategy Based**" organization with the core competences needed for the markets
- > Bring the **best people** but find a good balance between **expatriates and locals**
- > Adequate **processes and systems to local requirements**





Based on the work done with medium and large E&C companies in Africa, we found a set of factors critical to value creation

### 3 Develop a "sales machine" and create new business models

- > Develop **business intelligence capabilities**
- > Network with **decision makers**
- > Promote an early identification of projects
- > Proactively present "**total solutions**" **cases** (new business models)

- i Commercial objectives
- ii Plan commercial initiatives
- iii Client relationship
- iv Opportunities & solutions
- v Proposal
- vi Negotiation & closing

### 4 Select the right partners

- > Select **local entrepreneurs** for every market
- > Team up with other international companies to provide a **broader offer**
- > Make partnerships with **investment funds**
- > Select **specialized partners**, project by project

Several types of partnerships to maximize success in implementation

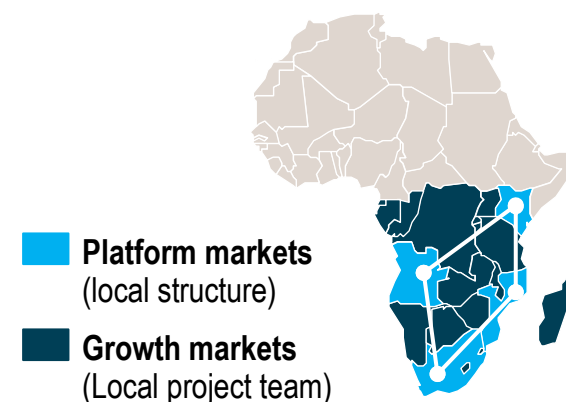
- > Industrial
- > Financial
- > Mixed



Based on the work done with medium and large E&C companies in Africa, we found a set of factors critical to value creation

## 5 Optimize costs and capital employed

- > Serve the continent with **few "platforms"** and cover other markets on a **project basis**
- > Manage equipment in a **"productive way"**
- > Define your **logistics system to minimize costs**



## 6 Be creative in looking for financial resources available

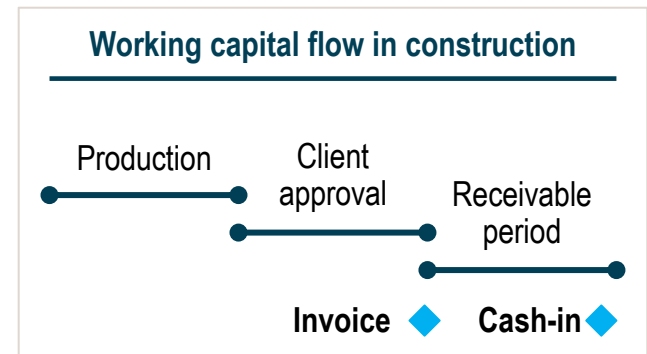
- > Look for **Institutional support programs** (e.g. World Bank, EU, ...)
- > Develop agreements with **infrastructure funds** and **financial institutions**
- > Be proactive with **capital markets**

Assets	Equity & Liabilities
Assets	Equity Capital
	Net Debt
	Other financial instruments

Based on the work done with medium and large E&C companies in Africa, we found a set of factors critical to value creation

## 7 Set up risk management and cash based control systems

- > Evaluate in anticipation the various risks and create **contingency plans**
- > Monitor closely **working capital**: invoicing, receivables, stocks, ...
- > Use a "**cash based**" control system for the projects



*Optimizing invoicing to cash process*

## 8 Be local, add social dimension to strategy

- > Be part of the **local communities**
- > Develop **social programs** which create **value for the firm and for the community**: training programs, local suppliers development, ...



The reality shows that the 8 factors should be complemented by the right profile for the country leader and his team to set up an excellent execution

- 1 Design a clear medium and long term strategy
- 2 Build the adequate organization and select the best HR
- 3 Develop a "sales machine" and create new business models
- 4 Select the right partners
- 5 Optimize costs and capital employed
- 6 Be creative in looking for financial resources available
- 7 Set up risk management and cash based control systems
- 8 Be local, add a social dimension to strategy

+

**Profile of the  
Country Leader  
and his Team**

=

**"EXCELLENT  
EXECUTION"**

**SUSTAINABLE VALUE CREATION**





Thank you!

Think: act!



**Roland Berger**  
Strategy Consultants