BIZCOMMUNITY

Smart leaders use strategy to seek out opportunities

Africa may face significant technological, social and political challenges, but by focusing on opportunities rather than weaknesses, and following an informed decision-making process, companies can still do well on the continent.

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Doing business in Africa is not easy, but there are also many opportunities on the continent for innovation and growth, says Wayne Borchardt, founder and chief executive of The Decision Advisory Group and convenor of the strategic decision-making programme at the UCT Graduate School of Business.

According to the World Economic Forum's (WEF) latest Africa Competitiveness Report, African countries remain stubbornly uncompetitive. Most competitiveness challenges highlighted in the report series since its first publication almost 10 years ago persist, including large infrastructure deficits, significant skill mismatches, slow adoption of new technologies, and weak institutions.

Despite this, says Borchardt, there has been progress in key areas: “Rather than focusing on weaknesses, smart leaders look for the gaps this may present in markets, for ways in which they can innovate their business models and adapt their strategies for growth.”

One example of a company that has done just this, is telecommunications giant Telkom. In June, the company announced growth in its full-year earnings and share price, with operating revenue up 9.8% to R41 billion.

While there are many reasons for the company’s strong financial results at a time when the South African economy is officially in recession, a change in strategy has been a significant contributor. Telkom CEO Sipho Maseko has said the company’s focus on mobile-phone units paid off significantly. This new business direction was necessitated by a drop in landline use – which used to be Telkom’s core business. In addition, Telkom’s investment in fibre networks and the wireless business has also paid off. Mobile subscriber numbers have risen by 48%.

Adapt strategies

Borchardt, who also convenes the Strategic Decision Making programme at the UCT Graduate School of Business (GSB), believes local and international companies wanting to operate on the continent, need to follow Telkom’s example and adapt their strategies to allow for changing environments.

“Businesses in Africa face daunting pressures relating to economic, political and operational uncertainties that are often exacerbated by poor technological development. There has never been a bigger need for business leaders to tap into their ability to craft smarter and more creative business strategies that are appropriate for these realities,” he says.

But, he admits, this is easier said than done. The business world is littered with examples of poor strategic decisions based on faulty strategic thinking and decision-making. Vodacom, for example, suffered a major setback when it decided to launch mobile money transfer system M-Pesa, which had swept through Kenya and other African countries, in South Africa – a region with completely different demographics, technology uptake and financial services.

M-Pesa bombed in South Africa, something that Arthur Goldstuck, managing director of local technology firm World Wide Worx, had seen coming. "Vodacom never really listened to outside advice - they assumed that their experience in Kenya qualified them in South Africa and it was quite the opposite,” Goldstuck told Fin24.

Decision-making

Borchardt says the common errors in strategic decision-making include an over reliance on gut feel - which can lead people to make incorrect assumptions about business environments - and a failure to recognise one’s own biases: “We find evidence that strengthens our beliefs and disregard (or discount) evidence to the contrary, which can lead us to make bad decisions” he says.

Knowing that such things can trip you up is the first step to wiser strategic decision-making, says Borchardt. There are also modelling tools and academically-proven processes that leaders can turn to in order to predict outcomes of certain decisions with greater accuracy.

Examples of these are war gaming, sensitivity analysis, probability modelling and scenario response strategies, which cut down on risk and eliminate other options, helping business leaders to more correctly evaluate their situation.

He concludes that strategic decision-making should not be a guessing game but follow an informed decision-making process; “This is the way to successful business growth in Africa in these uncertain times.”