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Abstract

From the editors' perspective, the main findings can be summarized in five theses: Thesis 1: German companies cannot afford not to be present in Africa! Thesis 2: The greatest risk lies in missed growth opportunities! Thesis 3: Market development in Africa works differently than in the rest of the world! Thesis 4: We can learn from other investors! Thesis 5: Recipe for success: Make it a top priority!.

The first edition of our book was an experiment. At the beginning of such a project, it is rarely clear what the result will look like. Too much depends on the contributions the authors provide, the focus they set, and how intensive their personal experience with and in Africa is.

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In retrospect, we editors could rightly be proud of the diversity and quality of the contributions and we have enjoyed extensive feedback since the first edition was published. It is obvious that the practical guide “Economy in Africa” has been able to provide countless students, entrepreneurs, and political decision-makers with suggestions for their work and that the first edition has thus fulfilled its purpose.

A second edition is a significantly simpler project. Proven authors have adapted and further sharpened their contributions to current developments. New chapters have been added to reflect current developments.

Thus, in addition to a profound overall view of current developments on the continent and cultural peculiarities of business life in Africa, a book has been created, primarily through the practical contributions of entrepreneurs on various topics, that aims to help successfully realize new business activities on the African continent. The fact that thematic overlaps occur from time to time is due to the fact that we as editors wanted to give the authors as few specifications as possible, so that an unadulterated view of their respective field of expertise emerges. It seems to us that this was the right approach and has led to a result that can be seen.

Nevertheless, the question remains as to the quintessence, the core messages of this volume. What can the entrepreneur take away as essential conclusions, what is also undisputed among the authors with all their different backgrounds of experience? And while many observations, statements, and recommendations are timeless, the Corona crisis has created peculiarities that must be incorporated into a perspective for shaping future economic relations.

25.1 Five Theses...

From the editors’ point of view, the essential findings can be summarized in five theses.

25.1.1 Thesis 1: German Companies cannot Afford not to be Present in Africa!

Numerous contributions have pointed this out: The last economically unexplored continent on earth is Africa. Despite all the differences between the 54 nations, there is agreement that economic growth in the coming years will be the main driver for the development of the continent. Billions of new (and young) customers, workers, innovators, and entrepreneurs: The German economy cannot afford not to participate in this development. Exactly how fast the economic development will go is still open. The Corona crisis has set most regions back by years. Therefore, there are so far only initial indicators of which countries will have the highest chances in the coming years to belong

to the next round of emerging countries and which will continue to remain at their current level of development. However, it is certain: Africa will experience a tremendous development boost, also through new technologies.

25.1.2 Thesis 2: The Greatest Risk Lies in Missed Growth Opportunities!

Business ventures in Africa are associated with risks, there is no question about that. Many of the risks can be minimized through smart planning, suitable partners, or insurance. Nevertheless, risks remain—as is the case with all types of entrepreneurial activity. However, the risks should not be overestimated—also in public perception. It is important to consider and evaluate the balance between opportunities and risks. Investments on the African continent often also come with exceptionally good returns, which price in the risks and can thus still represent an interesting business opportunity. The fact that entrepreneurs from our neighboring countries often invest more strongly and earlier may also have to do with the fact that in these countries there is often a better understanding of the actual conditions on the ground, while in Germany many still fall for the clichés about African societies, which may have been justified ten, twenty, or thirty years ago, but from which many African metropolises are far removed today. So: Projects in Africa that are not tackled out of fear of the risks also represent a great risk: namely missing new markets, great opportunities, regions of future rapid development. And that is something that only very few entrepreneurs can afford in the long run.

25.1.3 Thesis 3: Market Development in Africa Works Differently than in the Rest of the World!

That Africa works differently than Europe is a truism. And yet there still seem to be enough entrepreneurs who try to open up new markets on the southern continent in the same way they would if they were building a sales organization for another German federal state. Not only when deciding between a local partner and own sales, special features must be taken into account, but also when deciding which “selling proposition” to offer the African customer. The close connection of political and economic systems, the relationship-based economy, the demand for solutions rather than components and products, all these are topics that German investors often experience for the first time when they go to Africa. Successful business initiation therefore requires extensive experience. This experience can be brought into the company by hiring an Africa expert or by hiring consultants who have proven to be successful on the continent. And it requires creative thinking regarding new sales approaches: Bringing along part of the financing for new

projects, possibly also investing oneself, offering solutions and understanding them as part of a larger whole, all this requires a deep knowledge of the needs on the ground, the political agenda, and the decision-making structures. It may be necessary to develop package offers that require cross-sectoral, possibly also international, cooperation in order to keep up with the competition.

25.1.4 Thesis 4: We can Learn from Other Investors!

The commitment of German entrepreneurs on the African continent has so far remained below its potential in international comparison, even though Germany has caught up in recent years. There are a number of reasons for this. First of all, the available information and personal impressions at German medium-sized companies are often less pronounced than at the large state-owned companies of our neighboring countries, which often also have a stronger colonial past and in many cases have never let their close connections break off. It is therefore of central importance that we do not adopt a risk-averse positioning and rather orient ourselves towards the risk assessment of countries that are often better acquainted on the ground. The economic structure in Germany rather puts us at a disadvantage, which needs to be compensated by a stronger proactive positioning. And finally, we need a toolbox of stronger instruments for foreign trade promotion: If the German industry is rather fragmented and small-scale, therefore less able to open up new markets and bear corresponding risks, then it is the task of the public sector to compensate for these disadvantages. New mechanisms for risk hedging are part of this, for example more extensive guarantee instruments. The federal government has taken initial steps in this direction, further steps must follow. More offensive financing packages for infrastructure projects, but also the support of the German Mittelstand in the pre-development of projects and in the creation of consortia and “package offers” across industry boundaries must come into focus. At least in these areas we can—not least from Chinese providers—still learn a lot.

25.1.5 Thesis 5: Recipe for Success: Make it a Top Priority!

Finally, perhaps the most important insight from this book: Africa must be made a top priority by a company. Entering new markets on the continent requires creative thinking and new approaches. It will initially require questioning proven processes, structures, and procedures and adapting them to local conditions. And possibly one will also have to listen to external consultants and conversation partners and incorporate their experience. All this works best in companies when the topic becomes a top priority and thus decisions can be made quickly and existing rules can also be adapted. Only with appropriate support and personal involvement of the decision-makers of a company from the top management can a market entry in Africa become a serious success!

25.2 ... And a Perspective: Africa After the Corona Crisis

Ten years of uninterrupted growth in Africa have also shown the German economy that it is worth taking a closer look at the continent. The federal government has taken initiatives with the aim of facilitating investments there. Driven not least by the refugee crisis in 2015, the Chancellor, the Ministers of Economy, Finance, and Development have started programs to pave the way for German companies to Africa. Coupled with increased public attention to success stories and not just problems, a good basis has been created for growth. In 2018 and 2019, there were significant increases in the investment volume of German companies. Over 10% of the total investment stock was added in just one year. As part of the “G20 Compact with Africa” investor summits, dozens of success stories of German companies could be presented. Trade volumes have also been steadily increasing over a longer period. For a short time, German foreign trade with Africa even exceeded the values of French companies. Further growth seemed likely. At least on the condition that the federal government would have enabled companies through various measures to remain competitive against Asian competitors. An expansion of promotion, financing, and insurance possibilities seems to be a suitable instrument for this.

The Corona pandemic has now put all these developments into question. In 2020, German export figures with Africa fell by over 25%. Even though Africa seems to have come off better in terms of infection numbers than other regions of the world, there can be no doubt that the economic consequences in many countries are worse than thought. Not all of this appears in macroeconomic statistics. After all, those people who were already working in the “informal sector” before the crisis were the first to lose their jobs, so their position did not appear in any statistics even before the crisis. These massive economic crises will certainly lead to instability in some countries in the first place and may also favor political changes. High (youth) unemployment can unleash dynamics that may initially appear negative and risky to foreign investors.

Three developments could nevertheless ensure that Africa recovers quickly and the continent continues to be an important target for the German economy. Firstly, it is certain that internationally distributed value chains will reorganize after the crisis. Companies that have so far relied exclusively on sources of supply from Asia may look for alternatives for procurement or even for critical production steps and may find them particularly in North Africa. Secondly, there is the possibility that after a strong slump, strong growth after the end of the crisis will provide for rapid compensation. It is certainly sensible and necessary to be on site at this time and to participate in this development. Especially if growth in other parts of the world, with our traditionally most important trading partners, may still be slower for some years. And thirdly, numerous African companies have proven to be resilient during the crisis. It may be a promising strategy to participate in such companies that have come through the crisis well and now represent good investment opportunities that have high capital needs for their next growth phase.

So: The basic findings of our practical guide “Economy in Africa” also apply in a new “post-Corona world”. What adjustments the crisis requires in market development on our neighboring continent, our authors have written about in this second revised and updated edition.

It seems clear to us: If entrepreneurs tackle the matter correctly, Africa beckons with great opportunities and appropriate returns. And investors who create jobs on site contribute significantly to the development of a continent whose motivated young people deserve nothing more than political, economic, and social development. Let’s get to it!



Prof. Dr. Thomas Schmidt is Co-Director of the Centre for Business and Technology in Africa and Professor of Business Informatics at Flensburg University of Applied Sciences, specializing in business application systems. He advises companies on strategy and implementation projects in information technology and logistics. Before his appointment as a professor, he was initially a research assistant at the Fraunhofer Institute for Production Technology and Automation and later a Senior Management Consultant at CSC Ploenzke, responsible for the logistics sector. During this time, he received his doctorate in Business Informatics from the University of Bamberg.

Thomas Schmidt has extensive experience in Africa with projects involving university partnerships and technology transfer in logistics and information technology. As Co-Director of the Centre for Business and Technology in Africa, he founded the Namibian-German Centre for Logistics and maintains partnerships in Cameroon, Kenya, Namibia, and Ethiopia with successful cooperative bachelor’s and master’s programs. In addition to his African expertise, he has taught and researched as a visiting professor in the USA, Sweden, Finland, France, and China.



Professor Dr. Kay Pfaffenberger is a graduate economist and Managing Director of the Centre for Business and Technology in Africa, which unites eight professors from the University and University of Applied Sciences Flensburg. He is a professor at the University of Applied Sciences Flensburg, specializing in Business Administration and Economics. In his capacity as head of his Institute for Finance, Communication and Good Governance, he advises banks on developments in payment transactions and has developed qualification courses for payment transaction experts for the cooperative institutes affiliated with the National Association of German Cooperative Banks. He is a member of the Club of Finance and represents the University of Applied Sciences Flensburg in the German-African Business Association.

Before his appointment to the professorship, Kay Pfaffenberger built up and managed the Electronic Banking Services of a medium-sized cooperative bank for several years. He was also responsible for the internal and external corporate communication

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His research focuses on the business models of renewable energies and developments in the field of Transaction Banking in Africa. He also looks at the start-up scene in Africa. He supervises, among other things, an EU-funded project to develop a Master's program for energy efficiency in southern Africa. He is involved in the planned establishment of an East African-German University of Applied Sciences. Furthermore, he looks at the development of Good Governance on the African continent from an institutional economic perspective, drawing on his expertise from the German cooperative system.



Professor Dr. Stefan Liebing is Managing Partner of Conjuncta GmbH. The company is active in project development and as an investor as well as in management consulting. Liebing has extensive experience in implementing investment projects in Africa and has accompanied numerous companies on their way to new markets. He also holds a number of supervisory board and advisory board mandates. From 2012 until April 2013 he has been the Chairman of the German-African Business Association based in Hamburg and Berlin. Since 2018, Stefan Liebing has represented the Republic of Cameroon as Honorary Consul for the northern German federal states. Previously, he held various management positions in the energy sector, most recently at EnBW Energie Baden-Württemberg AG, before that for Royal Dutch Shell in The Hague and Hamburg. Stefan Liebing is an Honorary Professor at the Centre for Business and Technology (CBTA) of the Flensburg University of Applied Sciences.