

The Way Home:

Cultivating Opportunities in Africa

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Caveat

Bunmi Oni made this presentation as invited speaker at the Harvard Business School Africa Conference in February 2003. He was then CEO of Cadbury Nigeria Plc





- Global player in Confectionery and Beverages
 - \$14b in sales, 15% Pre-tax Profit Return
 - 133 factories and 55,000 employees
 - Growth through
 - Targeted acquisitions and disposals
 - Managing for Value
- Strong 200-year heritage
 - Portfolio of market leading local and regional brands
 - Commitment to high standards of CG and CSR
- EMEA is one of 5 regions (also 5 Functions)
 - Supply Chain separated from commercial management

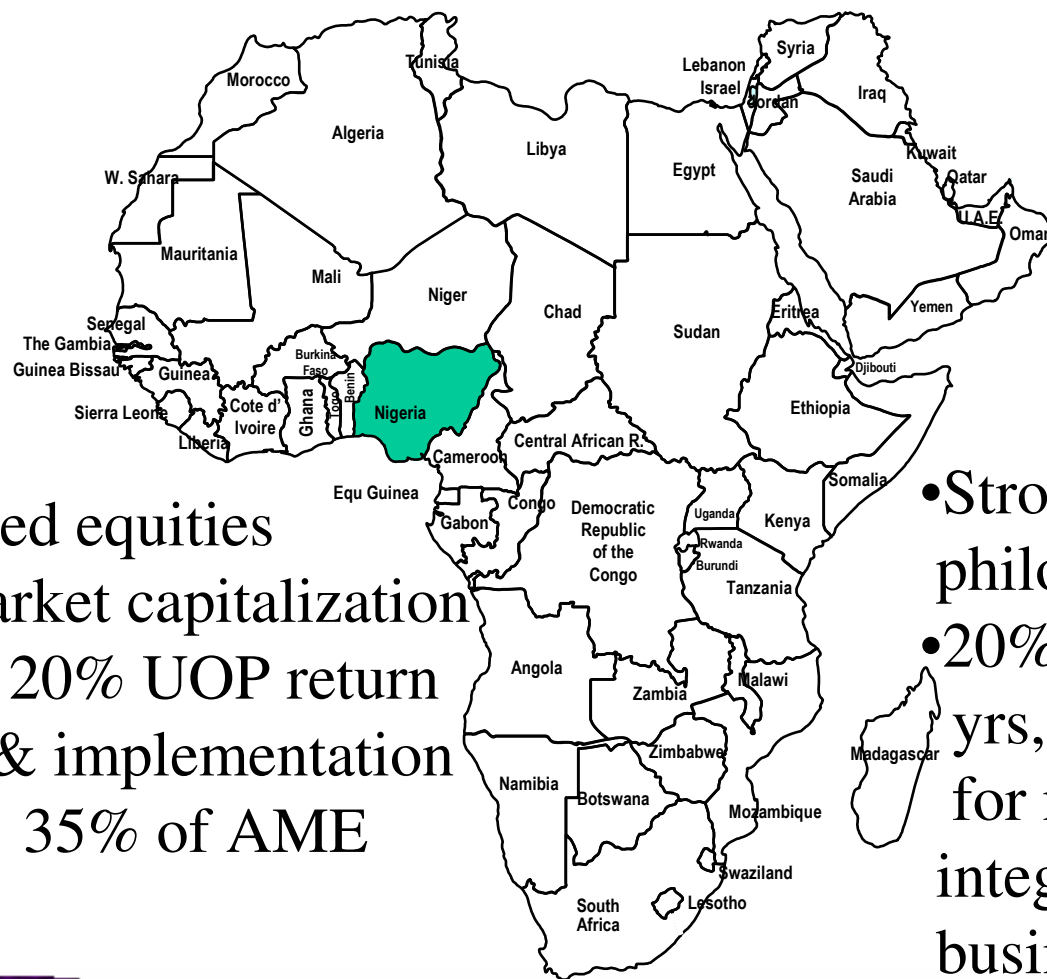




Africa, Middle East within EMEA

- AME is 16% of world population but 3.5% of world's money
- 22% CAGR over four years, projecting 30% to 2006
- 12% contribution to EMEA sales, but 15% of profit
 - 17 factories, 7362 employees
- Leveraging first mover advantage and strong Commonwealth heritage

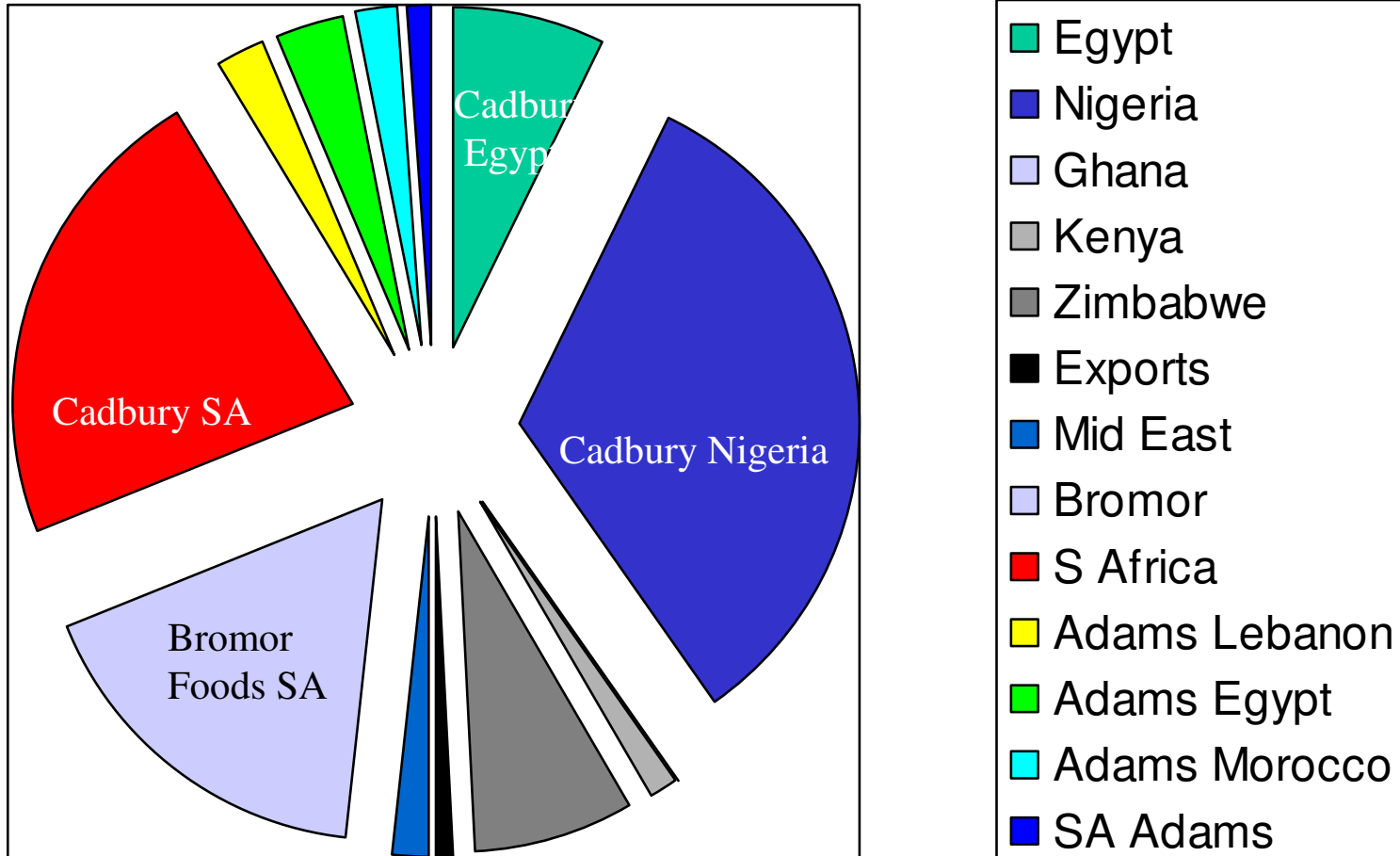
Cadbury Nigeria in AME Region



- 9th of 300 listed equities on NSE by market capitalization
- \$200m sales, 20% UOP return
- Own Board, & implementation
- Accounts for 35% of AME profits

- Strong CG and CSR philosophy
- 20% CAGR for 10 yrs, projecting 23% for next 10 yrs on an integrated West Africa business.

AME 2003 – UOP Contribution



African Business Environment: Key Issues

- Structure of the economies
 - Fragmented and diverse models
 - Commodity trap, little value added
 - Weak baseline economic sector
- Shallow markets, unable to withstand the shocks in the international arena
- Weak institutions and infrastructure
- Large informal economy (unknown size)
 - Fuelled by corruption (**W**eapon of **M**ass **D**iversion)
 - Imperative to create counter force
- Huge infrastructure challenge



Some key data

| | Life Exp | GDP/cap at PPP | % < pov line | Int. users | % pop | Unempl. % |
|--------------|----------|----------------|--------------|------------|-------|-----------|
| UK | 78 | 24,323 | 17 | 34.3m | 57.6 | 6 |
| Australia | 80 | 21,319 | N/A | 10.6m | 55 | 6 |
| USA | 77 | 32,778 | 12.7 | 165.7 | 58 | 4 |
| Ghana | 56.4 | 400 | 31.4 | 200k | 1.0 | 20 |
| Egypt | 70.4 | 1,307 | 22.9 | 600k | 0.3 | 12 |
| Algeria | 70.5 | 1,726 | 23 | 180k | 0.6 | 31 |
| Nigeria | 51 | 473 | 45 | 750k | 0.7 | 28 |
| Kenya | 45.2 | 355 | 50 | 500k | 1.6 | 50 |
| South Africa | 45.6 | 3,067 | 50 | 3m | 6.3 | 30 |

Source: World Bank Data Book

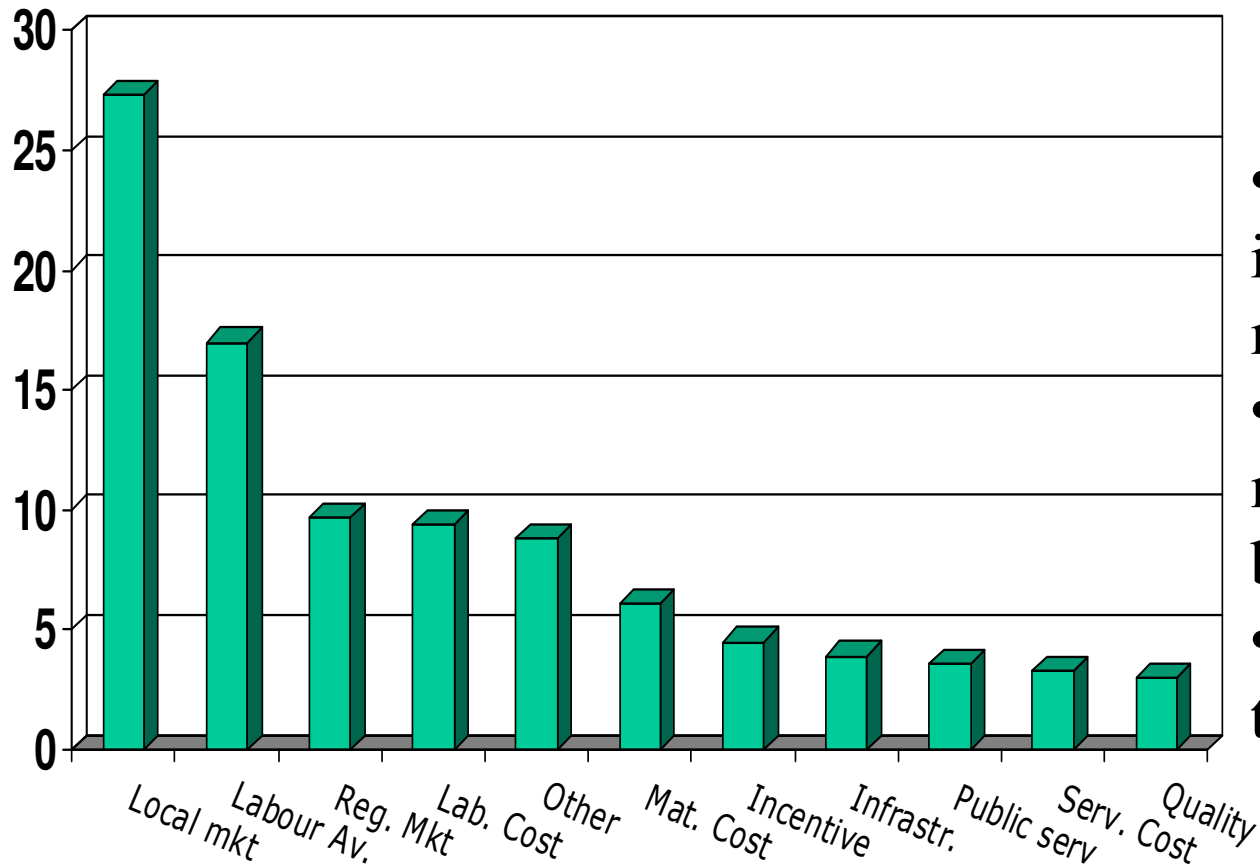
African Business Environment: Key Issues

- ❑ Big inefficient central governments, but changing
- ❑ Economies dislocated from global trade streams
- ❑ Low investments
 - Low savings ratio
 - Africa's GDP of \$460b only 1.5% of global \$31,500b
 - Every % point incr. in FDI/GDP raises GDP by 0.04%
 - Africa's share of FDI only 0.07% (UNIDO 2000 survey)
- ❑ Little investment in Human Capital development

Yet we have the ingredients to be an investors' haven



Investor Perception: Motivation



Comments

- Africa can have adv. in 4 top factors motivating investors
- Some of that adv may be short-lived as boundaries disappear
- Three-year window to strike

Source: UNIDO pilot study, 2001

What Needs to Be Done & How

□ Empowerment

- Investing in Human Capital development
- Promoting private investment (in prioritized sectors)
 - Privatization: The imperative of a baton change from public to private sector

□ Migrating the informal economy to the formal

- Property ownership and land reform
 - Converting assets into capital (liberating dead capital)
- Pension reforms and long term funds
- Building an SME force

□ Mind the gap

- Managing intangibles (image)



The Opportunity

- Governments vacating the commanding heights of the economy
 - Reforms taking hold, tracking towards market economies
 - Governance structures and due process being installed
 - Competition legislation (legislative process on-going)
- Anti-corruption crusade
 - Independent Corrupt Practices Commission
 - Economic & Financial Crime Commission
 - Budget Monitoring & Project Implementation Unit
- Value opportunity in baseline economic sectors
 - Agric., Mining, Tourism



The Opportunity


- ❑ Low base in every sector
 - Most industry sectors in rapid growth
 - Large local market, integrating to global supply chain
- ❑ Demographic profile
 - Young populations, high aspiration
- ❑ Capital Market growth and returns
 - NSE market cap quadrupled in 3 years, 30% returns p.a.
 - Leverage for raising corporate governance standards
- ❑ Big scope for technology leap



The Cadbury experience in my time

...and business response

Cadbury Nigeria is an equal opportunity employer



Operational & Financial Challenge

- 20% cost disadvantaged
 - Infrastructure challenge
 - 8.3 MW Power Plant + water source
 - Uncompetitive Tariff regime
- Dearth of long term funding for capital projects
 - Lean, asset efficient and high volume operation
- Weak SME sector
 - Strong in-house capability development
- Face to face with graft (*the hand of the giver is as bloody*)
 - There may be a price to pay
 - Convention on Business Integrity

“Delivery is our commitment,
cost is our challenge”



Operational & Financial Challenge

Manpower resource

- Management Trainee Scheme
- Manpower development agenda
 - Minimum training days
- Talent management process
 - Potential Review process
 - Acceleration Pool
- The Diaspora – to source new talent
 - Opportunity to accomplish and be self fulfilled
 - Career in an international multi-cultural environment
 - Scope for strong community involvement
 - JAN, AISEC, HIV/AIDS awareness initiatives, mentoring to help grow future leaders (I get excited by this opportunity)

What we offer



Operational & Financial Challenge

- Evolution of strategy
 - Import substitution
 - Own plant to make malt extract and glucose
 - Growth in prioritized markets
 - Focus on advantaged brands
 - Export drive
 - Cocoa Processing Plant
 - Managing for value
 - Strategic Position Assessment
 - Project Marathon



Growth Drivers

- ❑ Clarity of strategy
 - Sharply defined portfolio of advantaged brands
 - Platform that allows us express our CSR commitment
- ❑ Robust business model
 - Measurement on Economic Profit
- ❑ Growth markets and segments
- ❑ NPD decision rules
- ❑ Commitment to high standards of CG
 - Investors willing to pay a premium
- ❑ Building a corps of highly skilled people resource



Growing and prospering

- ❑ Manage for all seasons
- ❑ Dare greatly
 - Challenge conventional thinking
 - Balance press reports with reality
- ❑ Choose your associates carefully
 - Bankers, Advisers, Customers
- ❑ Lean, asset efficient, high volume operation
 - NPD decision rules
- ❑ If you succeed in Africa, you'll fly anywhere



Path to the top

- ❑ Clarity of career objectives. Avoid distractions.
- ❑ Commitment to Personal Development Plan
 - What do I want the most
 - Balance, Simplicity, To be successful, To be more effective
- ❑ Grow each assignment beyond the job description
- ❑ Opportunity for multi-function and international experience
 - Advantage of a large multinational organization
- ❑ Choose to do what is right, not what is convenient



What I have learned ...

- People buy into the leader, then into the vision
 - Leaders first ask for a heart before asking for a hand
 - People listen with their eyes
- Adopt a Leadership Mantra
 - “Follow me I am right behind you”
- There is a lot of goodness in every human being
 - Fountain of resourcefulness runs deep
- Take the mirror test often



Going Home

- Vision and values
 - What role or legacy? Make sure you are deep
 - Everything is a process
- The 3As
 - Accountability, Adaptability, Aggressiveness
- Bridging the knowing-doing gap
 - A capacity to execute
- Responsibility to help shape a new Africa
 - Policy advocacy
 - The butterfly story
- There are diamonds out there, but



The butterfly story

- Butterfly was once a caterpillar dissatisfied with status quo
 - Creature with severe limitations
 - Earth-bound, 100 legs, slow, vulnerable
 - Goes into a cocoon and emerges a butterfly
 - 6 legs, nimble, beautiful, no boundary, desirable
- Whatever it did to itself in the cocoon cannot be easy
- You have submitted yourself to the grind of Harvard



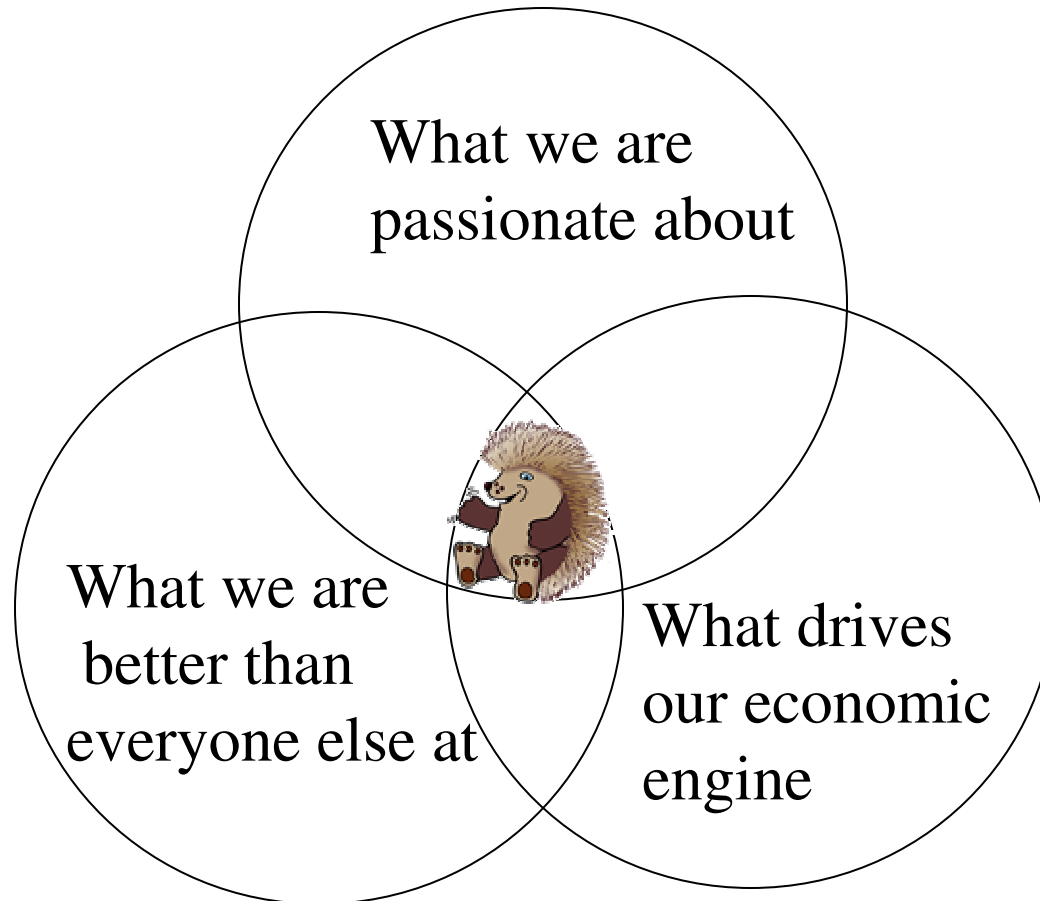
The butterfly story cont'd

- Butterfly can adopt one of three attitudes
 - Hop from flower to flower, showing off new coat
 - You can hop from job to job, flaunting your new MBA, gathering no moss
 - Settle for the over-ripe fruit and droppings at the foot of the tree
 - You can settle for mediocrity, since you have a good job placement
 - Rise to the top of the tree, participate in the pollination process for the creation of the next generation of fruit. In the process it gets freshly brewed nectar from nature
 - You can commit to participate in rebuilding Africa, and in the process you get the best opportunity
- Which is your attitude?



Managing the turbulence –

The hedgehog concept



The intersection of passion, capability and pursuit of purpose is where your strength lies