

FEATURE INTO AFRICA

CIOs drive **EXPANSION** into Africa

SOUTH AFRICAN COMPANIES ARE FINDING INNOVATIVE WAYS TO WORK AROUND THE ICT CHALLENGES THEY FACE AS THEY EXPAND INTO THE REST OF AFRICA.

words **LANCE HARRIS** photos **SUZANNE GELL**

The scramble for Africa is underway. With annual economic growth averaging 5.4 percent between 2000 and 2010, and a middle class that has swelled to more than 300 million people, the continent has become irresistible for companies around the world that are looking for new markets.

Foreign direct investment into sub-Saharan Africa this year is likely to touch a record high of \$40 billion, according to stats from the World Bank. South African companies are jostling against Chinese, Indian, American and European rivals to get a piece of the action.

This activity, combined with improvements to Africa's telecoms infrastructure, has helped to spur a boom in ICT spending. IDC forecasts spending on IT in sub-Saharan Africa alone will grow 9.9 percent in 2011 to cross \$23 billion, following 12.6 percent growth in 2010. A compound annual growth rate (CAGR) of 11.5 percent is expected through to 2015.

Local retailers, banks, ICT groups and manufacturers are all following the trail that the country's mobile networks and mining groups have blazed for expansion into the rest of the continent. They're no longer dabbling in the continent, but investing in it aggressively.

As they do so, they're finding that improved governance and regulation, government and private investment in infrastructure, and growing political stability are all helping to make many countries easier to do business in than ever before. Yet challenges remain for the CIOs and IT managers tasked with extending their companies' information backbones into other African countries.

Many of the issues CIOs in the rest of Africa face will sound reassuringly familiar to South African CIOs. IDC research

points to resolving staffing issues, improving the return on investment from IT deployments and the need to bolster information security as the top three challenges African CIOs currently face.

"South Africa is not as different from the rest of Africa as you may think," says Jacques Loubser, CIO at Business Connexion. Yet there are a range of local nuances and issues that South African companies need to contend with in other African nations. The challenges vary between regions and countries, but there are some that are common to most parts of the continent. Where the infrastructure is available, telecoms services and electricity are often expensive, low-quality and unreliable. Road networks are underdeveloped, skills are scarce, bureaucracy can be gruelling, and laws may be out of step with the information age.

But the problems are not insurmountable for companies that work with the right local partners in each country and build solutions that are designed around the limitations of the infrastructure, say CIOs who have helped companies expand into new territories across the continent.

Beating bandwidth blues

For Quinton Pienaar, CIO at MiX Telematics, the major challenge of doing business in Africa lies in the quality of the telecoms infrastructure in many parts of the continent and the high costs of telecoms services.

MiX operates throughout Africa through a partner network, but it has also started to set up direct sales offices as a sign of its commitment to the continent. It has a joint venture business in Nigeria to service West Africa and, earlier this year, established an office in Uganda as a hub for sub-Saharan Africa.



CHALLENGES Jacques Loubser, Business Connexion, says the cost benefits of new submarine cables have not reached every country in Africa quite yet.

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INSIDE INFORMATION
Know and listen to your local partners when you expand into Africa, says Quinton Pienaar, CIO at Mix Telematics.

telecoms prohibitive in many parts of Africa, but there are also problems with vendor accountability, says Loubser. Incumbent operators in many countries are still protected by regulation and some countries have yet to privatise their fixed-line operators.

As a result, costs are still high and services poor across swathes of the continent. Bandwidth is often more expensive and less reliable, and it can take longer for operators to deliver services than companies are accustomed to in South Africa, Loubser says.

Business Connexion has offices in Zambia, Mozambique, Nigeria, Kenya, Tanzania and Namibia, as well as partnerships with local companies in a number of other African countries. The systems integration group is following

landing station can be as expensive in some cases as getting it to Europe or North America across a submarine cable from Kenya or South Africa. The handover between different operators as the traffic crosses borders also means that it's difficult to hold someone accountable for it.

By making use of VSAT technology, Business Connexion has been able to take responsibility for end-to-end service delivery from head office in South Africa to offices in other African countries.

In addition to telecoms, electricity and road infrastructure pose major challenges in many parts of the continent. These are all factors companies should take into account when they're deciding where they will have direct presence

“THE LAWS DEFINING RECORDS MANAGEMENT AND WHERE FINANCIAL RECORDS SHOULD BE KEPT ARE IMMATURE IN SOME COUNTRIES.”

JACQUES LOUBSER, BUSINESS CONNEXION

As the fleet management and vehicle tracking company responsible for the Matrix vehicle recovery products, MiX depends heavily on reliable telecoms to collect data and deliver its services to consumers and fleet owners.

GSM coverage is patchy in many parts of the continent, although connectivity is constantly improving, says Pienaar. Costs and quality of connectivity vary dramatically between regions. East Africa, especially Kenya, has come a long way

thanks to the undersea cables that have landed on its shores over the past three years.

But bandwidth remains expensive in many West African countries. Network traffic from many countries follows an inefficient route that takes it to Europe before it comes back to MiX's Johannesburg datacentre. "A large portion of our cost base is data roaming. It can soar from R1 per megabyte to R80 per meg as you cross borders," says Pienaar. Not only are the costs of

South African customers as they expand into other parts of the continent.

Business Connexion depends heavily on satellite bandwidth because a lot of African countries have yet to see the cost benefits of the new international cables. The situation is especially challenging in the continent's landlocked countries, Loubser says.

Power at a cost

Getting data from a landlocked country to a coastal cable-

in Africa and where they will work through local partners.

MiX used to mostly work through partners in Africa and support them remotely, but reached a point where it realised it would need its own feet on the ground to drive its growth, Pienaar says. It settled on Uganda as one of its first major hubs because of its easy and central access to different markets in East, West and Central Africa.

Matthew Rowlinson, head of Africa projects and specialised

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finance at MiX Telematics, says that its macroeconomic and political stability were among the reasons that Uganda was an ideal place for MiX to set up an office. MTN – a major customer and business partner – also has a large operation in the country.

The erratic quality of the electricity supply in some countries can wreak havoc with sensitive computer equipment, says Pienaar.

The first priority is usually to try to take control of the quality of the electricity by using generators, voltage regulators and uninterruptible power supplies. The cost of this equipment forms a significant chunk of operating costs in many parts of sub-Saharan Africa.

Depending on the country, sourcing computer equipment and delivering it to a new office can also be a challenge. The larger and more sophisticated countries tend to have mature distribution channels and CIOs are often able to turn to the same resellers and vendors they depend on in South Africa. In other cases, they may need to make special plans to get their standard equipment into a country and through customs.

Business Connexion has developed an 'office in the

box' that it can deploy quickly and easily every time it sets up a new African office. It simply ships a container with infrastructure basics such as a server, a satellite transmitter and receiver, and cooling solutions to the new office so that it can get up-and-running quickly. This speeds up the rollout of new offices dramatically, says Loubser.

Clouds over Africa

Another way that CIOs can speed up deployment of new African offices is to deploy services using private or public clouds where possible. By taking this approach, they don't need specialised support and implementation skills at each of their African branch offices and have the flexibility to scale up quickly as their businesses grow.

MiX Telematics has opted to provide most of its customer services through the cloud from its South African datacentre because it found that accessing datacentre skills and infrastructure is a problem in many African countries. It has focussed on creating a world-class hosting facility in South Africa that can scale up as the business grows.

"You must design solutions to take challenges such as

bandwidth into account," says Pienaar. In many parts of the continent, connectivity is still EDGE or GPRS rather than 3G and HSPA.

Business Connexion also provides most of its large business applications as cloud-based services hosted in South Africa, while services such as print are deployed to local servers at its branch offices. Business Connexion uses a range of caching and acceleration technologies to ensure that it can deliver these services with decent performance and reliability, says Loubser.

Some of the biggest obstacles to providing cloud-based services from South Africa to other parts of the continent are legal rather than technical in nature. "The laws defining records management and where financial records should be kept are immature in some countries," Loubser says. "This poses problems for us when we need to decide where records are kept and processed. It's a symptom of the technology moving quicker than the lawmakers."

Low computer literacy is another challenge that many South African companies encounter when they expand into other African countries. Often, they need to start ICT training with base computer skills for office workers.

Training up

Business Connexion has found that it can access desktop skills readily, but higher-end skills such as business process expertise are harder to come by. In the past, a lack of training institutions in some African countries meant that training people up involved flying them to South Africa, says Loubser.

Business Connexion is now delivering training via an online learning platform. This is helping the company to contain the costs of training and skills development while boosting its ability to retain IT skills.

Pienaar says the best advice he can offer CIOs taking their companies' operations into Africa is to get to know the local partners they will be working with. "Don't underestimate the value of local relationships," agrees Loubser.

The experience of the people who understand the market is invaluable in navigating a country with unfamiliar laws and bureaucracies.

"You can't operate without a local partner in many African countries," Pienaar adds. "You must understand their business and their objectives and listen to their advice."

Where possible, companies should try to work closely with their South African vendors as they move into new territories. "We partner with MTN in many parts of the continent," says Pienaar. "It helps to work with a partner that already understands your business."

Whatever challenges Africa holds, the potential for growth is enormous, says Loubser. Hot growth areas for the continent will include mobile payments and transaction-switching, spurring growth in financial services and other industries.

CIOs will have a key role to play in delivering the technology infrastructure that underpins these services. The challenge for South African companies is to entrench themselves in the key markets in the face of stiffer competition from Indian and Chinese competitors. ■