

IBM AND THE FUTURE OF AFRICA

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WASHER: Welcome to a podcast on the Future of Africa. I'm Tim Washer. Just a decade ago, economists would have scoffed at predictions of a steady five percent growth rate for the continent. Today the conversation around Africa is changing dramatically. Many regions are thriving as trade with China and other nations increases at double-digit rates.

In Tanzania, 97 percent of the population has access to a mobile phone while less than a third say they have access to a landline phone. So what are the implications of these new realities for the continent?

Joining us today to discuss the Future of Africa are Amanda West, global head of innovation for Reuters; and, Mark Harris, general manager of IBM South Africa. Thank you for being here.

WEST: Thank you.

WASHER: Now, Africa is poised to change the global economic landscape. In the near future, what are some of the examples you expect to see of this entrepreneurial attitude?

HARRIS: If you look at the changes that telecoms have brought to Africa, it's probably had a bigger impact on Africa than any other technology or infrastructure [build] that's occurred. Africans tend to be very entrepreneurial. So when you look at the type of applications that they use in mobile phones, voice is a subset of what they're actually doing.

As an example, fishermen of the east coast of Africa rather than going to the normal port they would go into will discover through the use of SMS [texting] that actually the market is much better further down the coast.

Street vendors -- which is a large part of the work creation opportunity in Africa -- will sell an enormous amount of wares along the roadsides. As these governments build infrastructures, the typical roadblocks move, the traffic jams move. And they're using SMS again to tell each other where the most traffic congestion is, and that's where they're going to sell their wares.

Now, no one would have planned that or thought that through from a strategy point of view. It's just these informal networks are starting to have more and more of an impact on the economies of these countries.

WASHER: So a lot of this innovation is actually, it's just organic. It's just driven by a market need.

HARRIS: Absolutely. And you know, you cannot imagine the impact that some of this is having. One of the best ones is a company called Safaricom which is a mobile operator.

And they introduced the ability to transfer airtime from one cell phone to another. You find that most African workers tend to be migrant workers, so they don't work in the place where they reside.

And what happened is that Safaricom almost were induced into the capability that you can transfer airtime. And what that happens, is that your family who is in the rural area can then take that airtime and can translate it into cash.

So suddenly, they've changed the whole business model for banks. They've changed the whole business model of how you can transfer funds. And that didn't happen again because of the strategy; it happened because they tried to transfer airtime. So those innovations are happening in various areas with various forms of technology.

WEST: I think the really interesting thing as well is that in Africa, we're going to just move straight passed the PC and it's all going to be mobile.

We've got a project that we're running in India and we have started with farmers in the state of Maharashtra where essentially we are delivering to those farmers over their mobiles via SMS again information about price of crops. But also, local weather within 25-mile radius.

We've got a lot of evidence already that just via making their marketplace much more transparent...and then they know where to go and sell their goods, and where they'll get the best price on the day, and whether to harvest tomorrow because of the weather forecast that's very local, it's going to fundamentally shift and change the livelihoods of these farmers.

And so we've got the government, we're working with the government and we're working with World Health Organization and the World Bank, because everyone wants a part. Actually if we can better the lives of the farmers of India, I mean, economically that's going to be a huge, huge shift for the global economy.

And the same will be true in Africa. And the same sorts of opportunities will be there both for commercial organization and I think for the people of Africa really to improve their lot.

WASHER: A few years down the road, what do you see? You know, what type of applications do you see that may be, you know, hosted and running on

the mobile infrastructure that may drive business in a different way?

HARRIS: I think that while Africans today are starting to create these informal networks through the use of technology such as SMS, it's not organized. So you can imagine when people who want to actually want to open markets to these people or want to get to the goods that these people produce, once they put in more sophisticated applications that allows these people access to market prices where the markets are...what goods are required, what types of capital is available for people to exploit in order to create more of these jobs and create more of these, more of this produce is going to have an enormous impact.

And no one's really done that at the moment. It's almost been informal. And as these things get formalized, as governments start to play their role in using these technologies to make things more relevant for the communities, I think this thing is just going to explode.

WEST: Again, coming back to the farmers in India, we've got a fabulous example. I mean, our major partner is the post office in Maharashtra. And, you know, they're really keen to work with us because frankly, the more people that come into the post office, the more business there is for them.

But actually the farmers are coming into the post office to purchase or indeed resubscribe to the service. And we're also using the fertilizing manufacturers. So we're building a whole ecosystem that ultimately will make more money for the farmer, but also generate more value for India as a country, as a whole.

So I do think that we'll start to see very, very, very different sort of ecosystems emerging out of the, almost the release of information from the ground up.

WASHER: Now, to build those ecosystems or to advance those, are there drivers? Mark had mentioned the need for government in the role that government can play. Are there other drivers? You know, where can technology play a role to help establish those ecosystems even in a faster way?

HARRIS: I think, you know, governments have been forced to change and businesses are being forced to change. When I look at most of the African countries, they tend to be cash-based societies with all the wrongs that go with walking around with lots of cash.

When you look at some of the changes that's starting to occur, we have a bank as an example in Nigeria who were planning for something like 40,000 ATM transactions -- Automatic Teller Machine transactions -- demands. They're doing like 400,000 per day, and that's in less than two years after releasing it.

So the need these days is a huge latent demand to move communities into first world. And as you start implementing the technologies and the infrastructure to

support the technologies, what you're going to have is a wave of much broader participation in economies, not just local but in the global economies.

You can't roll out those technologies and applications fast enough to actually satisfy those communities. And you'd be amazed at how it's transforming the people on the floor, how quickly they're starting to participate in markets that would not be accessible to them before.

So just transferring capital from one country to another, from one area to another, suddenly unleashes new market opportunities to people who wouldn't even have the insight into the existence of those markets.

WEST: And you'll see huge shifts in infrastructure as well because if people can move goods, if people are able to buy and sell goods much, much more readily, they're also going to want to be able to move them from A to B much quicker.

And you'd hope, as well, that from a resource perspective perish...you know, a lot of goods get perish in the agricultural sector and that should again should diminish with time.

So you'd, I think you'll see a very different set of distribution nodes grow up in African countries in order to support what will be a much fairer marketplace over time.

WASHER: Mark, let me ask you about the opportunities Africa has with its large population for global resourcing. Can you tell us a bit about that please?

HARRIS: Sure. People talk about a skills issue in Africa, and I'm not sure it's a skills issue. If you look at the education facilities that's available, there's actually a lot of raw natural talent that's coming out of the universities, as an example.

When you look at many companies who are going into Africa, they starting off the organization with a lot of experts. But it's incredible to see that after two to three years, they've managed to replace all their experts with local skills. So the capability is there.

It's a matter of one, translating that capability into giving them the work experience; and also, the type of education that can make sure they can manage and run these businesses. And it's happening very, very quickly.

We have stories of customers who are looking for location to move back office processing as an example. And one of the examples is probably the biggest insurance company in Africa. They've moved back office processing to Zimbabwe.

Now that sounds strange, but they're finding the best qualified skills there, they're finding the lowest cost, and they're finding a very good environment for actually doing this back office processing. The rest of the world has not woken up to that yet.

If you look at what the Indian and the Chinese companies are doing, they themselves are outsourcing, but they're looking into Africa for skills. So as an example, TCS have just hired something like 1,000 people in Egypt. We have the Chinese companies utilizing a large part of the African workforce to start delivering, not at the low-level skills, but at the higher-level skills.

And I don't think anyone's actually gone around and actually done the proper analysis of how you can translate that into huge opportunities for companies on a global basis. So Africa will play a key role. It's starting to happen, and I think you're quickly going to see it roll out.

One of the other dynamics that's starting to happen is that even for IBM, when we started to look for skills to mentor, to coach, to come and run some of those businesses, there's a huge amount of the Africa population were actually sitting in international companies outside of Africa. Many of these people have a desire to go back to their home locations. And that's where a lot of the companies who are smart are finding the type of leadership, finding the type of management and finding the type of technical skills to be able to run the operations in Africa.

So the companies that jumped on to that bandwagon the quickest, who actually use that opportunity more quickly realize that they have an abundance of capability to be able to deliver against their business objectives.

WASHER: What do you think is standing in the way there? Is it an awareness issue? Is it just simply that people are not aware that the skills are there?

HARRIS: It's awareness and people are willing to be discoverers in the first place. The CEO of this insurance company, he didn't do that because there was great market research in this; it's because he went there and he got in touch with the universities and suddenly realized there's this huge abundance of skills, abundance of skills that he could and use. And that's what he's done.

And that's what's Africa's all about at the moment. It's people are willing to take a little bit of risk, who are taking the time out to go look at what the opportunities, who are starting to make the most inroads into those countries.

WEST: Again, bit by bit people will be pushed more towards Africa as India and China have played that part and it becomes obvious that there is a whole bank of natural resources, be they both people and, you know, resources

that can be utilized that aren't being at the moment. So the time will come. It's coming very soon.

WASHER: Amanda, can you think of any other accelerators? Any things that can be done or things that need to be changed to make this happen faster?

WEST: I mean, I'm a little with Mark. Outside of Africa, I think it's about people actually understanding what the possibilities are. I don't think the media always report Africa particularly fairly and well to the rest of the world.

WASHER: Mark, in closing, if you could just summarize what, how you see the future of Africa playing out? Just an analysis of what you see in the near-term future.

HARRIS: So I think that technology will be the major transformation engine. So access to a device which is not just a cell phone is going to transform Africa, and those devices are in play already at the moment.

So what you will see in African economy that's using the mobile devices or a device that is totally going to transform the markets. I see Africa as a huge location for global resourcing. And you will start to see trade across the African countries that will make them more self-sufficient.

I also see an Africa where China and India will have made major acquisitions in that continent that will actually allow them to have a much stronger business environment than they did before. And that will happen in the next three to five years.

WEST: I'd sort of add to that that I think the other thing that will happen in Africa is that it will very, very quickly get on to, into a global marketplace in most of its natural resources in a way that frankly no other continent will have gone from being very domestically focused to really playing big time on the world stage.

I think the investment from India and China will help spur that on, but frankly I think it'll come from the bottom up wildly quickly, much quicker than we could possibly imagine.

WASHER: Well, Amanda West and Mark Harris, thank you very much for joining us. This has been an IBM podcast.

WEST: Thank you.

HARRIS: Thanks very much.

[END OF SEGMENT]

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