FOCUS ON AFRICA

Africa: Land of opportunity - and challenges

By Bruce van Wyk, director, PaySpace

As multinational organisations continue to seek out new frontiers for business growth, Africa is becoming an increasingly attractive destination for them. According to the World Economic Forum, between now and 2020, the continent is set to become ***the world's second-fastest growing region after Asia***.

But while the rewards for foreign businesses setting up operations in Africa may be many, the expansion process itself is not without its challenges. Global payroll managers from countries such as the US and the UK are accustomed to certain ways of working that are not necessarily familiar or relevant in some African countries.

Simple misunderstandings or honest mistakes due to a lack of local knowledge can result in fines or industrial action, costing the business valuable time and resources. So in order to avoid the pitfalls, it is important to be aware of a number of issues. These include:

Geography and culture

The first thing to bear in mind is that Africa is a continent, not a country. One of the most common mistakes made by international companies is to think that what works in Nigeria will work in Kenya, say. But there are 54 African countries and while some may share similarities, each one has its own definitive brand of culture, language, procedures, bureaucracy and legislation.

What is more, each country has a mix of tribal groups and ethnicities that all play an incredibly influential role when it comes to doing business. Cultural norms and expectations do not just vary from country-to-country, they can even change from one meeting to the next. In fact, it can be really quite confusing trying to remember in what circumstances it is acceptable to be pushy, when it is permissible to make eye contact or how you go about shaking hands.

A key issue is that, all too often, overseas businesses try to impose their ways on others rather than demonstrating the necessary respect for the local approach. Rather than speeding up the legislative process, however, this kind of approach will only serve to delay your company's expansion plans. ▶

Another challenge relates to communication. While many foreign organisations employ fluent French, English or Portuguese speakers, there are an estimated *1,500 to 2,000 African languages* across the continent and 'Jambo' (Swahili for hello) will only get you so far. In some instances, people will prefer to communicate in local dialect with their colleagues, which is likely to prove problematic for you.

Regardless of which country or countries you do business in, you will inevitably face language barriers from time-to-time so work with a local partner who can not only speak the lingo, but will also guide you through the correct customs, expressions, gestures and traditions.

Bribery and corruption

There is a widespread belief that all of Africa is corrupt and that bribery is its main currency for doing business. In reality though, it is perfectly possible to do business without paying bribes or being drawn into any other form of dishonesty.

Interestingly enough, the people who initiate corrupt encounters are not always necessarily locals but sometimes the overseas organisations themselves. This behaviour is primarily driven by the assumption that, as an international company arriving in Africa and surrounded by competitors doing the same, it is necessary to bribe from the start or be left behind.

But many businesses also go in with unrealistic expectations and without preparing properly, both of which open the door to problems. For instance, some organisations fail to follow the prescribed process to register in-country and are too impatient to adhere to local timelines, which means they fall foul of the situation.

Another misunderstood norm in many African countries, meanwhile, is the 'brown envelope' system. For instance, it is accepted practice to give journalists an envelope of money after attending a press conference. But the aim is not to pay them for attending or remunerate them for media coverage. The reason is that transport is incredibly expensive and not covered by their employers.

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So before automatically assuming that everything is a bribe or requires a bribe, foreign firms would do better to enlist the assistance of a local partner who can advise on what is acceptable practice and what is, in fact, illegal.

Data protection and local legislation

International companies that are new to the African scene are often surprised by some countries' lack of regulatory frameworks in areas such as data protection. Because the European Union and US have very robust data protection laws, many organisations expect the same standards to be in place elsewhere.

But in many African countries, while you may find reference to, or mention of, various committees that oversee these legislative areas, they will not neccessarily have been set up yet. In this instance, the globally-accepted phrase "taking all reasonable measures" is sometimes all that can be done to ensure corporate compliance.

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Other common challenges when doing business in Africa, however, include understanding when exactly new laws come into force and the retrospective implications of any legislative changes on payroll. The law may dictate the existence of certain payroll limits and a need for statutory calculations, but in reality, you may witness the application of a number of different approaches.

Before deviating from the letter of the law yourself though, it is always advisable to receive written approval from the authorities as opposed to simply following widespread practice.

Expat employees

When setting up a new office in a new country, overseas organisations typically send out senior employees from another hub to help with the process. But Africa is the only continent in the world where most global payroll providers fail to offer robust, cross-border systems to support them. As a result, payroll managers often end up working with different local providers in each of the countries in which they operate.

But this set-up can prove to be a challenge if, for example, an expat employee moves from the firm's Lagos office to Addis Ababa in the middle of a financial year. The issue here is that they must be compliant, from both a tax and legislative perspective, in the host as well as their home country.

This means that payroll managers need to understand the regulations of both the home country and the two host countries. They also have to provide the employee concerned with relevant tax certificates and payslips in each relevant currency, while still ensuring that their earnings are unaffected. Trying to navigate this situation if using multiple payroll service providers can turn into an administrative nightmare.

Conclusion

As one of the fastest growing regions of the world, organisations cannot afford to ignore the opportunities that Africa offers, but setting up operations on the continent is not without its challenges. Engaging the right local support can make all the difference in the world, however.

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