RISK DOCTOR BRIEFING

IMPLEMENTING RISK MANAGEMENT IN THE AFRICAN CONTEXT

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A recent Risk Doctor Briefing outlined the special challenges of introducing risk management in developing countries. Cultural factors affect expectations over what risks might exist, how important they might be, and what responses might be appropriate. Some large organisations have experienced problems when attempting to apply a "Western" approach to risk management in Africa, for the following reasons:

- **The "one Africa" delusion.** Organisations seeking to invest in Africa often start in countries they regard as "safer", such as South Africa, then aim to branch out across the continent. But each African country has its own complexities in terms of local business culture, ethics and customs, even apparently "westernised" nations. We cannot transpose what is known about one country blindly onto another. Thinking that what works in South Africa will also work in West Africa is like setting up a base in France in order to exploit opportunities in Russia. There is no "one Africa".
- **Flawed priorities.** Considerations like political stability and regulatory controls must inform the approach to entering a new market, but they may be less important in Africa compared to an established Western market. Depending on the nature of the business, it may be more relevant to consider factors like the socio-economic makeup of the population and the economic prospects of the country. For example, if a bank wishes to enter a country that lacks regulatory controls, instead of delaying entry they might seek to support and encourage the rapid formalisation of suitable regulation.
- **Preferring elephants to ants.** Western business tends to believe that anything worth doing is worth doing big. This can cause organisations to miss the opportunities presented by many people all doing something small, as is commonly the case in Africa. Efficient aggregation of a large number of individual or community efforts can compete strongly with traditional Western large-scale approaches. For example, the Sameer Agriculture and Livestock Limited (SALL) dairy in Uganda manages the largest milk collection network in East Africa, with more than 140,000 farmers each contributing milk from a few cows to the production process. The 2015 acquisition of SALL by a subsidiary of Danone recognised the sustainability of this highly distributed model.
- **Getting politics wrong.** After about three decades of what might be termed "post-independence", Africa is moving rapidly to an era of genuine democracy. Elections may still be turbulent, and consistent ethics may be a challenge, but transitions of power are more genuinely democratic, and corrupt dynastic succession is largely a thing of the past. Western businesses who think it will be helpful to work with "the Big Man" can find themselves unexpectedly excluded following an election, as old rules and agreements can be rewritten overnight. The experiences of KPMG and Bell Pottinger in South Africa are recent illustrations that friends in high places do not necessarily come with guarantees.

In addition to these common errors, other factors affect the way risk is viewed and managed in Africa, including the presence of China, the influence of the returning (highly educated and Westernised) diaspora, and recognition of the importance of meaningful Corporate Social Investment. It is not possible simply to transpose Westernised risk management into Africa. Ensuring successful risk-based thinking in Africa requires deeply localised insight. Organisations wishing to invest in the continent should consider engaging with local partners to gain a more complete understanding of the cultural context, rather than relying solely on their limited Western view of risk.

To provide feedback on this Briefing Note, or for more details on how to develop effective risk management, contact the Risk Doctor (***info@risk-doctor.com***), or visit the Risk Doctor website (***www.risk-doctor.com***).