Realising potential

EY 2013 Sub-Saharan Africa talent trends and practices survey

EY
Building a better working world

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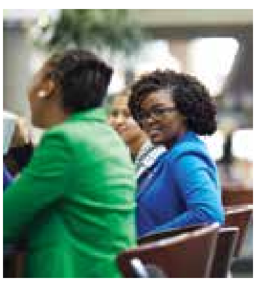
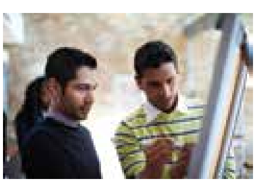




Foreword

It is with great pleasure that we launch EY's inaugural *Sub-Saharan Africa talent trends and practices survey*. It represents the confluence of two of our fundamental beliefs: A deep sense of optimism about Africa's enormous potential and our commitment to building a better working world. Acknowledging the importance of human capital as a key enabler of growth enables us to consider how its performance and contribution can be harnessed to create that better working world for all in Sub-Saharan Africa.

Africa is emerging as a significant point of growth, making it an attractive expansion target for companies in search of new markets. The EY attractiveness index 2013 for Africa shows that Africa's growth is real and sustainable, with the economic output of Sub-Saharan Africa having grown strongly from US$344.1 billion in 2000 to US$1 334.2 billion in 2012. Sub-Saharan economic output is projected to reach US$1 844.6 by 2017.

Many other statistics can be cited to describe the nature and extent of Africa's growth—but perhaps the most important measure of its potential is its effectiveness in harnessing its most important resource: its people.

The survey results clearly indicate that whilst Sub-Saharan Africa is not a blank canvas upon which human capital practices can be imposed at will, there is still work be done in preparing African workforces to support, participate in, and benefit from rapid economic development. Moreover a shotgun approach to human capital management practices on the continent is short-sighted; organisational and regional differences point to nuances that require differentiated and contextually appropriate responses. Success in Africa therefore requires a detailed understanding of the HR milieu, and an authentic commitment and investment in human capital.

Our grateful thanks go to all those organisations across the continent who participated and we hope that this analysis bears out the trust you placed in EY through your participation. This is the first of what will be annual surveys, and we look forward to ongoing engagement as we all work to realise Africa's human-capital potential.

**David Storey | **Partner | Advisory Services

Ernst & Young Advisory Services (Pty) Ltd

David Storey

Partner, People and Organisation, South Africa

Executive summary

Executive summary

EY's *Sub-Saharan Africa talent trends and practices survey 2013* presents a comprehensive picture of the talent-management landscape across this large and very varied region. Looking at the research results as a whole, EY has identified four overarching themes. We believe that these themes should inform the HR strategies of any company with operations in Sub-Saharan Africa. These overarching themes are:

1. The war for talent in Africa is just beginning. Global studies and long business experience both demonstrate that a company's success is directly linked to its ability to attract and retain the right skills. African business is no exception—indeed, the continent's relative shortage of skills more or less guarantees fierce conflict for the right skills. This survey shows that two skills categories will be most in demand: technical/ operational and professional.

2. The reliance on expatriates is problematic and needs to be rethought. Traditionally, the easiest way for companies to source scarce skills is to rely on global talent pools—not surprisingly, this is particularly true for global companies who are in a position to redeploy staff. However, the high premium that expatriates attract becomes a source of tension within companies. At the same time, political pressure for localisation is growing across the region. For these reasons, EY believes that companies need to build the capability to facilitate skills transfer from expatriates to local employees will become a vital competitive differentiator. At present, however, it is clear that companies across the region lack this capability.

3. There is an increased desire to source skills from other African countries or the returning African diaspora. As a consequence of the desire to reduce their dependence on expatriates, some companies are looking to source skills from other African countries or from members of the returning African diaspora. Whilst this could be an innovative and cost-effective way of addressing the expatriate dilemma, EY believes this needs to be managed sensitively and should not disregard the importance for organisations to "grow their own timber" by improving their ability to transfer and build local skills.

4. Organisations in Sub-Saharan Africa are currently weak in those talent-management skills they deem to be a high priority. As will be clear from the previous three points, the capability of an organisation's HR function is vital in its success. HR has to be able to identify the skills needed and to source them; it also has to have excellent retention and performance-management strategies to ensure maximum benefit from those skills. And, in particular, HR professionals within the organisation must provide the capability to facilitate skills transfer from expatriates, be they from the developed world, other African countries or the African diaspora.

"Understanding the **potential** in the world around us is just our starting point. The **challenge** that we set for ourselves is to go beyond **identifying** potential, to actually making a difference. A **difference** for our **people**, for the companies we serve, and for **society** as a whole."

Ajen Sita, CEO of EY Africa

Survey profile

Survey profile

224 companies participated in the Survey across 23 countries in Sub-Saharan Africa, representing approximately 392,000 employees.

Analysis has been split into 5 geographic regions, namely:

- Central Africa
- Eastern Africa
- French Speaking Saharan Africa
- Southern Africa
- Western Africa

Survey Coverage and representation

Regional representation

For analysis purposes, the following regional groups were used:

Central Africa:	14.29%
Eastern Africa:	19.64%
French-Speaking Sub-Saharan Africa:	19.64%
Southern Africa:	32.14%
Western Africa:	14.29 %

In terms of percentage contribution to the continent's gross domestic product (GDP), both South Africa (12.67% of the sample contributing 37% to GDP) and Nigeria (6.79% of the sample contributing 21.67% to GDP) are under-represented.

Sector representation

Respondents were drawn from both the public and private sectors, with the latter dominating:

Sector	Number of participants
Public sector:	18.1%
Private sector:	81.9% of which
▸ Multinationals	49.3%
▸ Indigenous companies	32.9%

Industry representation

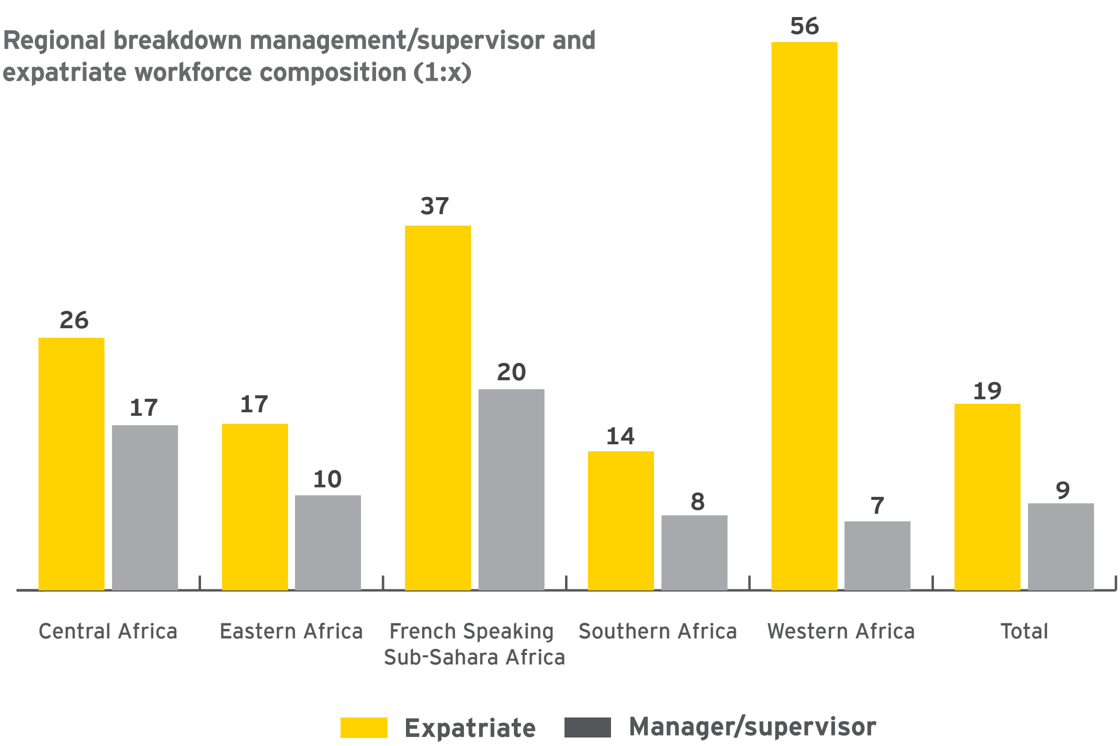
Overall, a good spread of industries was obtained. The highest representation was from the financial services, public and services sectors.

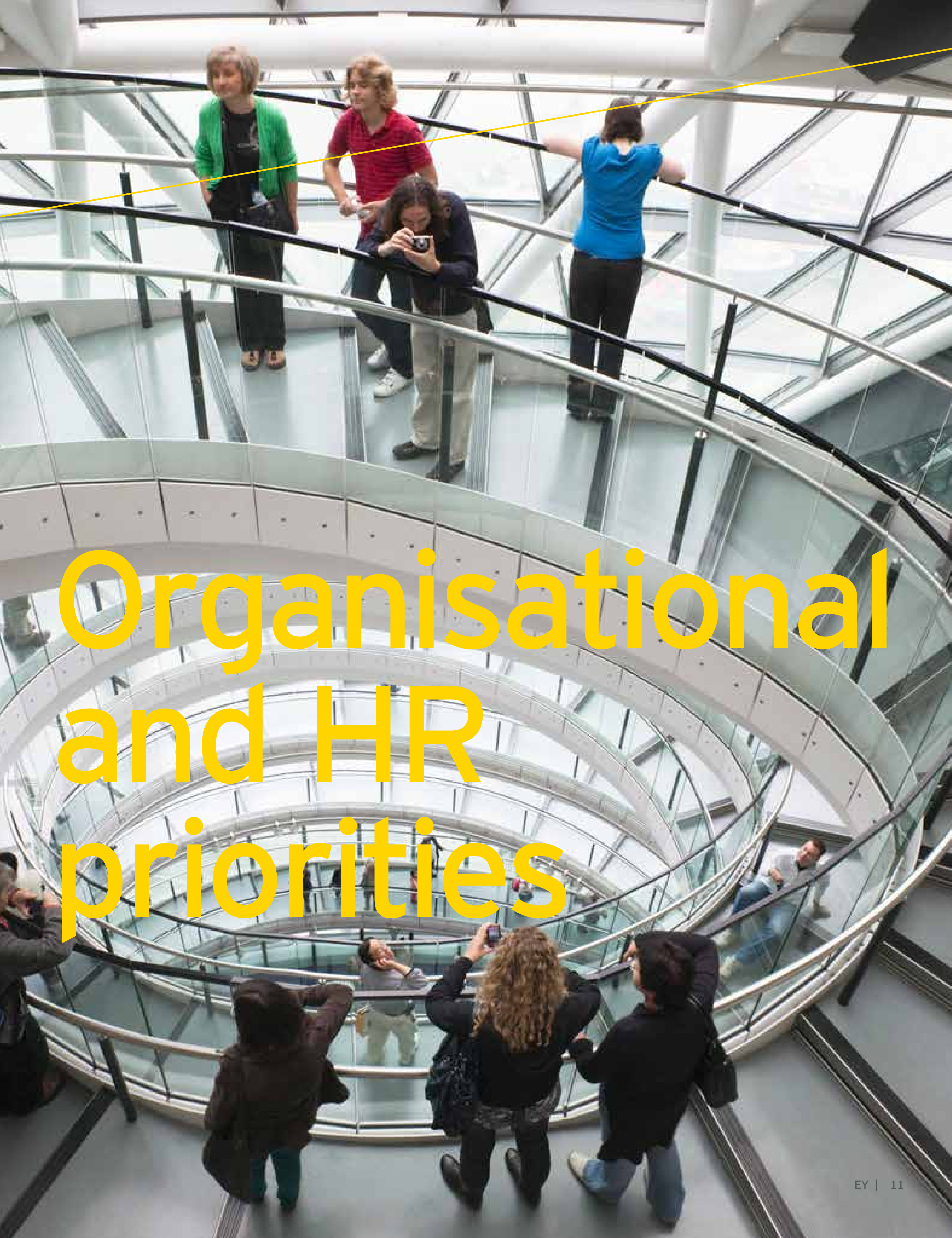
Respondent industry	%
Financial Services	18.3%
Public sector	18.3%
Services	10.3%
Energy	10.3%
Manufacturing	9.8%
Wholesale and Retail	8.5%
Technology and Telecommunication	8.5%
Mining	4.9%
Agriculture	4.9%
Logistics	3.1%
Other	3.1%
	100

Workforce composition

Expatriates make up 5% of the workforce whilst managers and supervisors average just over 11% of the workforce. Regionally the Western African region has the lowest management/supervisor spans (i.e. number of staff per manager) of control and the smallest proportion of expatriates in the workforce.

Regional breakdown management/supervisor and expatriate workforce composition (1:x)





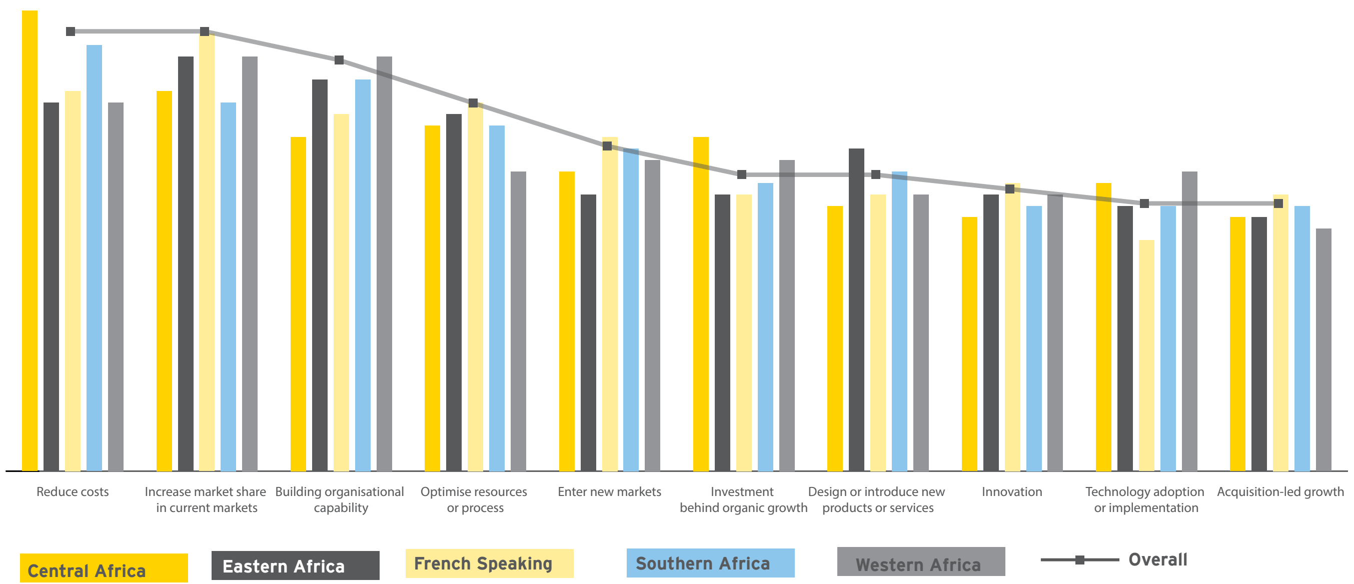
Organisational and HR priorities

Organisational and HR priorities

Organisational priorities by region

Whilst cost reduction is prioritised for Central African and Southern African regions, French-Speaking, Eastern and Western Sub-Saharan Africa showed increased market share in current markets as their highest priority. Building organisational capacity was also identified as an important priority.

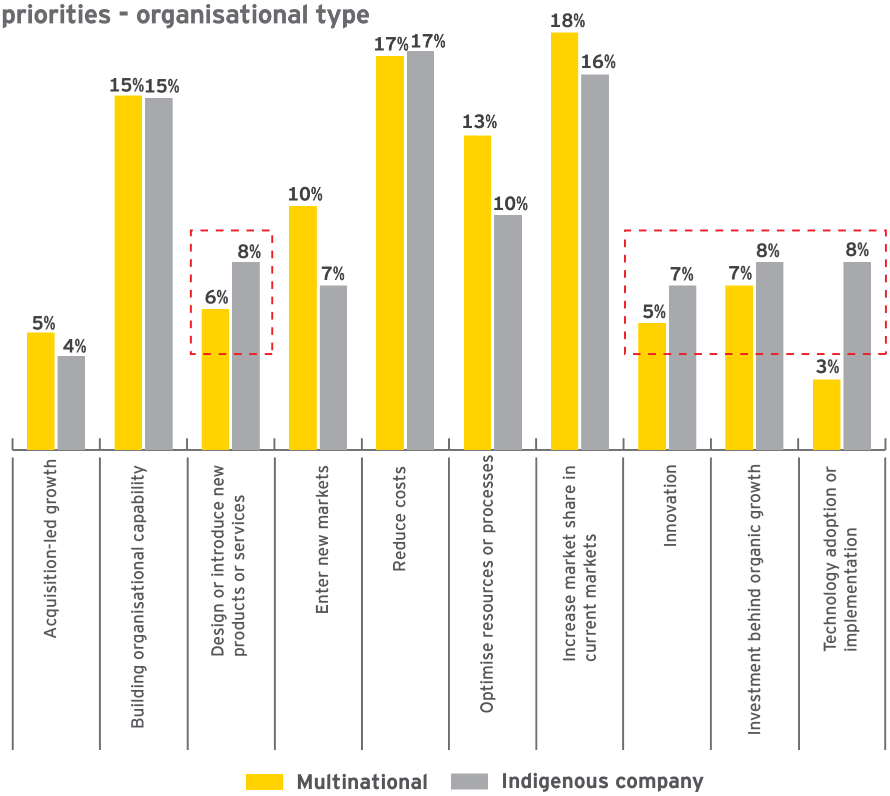
Organisational priorities by region



Organisational priorities by organisational type

Respondents identified their top four organisational priorities for the next 12 months. There was little difference between multinationals and indigenous companies, with most responses focused on building from an existing base and stabilising rather than aggressive expansion. Nevertheless it is possible that the greater focus on differentiation shown by indigenous companies could indicate their sensitivity to international competition.

Private sector organisational priorities - organisational type



Organisational effectiveness and labour efficiency

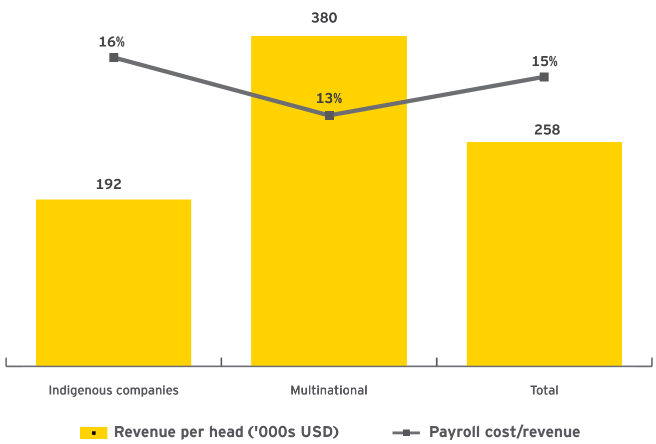
We used revenue per head versus payroll cost as a percentage of revenue to create two measures of how effectively an organisation uses its labour. The following graphs compare performance against these two measures by organisational type, region, and sector.

Regionally it is clear that Western Africa has the lowest payroll costs and the second-highest revenue per head. Francophone countries have high payroll cost ratios but earn the highest revenues per head, while Southern Africa lags on both measures.

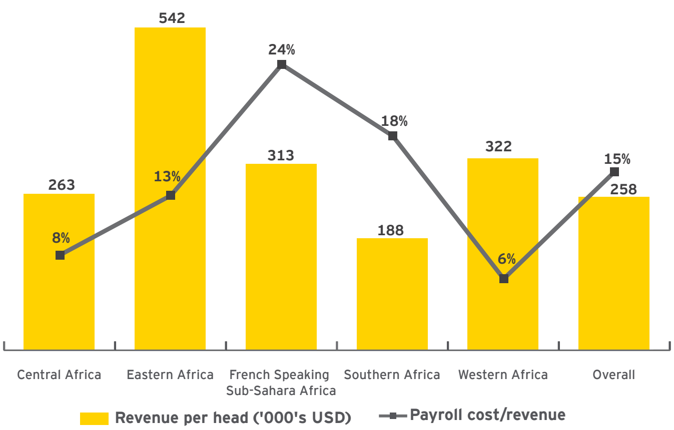
When it comes to organisational type, multinationals perform better than indigenous companies on both measures (with only a 3% differential in their proportionate investment in payroll, multinationals earn almost double the revenue per head.) Public-sector organisations have the highest payroll ratios combined with the lowest revenues (budget) per head.

When these measures are looked at by industry sector, it is clear that telecommunications is by far the best performer, with a high revenue per head and a relatively low payroll ratio. The public sector and financial services have similarly high payroll cost ratios but financial services have a much higher revenue per head.

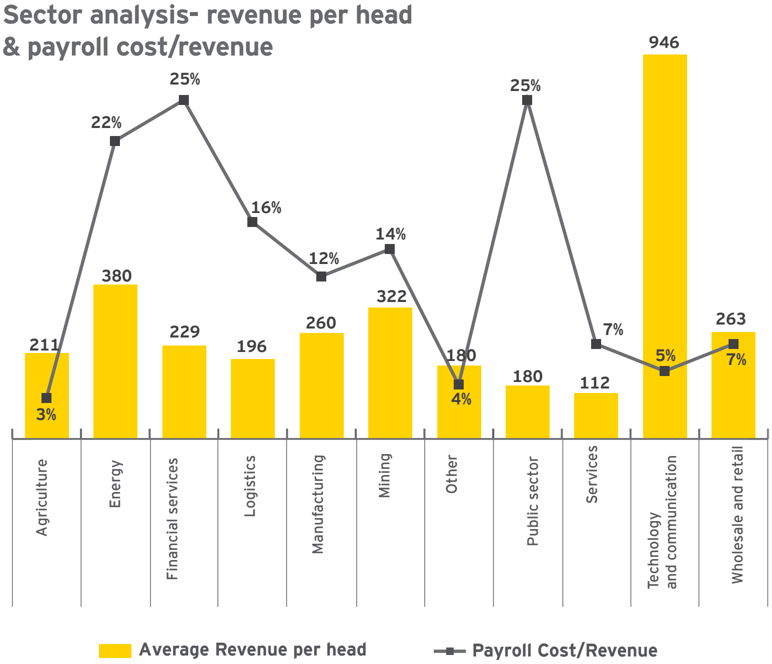
Organisational type- average revenue per head & payroll cost/revenue



Region- average revenue per head & payroll cost/revenue



Sector analysis- revenue per head & payroll cost/revenue



HR priorities and delivery capacity

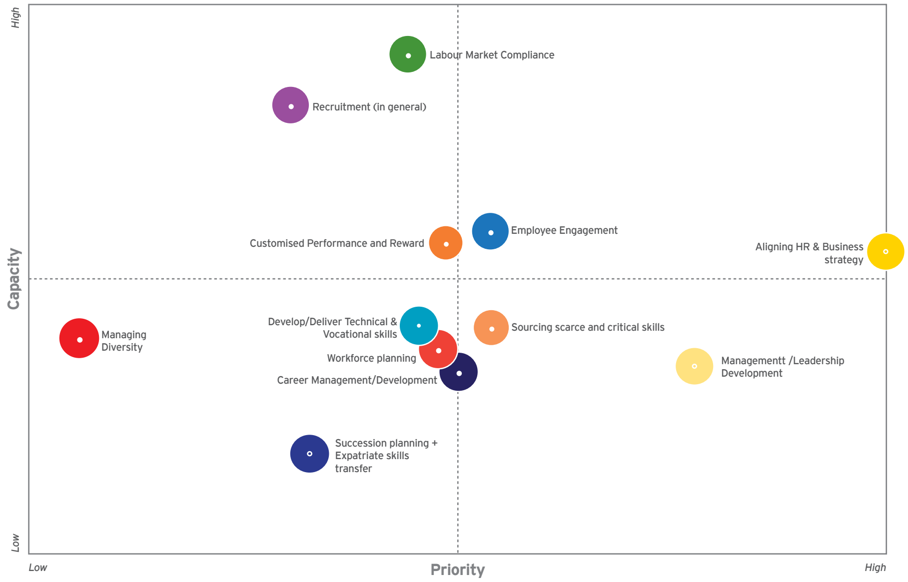
Across the total sample, aligning HR and business strategies, and management and leadership development stand out as high priorities. Other high-priority items are employee engagement, and sourcing scarce and critical skills.

In general, it is a source of worry that ability to deliver a range of activities associated with building and transferring skills (developing technical and vocational skills, workforce planning, career management etc.) is weak and in particular, that management and leadership development (a high priority) is described as such.

The priorities do not change substantially when data for local, multinational and public sector organisations are compared. All share capacity gaps in people development. Employee engagement is a priority for the private sector but not the public sector, where performance and reward is an important focus area for the latter.

South African respondents show labour market compliance as their third most important priority, with expatriate skills transfer showing as the area of least capacity and lowest priority. (This could be as a result of expatriates not being a feature of South African responses.) Managing diversity is the second lowest priority which is surprising given that it would be an important enabler to effective succession planning and labour market compliance.

HR priority-capacity chart-all respondents



Our **knowledge** is only useful when we apply it, our **commitment** is only visible when we **act** on it.

Jenny Greyling, Learning & Development Leader, EY Africa

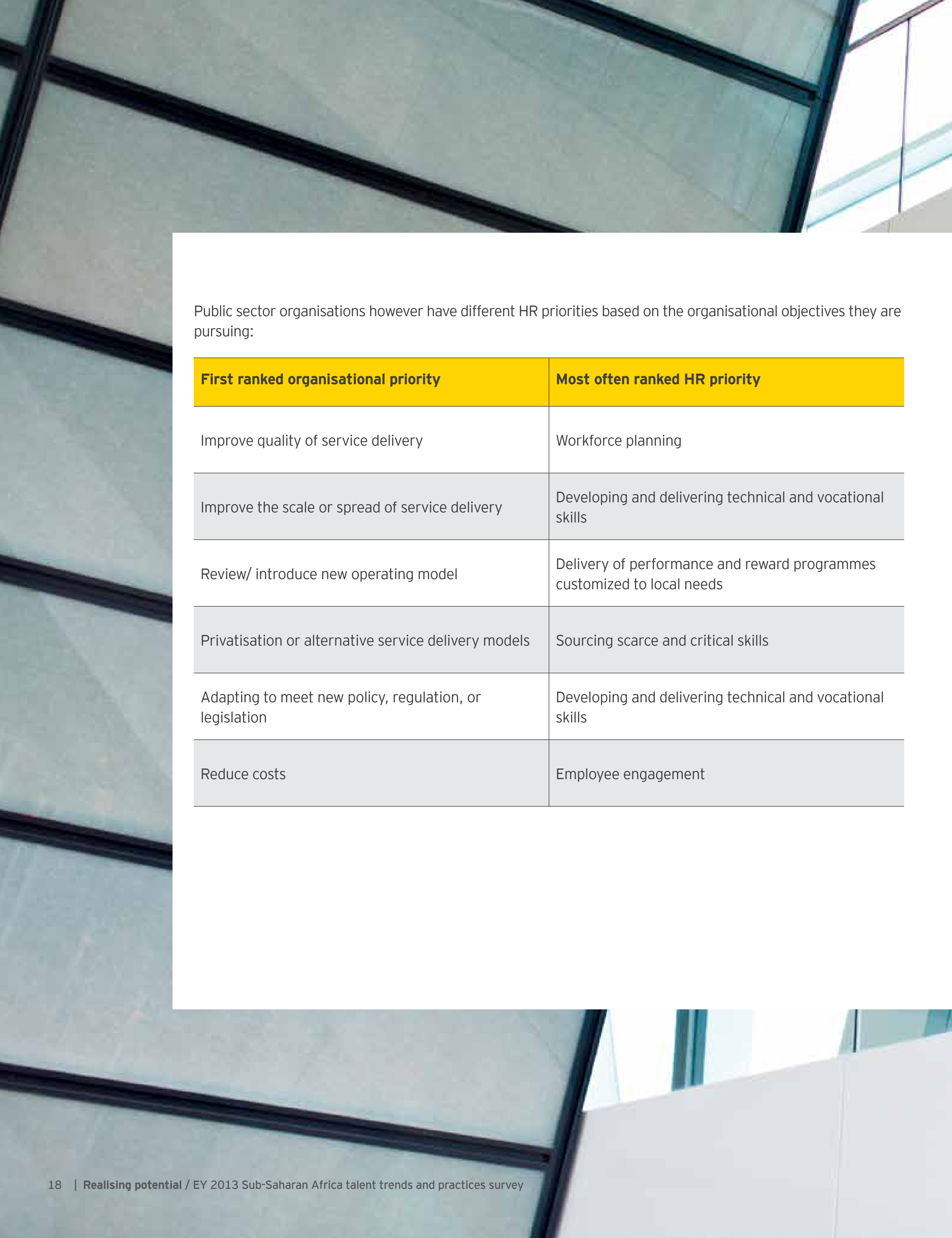
When HR priorities are sorted in terms of organisational type, the alignment of HR and business strategies is the primary consideration for each. Multinational and indigenous private-sector companies identify the same top three priorities with second and third reversed, while the public sector has performance and reward as a priority, perhaps indicating the importance of improved service delivery across the continent. Succession planning and the transfer of expatriate skills are capability gaps common to all three sectors.

	Indigenous company	Multinational company	Public sector
Top 3 priorities	1. Aligning HR to business strategy	1. Aligning HR to business strategy	1. Aligning HR to business strategy
	2. Employee engagement	2. Management/leadership development	2. Management/leadership development
	3. Management/leadership development	3. Employee engagement	3. Customised performance & reward
Top 3 capability gaps	1. Succession planning & expatriate skills transfer	1. Succession planning & expatriate skills transfer	1. Management/leadership development
	2. Career management/ development	2. Sourcing scarce and critical skills	2. Succession planning & expatriate skills transfer
	3. Managing diversity	3. Develop/ deliver technical & vocational skills	3. Career management/ development

What drives HR priorities?

An organisation's HR priorities must be aligned to its business objectives. We find that companies focused on fast growth prioritise HR capabilities linked to the transfer of skills and building of a succession pipeline, whereas those companies in a consolidation phase focus on employee engagement, followed by the creation of performance and reward programmes customised for local conditions.

Themes	First ranked organisational priority	Most often ranked HR priority
Grow fast	Acquisition-led growth	Succession planning and transfer of skills from expatriates to locals
	Innovation	Sourcing scarce and critical skills
	Design/introduce new products or services	Employee engagement
	Enter new markets	Employee engagement
Consolidate	Investment behind organic growth	Employee engagement
	Reduce costs	Employee engagement
	Building organisational capability	Employee engagement
	Optimise resources or processes	Employee engagement
	Increase market share in current markets	Delivery of performance and reward programmes customized to local needs
	Technology adaption or implementation	Delivery of performance and reward programmes customised to local needs



Public sector organisations however have different HR priorities based on the organisational objectives they are pursuing:

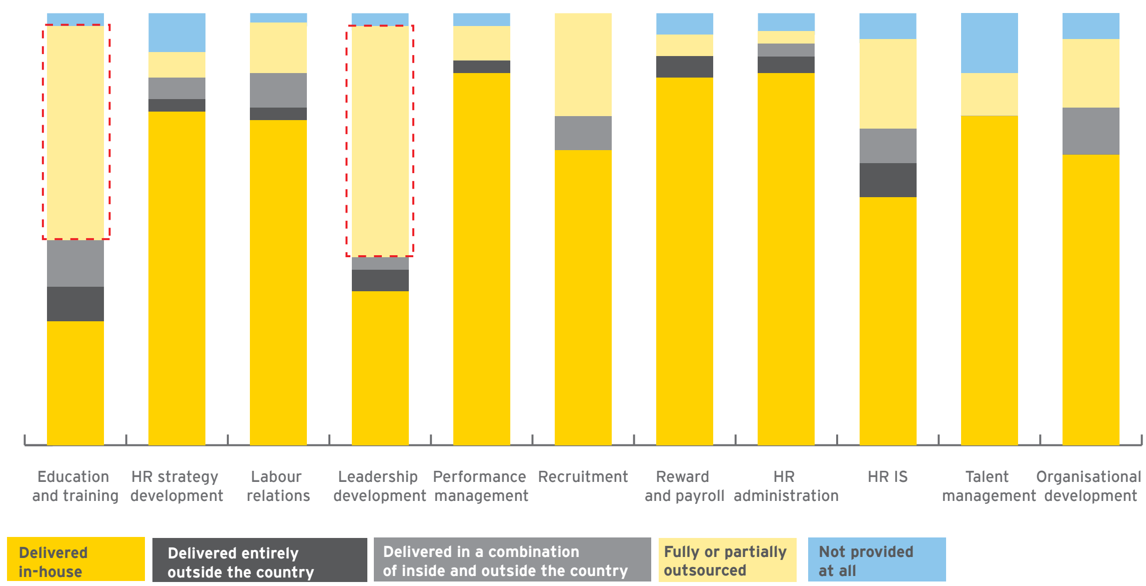
First ranked organisational priority	Most often ranked HR priority
Improve quality of service delivery	Workforce planning
Improve the scale or spread of service delivery	Developing and delivering technical and vocational skills
Review/ introduce new operating model	Delivery of performance and reward programmes customized to local needs
Privatisation or alternative service delivery models	Sourcing scarce and critical skills
Adapting to meet new policy, regulation, or legislation	Developing and delivering technical and vocational skills
Reduce costs	Employee engagement

Public sector

HR operating models for public sector respondents are designed to provide services as a traditional "one-stop shop". Only HR strategy development and talent management are marked as occasionally not being provided at all, with education and training, as well as leadership development, outsourced by 50% or more. This suggests a lack of capacity to deliver in these areas, putting the institutional capacity of the public sector under the spotlight.

How does HR deliver?
HR operating models vary somewhat between the public and private sectors.

HR operating model - Public Sector

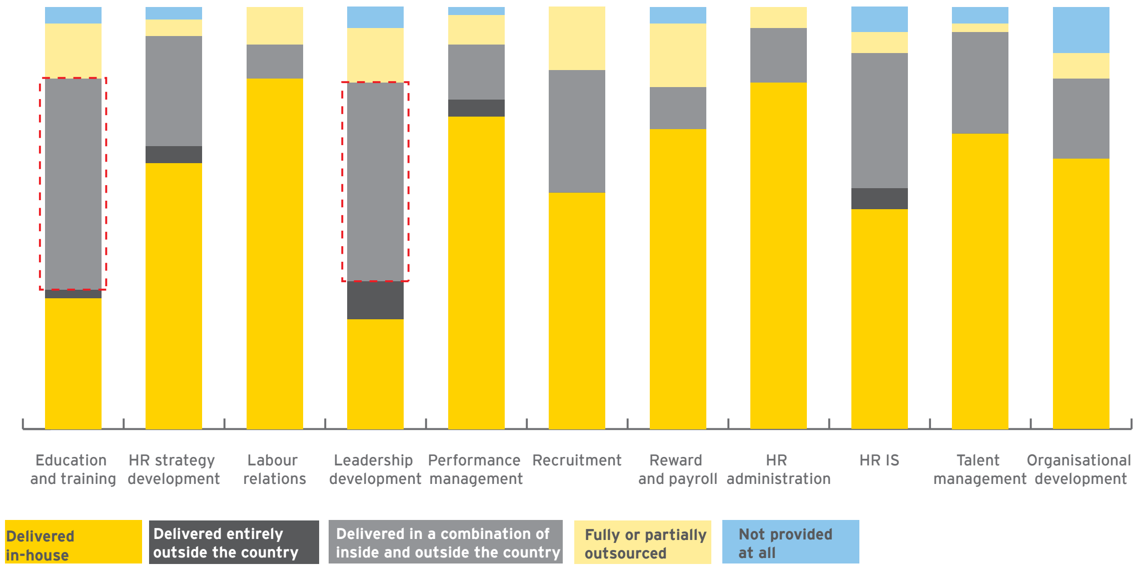


Private sector

Organisations in the private sector generally adopt a more flexible operating model; delivering HR services which require a higher degree of local contextualisation and management in-house (performance management, labour relations, reward and payroll, and HR administration) whilst relying on external resources inside or outside the country to provide education, training and leadership development.

Transactional activities like performance management, labour relations, payroll and HR administration are typically delivered in-country or are outsourced, while more strategic activities, like education/training and leadership development, are more likely to be co-sourced—an inversion of the practice in developed economies. This latter fact suggests that multinationals can supplement weakness in these areas by leveraging the capabilities of the global organisation, an option that their public-sector and indigenous peers do not have. This trend is further confirmed by the observation that multinationals have a lower propensity to deliver HR services in-house, an area in which they differ from the public service. However, labour relations, presumably because it is so dependent on local conditions, is largely delivered in-house across the private sector.

HR operating model - Private Sector



Sourcing, managing and talent

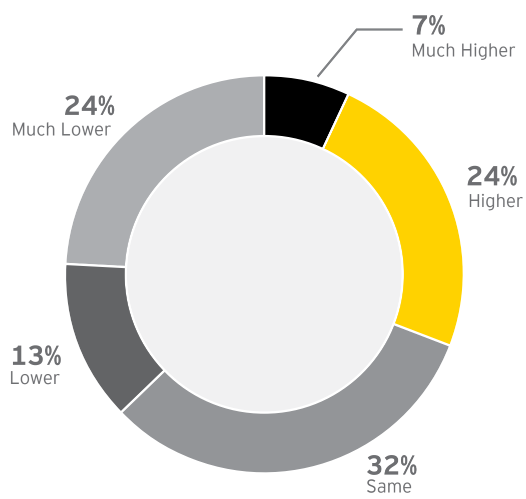
Sourcing, managing and retaining talent

Demand for skills: The calm before the storm?

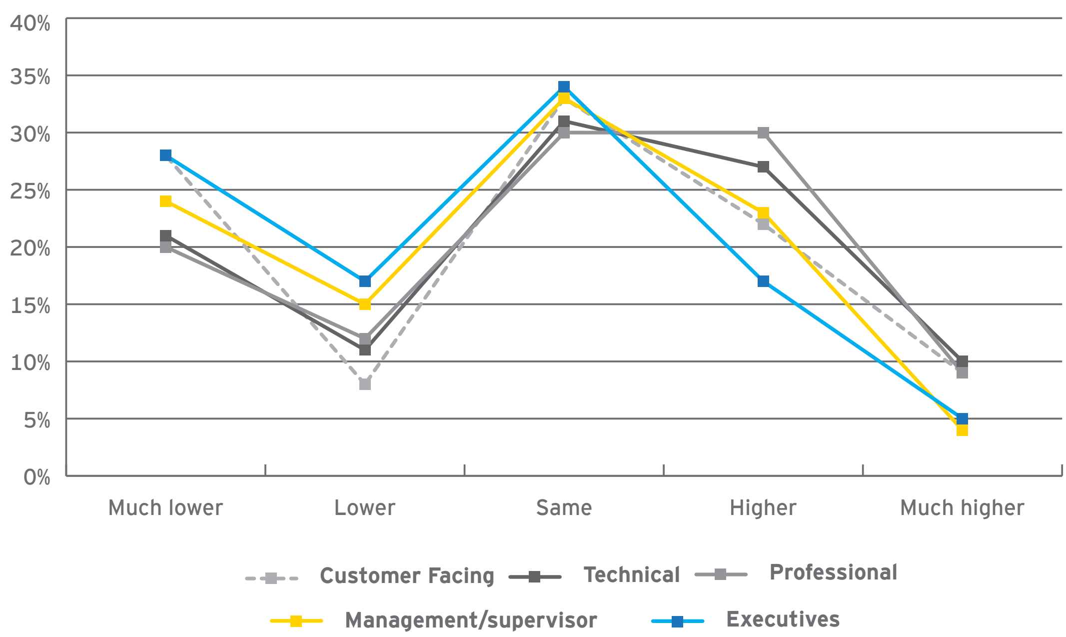
Recruitment expectations are fairly even spread across the spectrum of possible responses: roughly one third of respondents expect recruitment needs to remain the same, one third expect them to be higher, and one third lower. However, it should be noted that the existing recruitment base and growth rate of respondents are not known, and thus the caution not to see this profile of demand as lukewarm. Of further interest:

- Technical and professional skills will be most in demand, while executive skills are the least.
- A much lower increase in recruitment is expected in the public sector, except for professional skills.

Estimated recruitment needs next 12 months



Expected recruitment needs - next 12 months

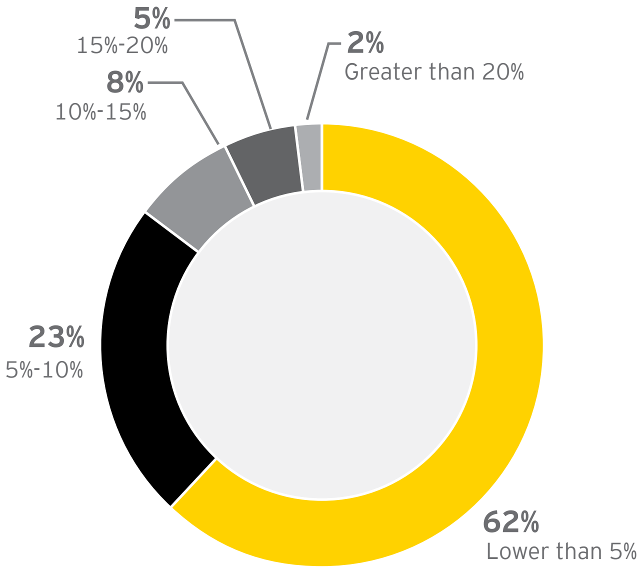


Unsurprisingly, when recruitment expectations are "lower" or "much lower", anticipated employee turnover is similarly low (91% of respondents indicated they expected employee turnover to be below 5%). Conversely, when recruitment expectations are "high" or "much higher", so too is the associated turnover: 62% of respondents expect employee turnover of less that 5% and 23% expect it within the range of 5 to 10%.

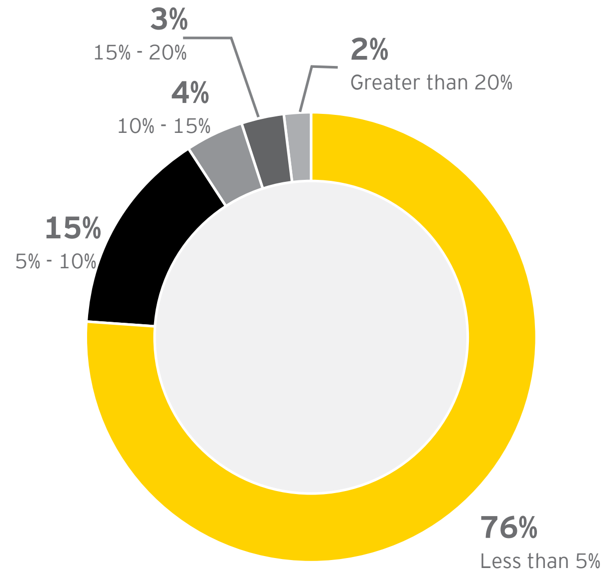
Employee turnover

Three out of four respondents expect employee turnover to be less than 5%, but technical/operational, professional, and customer-facing staff all show a larger margin in the combined 5% to 15% annual turnover category. Technical and professional skills should be watched as these skills are relatively scarce and there is increasing competition for them.

Estimated annual turnover when recruitment is expected to be higher or much higher



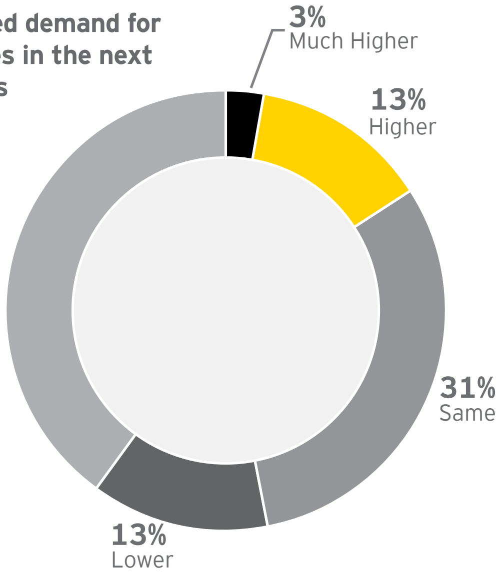
Estimated annual turnover



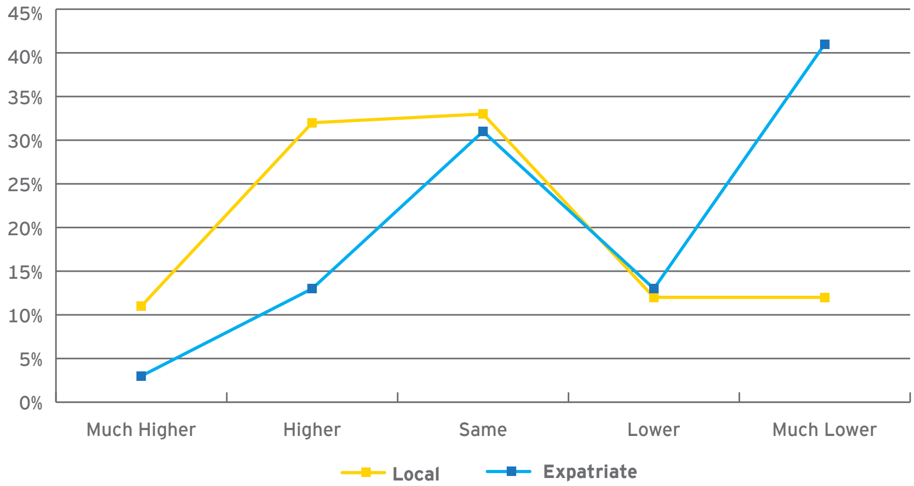
The demand for expatriates appears to be decreasing

It appears as though organisations in Sub-Saharan Africa are set to reduce their dependence on expatriate skills. Fifty-three percent anticipate hiring fewer expatriates, and only 16% anticipate hiring more. This trend is particularly clear in the professional and technical/ operational staffing categories—the skills most in demand.

Anticipated demand for expatriates in the next 12 months



Expatriate vs. local demand next 12 months - total

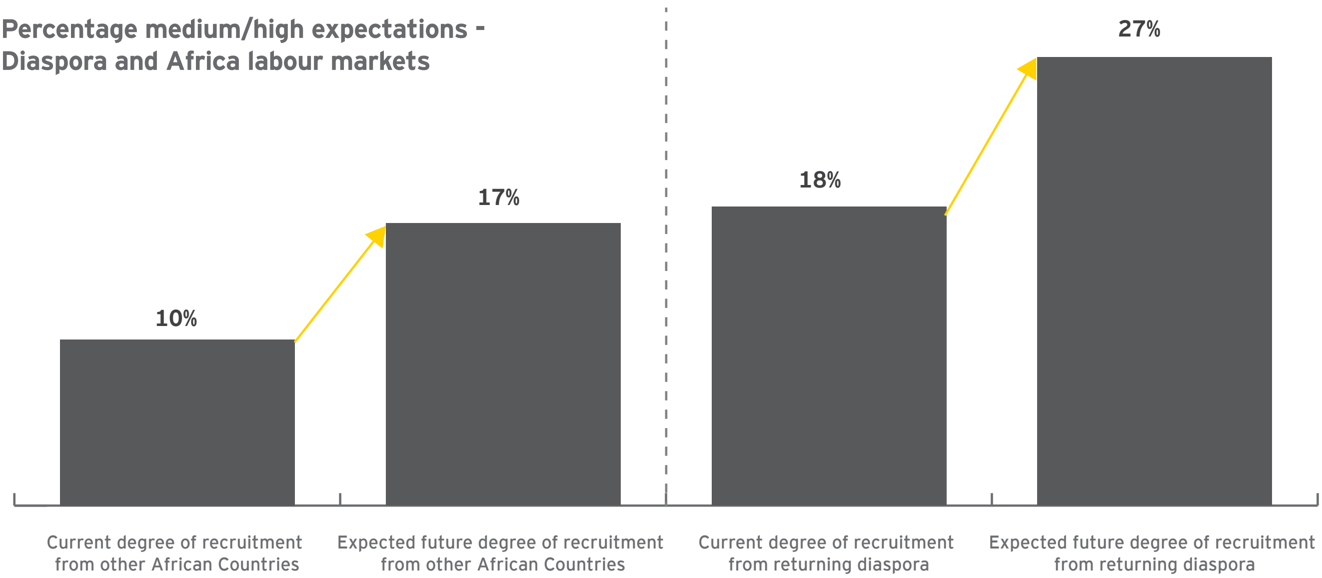


Other labour markets are becoming more attractive

In line with the expected decline in appetite for hiring expatriates, organisations are clearly looking to other labour markets as potential talent pools for sourcing skills. The likelihood of recruiting from other African countries is expected to increase from the current level (10%) to 17%, and from the returning African diaspora (currently 18% and expected to rise to 27%).

One in four multinationals expect to increase recruitment from other African countries in contrast to one in nine indigenous companies; possibly because of concerns that such hiring might invoke xenophobia.

Percentage medium/high expectations - Diaspora and Africa labour markets



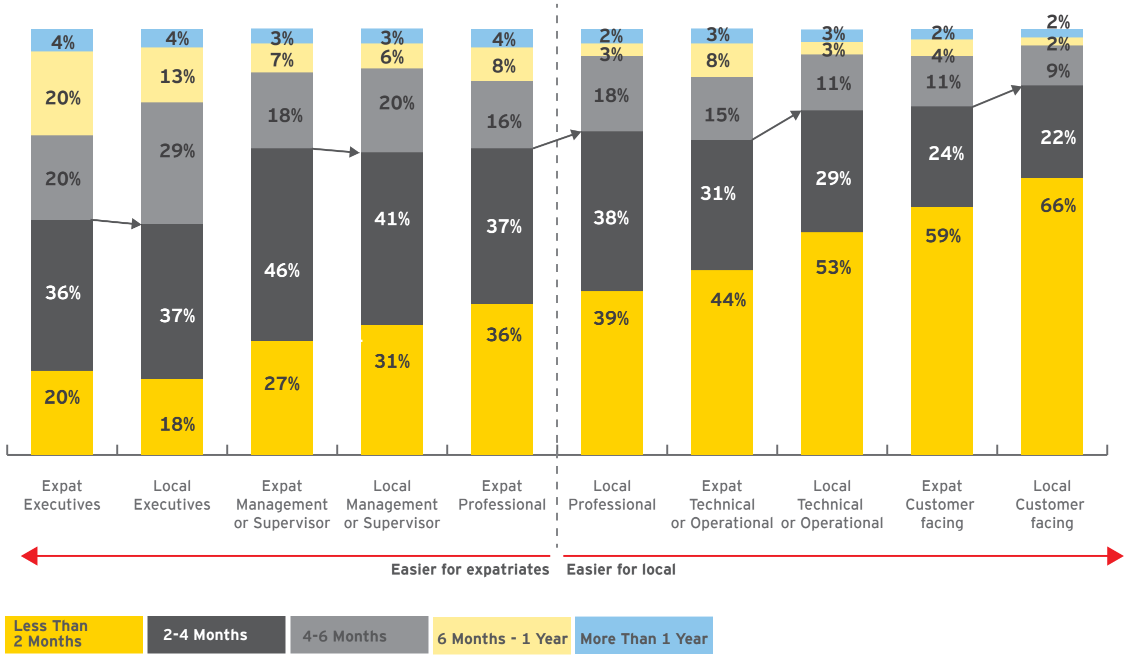
Regionally, the following is of interest:

- One-third of respondents in Eastern Sub-Saharan Africa expect future recruitment to come from the returning African Diaspora. Recruitment from other African countries is expected to double for Eastern Africa, with only a marginal increase in the Francophone region.
- Southern Africa is less bullish about future recruitment from the returning African Diaspora and other African countries but is nonetheless expecting to increase its hiring from both talent pools.
- Just over 90% of respondents from South Africa believe recruitment from returning African Diaspora or other African countries will be low/very low. Labour legislation may be a contributing factor here.
- Two in three respondents in the Central African region expect recruitment from other African countries and the returning African Diaspora to remain low/very low in the future.
- Respondents from the West African region are bullish about recruitment from the returning African Diaspora, believing it will almost double. One in 20 respondents currently recruits from other African countries with 1 in 6 respondents expected to do so in the future.

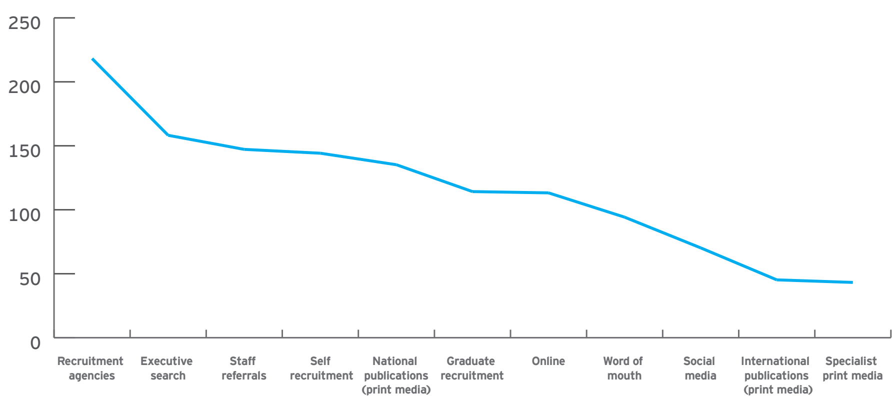
Average time to fill

While the time taken to fill various positions could be an indication of the availability of skills, it does not take into account how effective recruitment processes might be, or how well they match candidates to requirements. Bearing that in mind, currently it would appear that there is no challenge to fill positions (with in excess of half of all recruitment filled in four months or less) suggesting that scarcity of skills has yet to be felt in any substantial way. However as the following figure shows, management and executive positions are easier and quicker to fill for expatriates, whilst other types of positions are easier and quick to fill for local candidates.

Average time to fill vacancies - expatriate vs. local



Channels to source talent



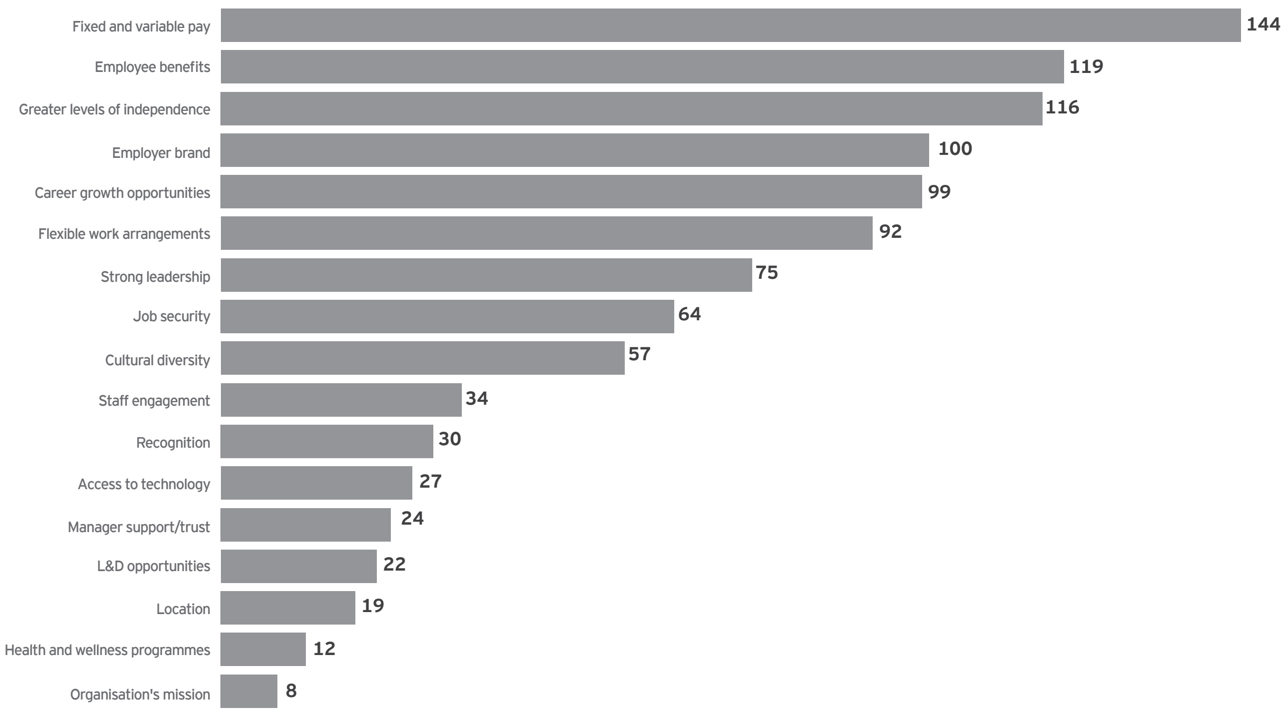
Recruitment channels

Recruitment agencies and executive search firms are most commonly used for recruitment. Staff referrals and self-recruitment are the third and fourth most popular recruitment channels possibly due to a scarcity of jobs in certain areas causing those seeking employment to be more proactive. Media-related recruitment channels are the least popular.

Retention

The top four factors for retaining local talent are fixed and variable pay, employee benefits, greater levels of independence, and employer brand. For South African organisations job security is one of the four top retention factor; reflecting possibly on South Africa's experience of low economic growth. Employer brand is one of the top three retention factors for multinationals perhaps reflecting on the perceived status of working for an international organisation.

Retention factors for local talent



Regionally, top factors for retention were identified as follows:

Top four drivers of retention

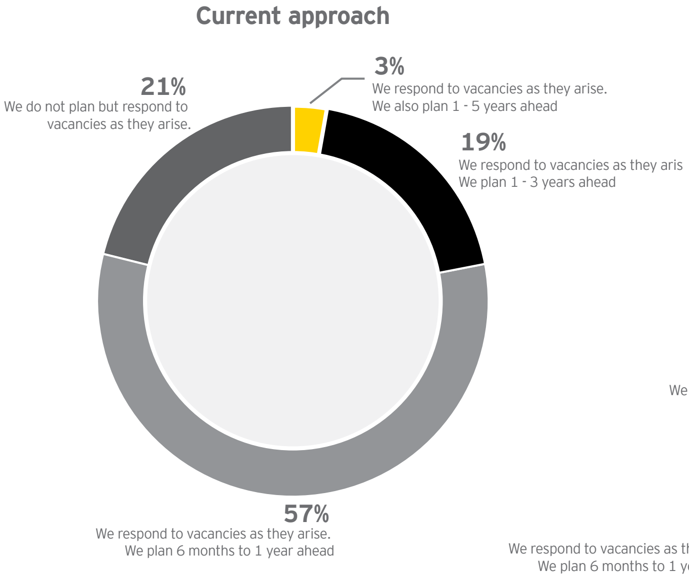
East Africa	FSSA	Southern Africa	West Africa	Central Africa
‣ Fixed and variable pay	‣ Fixed and variable pay	‣ Fixed and variable pay	‣ Fixed and variable pay	‣ Fixed and variable pay
‣ Employee benefits	‣ Employee benefits	‣ Career growth opportunities	‣ Greater levels of independence	‣ Employee benefits
‣ Greater levels of independence	‣ Greater levels of independence	‣ Employer brand	‣ Employee benefits	‣ Career growth opportunities
‣ Employer brand	‣ Flexible work arrangements	‣ Learning and development	‣ Employer brand	‣ Job security

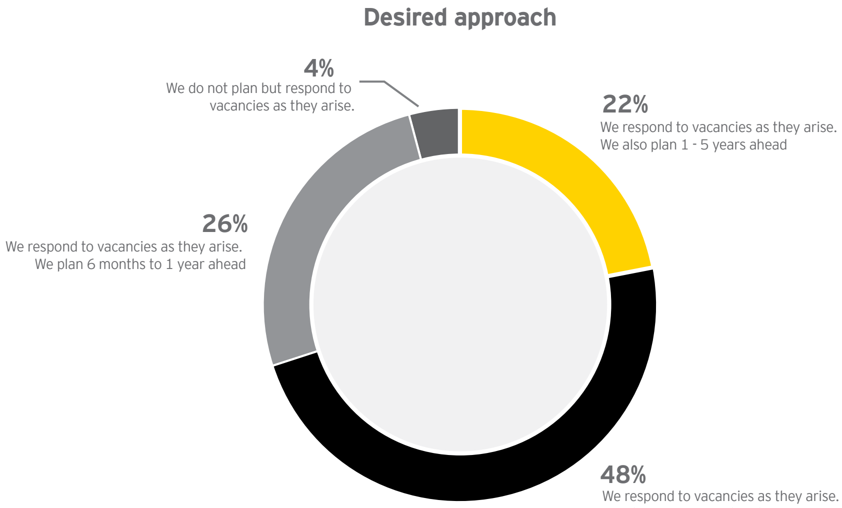
Talent management and labour market features

Talent management and labour market features

Workforce planning

Workforce planning is a critical tool for both strategic sourcing ("buy" decisions, in which scarce and critical skills are identified and pursued) and the planning/implementation of internal development ("build" decisions, in which a programme for developing needed skills internally is developed). Seventy-eight percent of respondents currently have a short-term focus, while 70% intend or desire to shift to a longer-term forecasting model. EY believes this longer-term focus will become more important as demand — and competition — for skills increases.

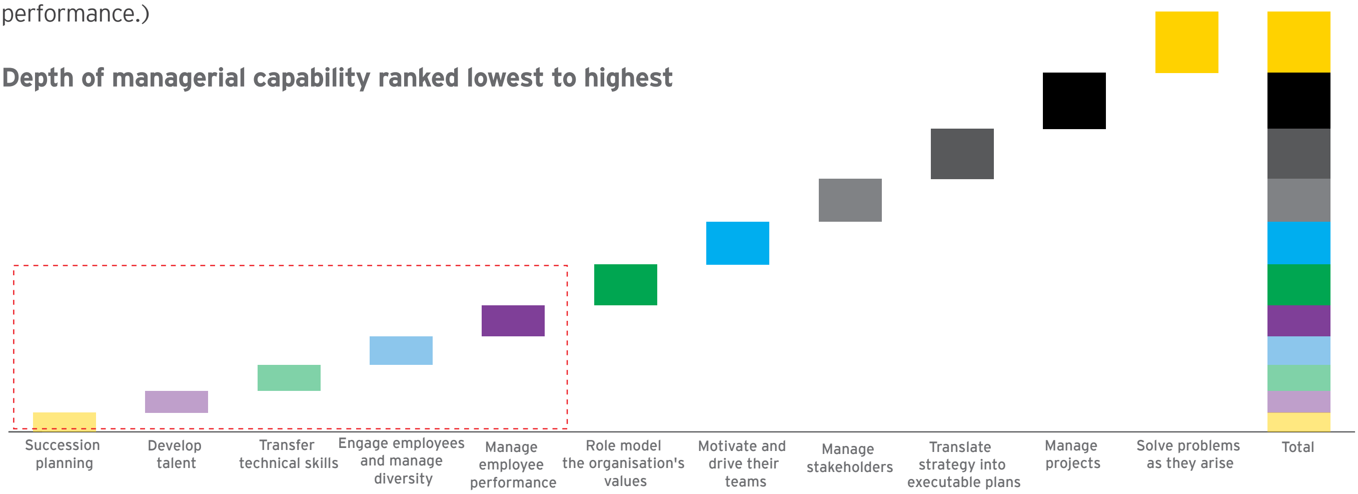




Managerial capability

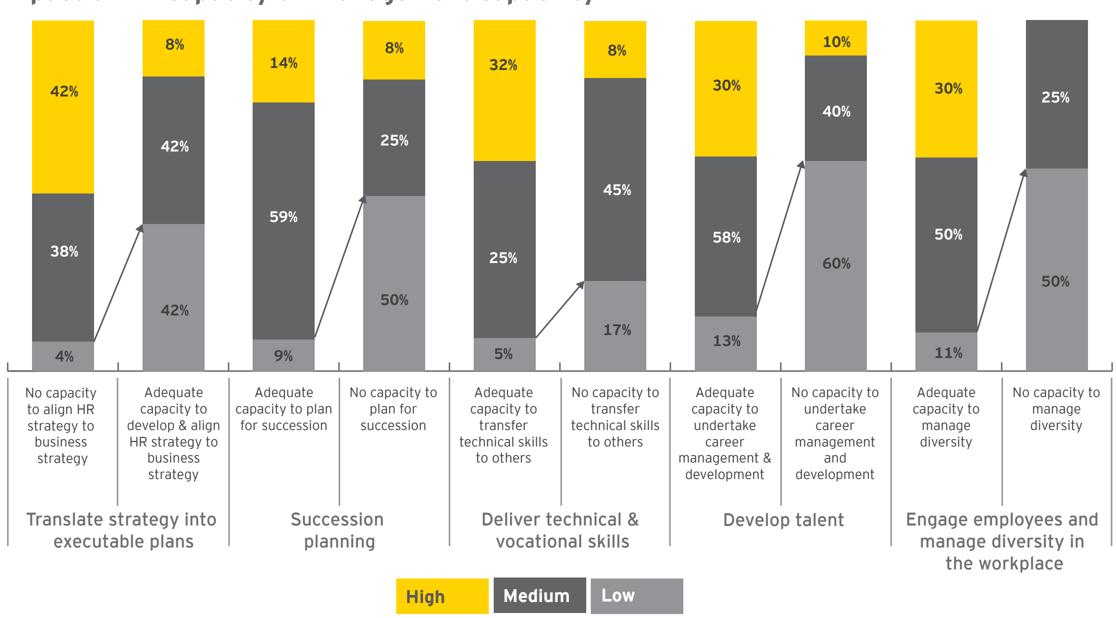
The capability of managers to manage people is widely recognised as key to the successful management of talent in an organisation. The survey shows that managerial capability is relatively strong in terms of operational execution but is weak when it comes to core talent-management processes (succession planning, developing talent, transferring technical skills, engaging employees, and managing employee performance.)

Depth of managerial capability ranked lowest to highest



This capability of managers is directly related to the strength of the HR department in the associated area. (Good line management skills in particular processes are associated with the strength and capability of the HR department to provide those processes.)

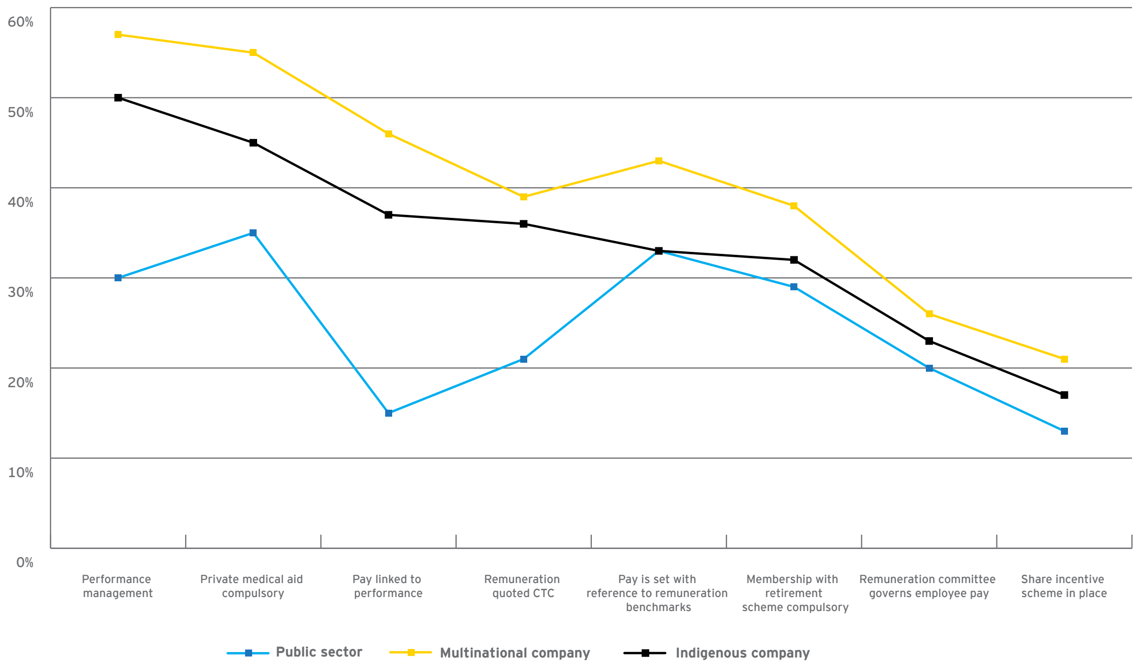
Impact of HR capacity on management capability



Performance and reward

Performance management and reward practices are key activities for managing talent. We find that performance management, compulsory participation in a private medical aid, pay benchmarking, and linking pay to performance are common practices. Employee share schemes and remuneration committees are less widely practiced. Generally, the public sector lags behind in key areas, and is less likely to have performance-linked pay in place.

Remuneration practices by organisational type



In considering performance and reward practices regionally we find that:

- Across all regions formal performance management systems are widely used.
- The use of remuneration committees to govern pay and the use of share incentives schemes are not common.

Some regional differences in remuneration practices are worth noting:

Central Africa

- Compulsory membership with retirement scheme is prevalent for management and staff.
- Benchmarking pay and linking pay to performance is more used for management than staff.
- Share-incentive schemes are more prevalent for management.

Eastern Africa

- Compulsory membership with medical aid scheme, benchmarking pay, and remuneration quoted as cost to company are practiced for staff more than managers.
- Linking pay to performance has some prevalence, both for both managers and staff.

French-Speaking Sub-Saharan Africa

- Compulsory private medical aid a strong remuneration feature for management, staff, and expatriates, as is linking pay to performance.
- Participation in share-incentive schemes, whilst not high, features more for expatriates than for management or staff.
- Benchmarking pay is not widely practiced.

Southern Africa

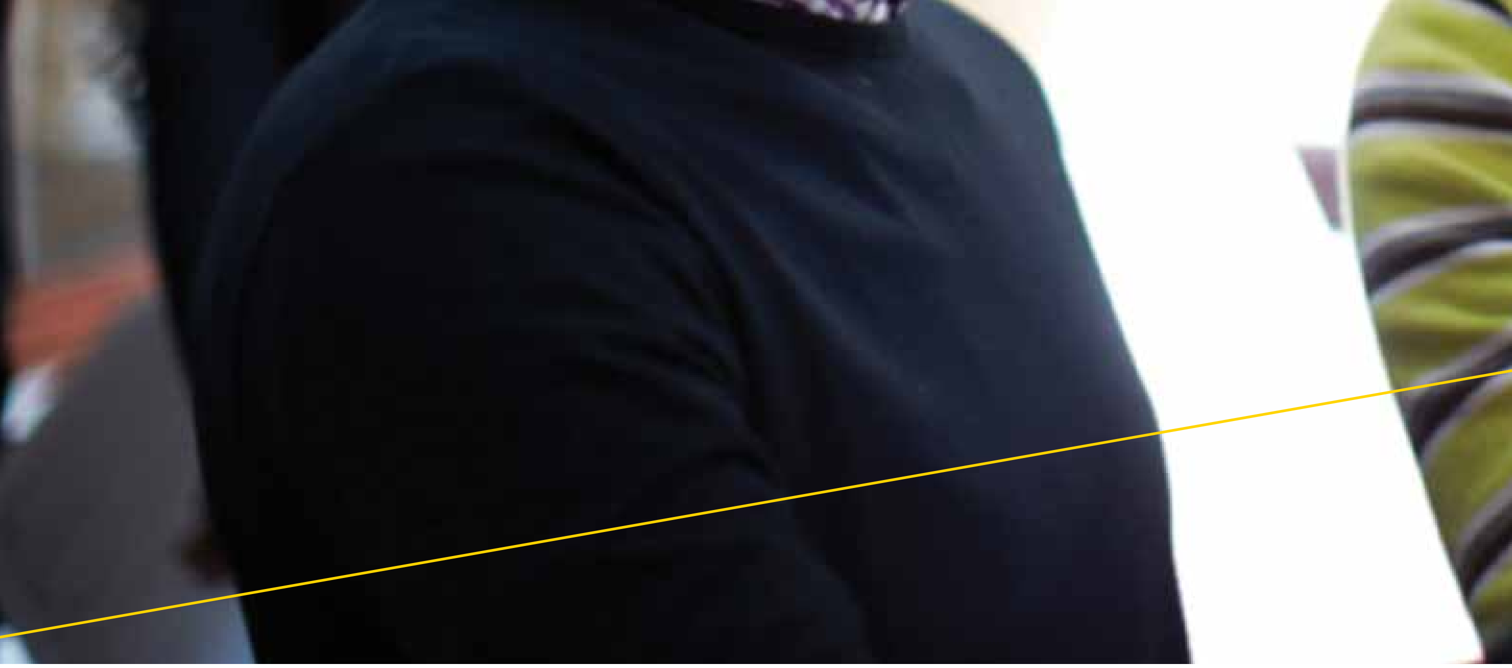
- Compulsory membership of retirement schemes and private medical aids, benchmarking pay, linking pay to performance, and quoting remuneration as total cost to company are common for management and staff.
- Quoting remuneration as cost to company and participation in share-incentive schemes are slightly more prevalent for managers than staff.

Western Africa

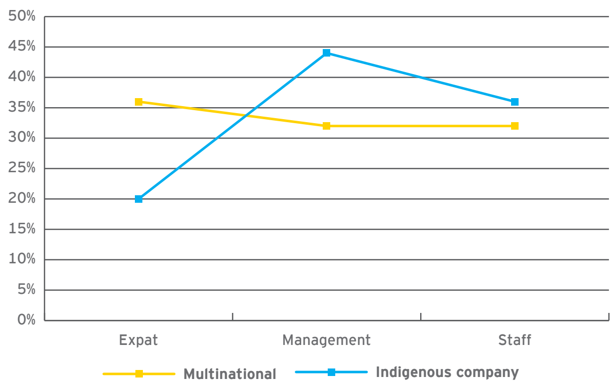
- Quoting remuneration as cost to company is more prevalent for staff more than managers.
- Benchmarking pay is frequently used for both staff and managers.

Remuneration and performance practices for different types of staff

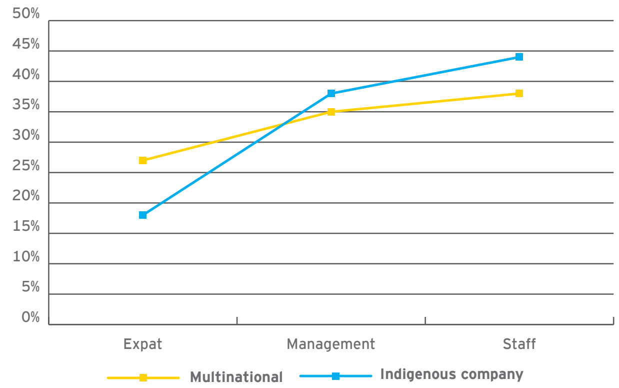
- We find that pay practices aren't as deeply embedded for expatriates, but that multinationals are more vigilant in managing expatriate pay than their local counterparts. We find that:
- Neither multinational nor local companies are rigorous in benchmarking expatriate pay.
- Local companies are less likely to link pay to performance for expatriates.
- Deployment of formal performance management systems for expatriates is not common, particularly for local companies.



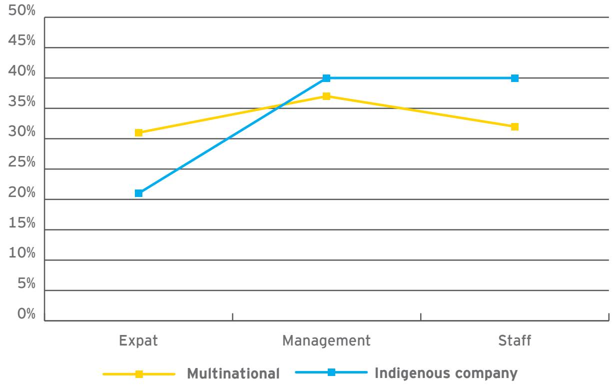
Remuneration committee governs pay



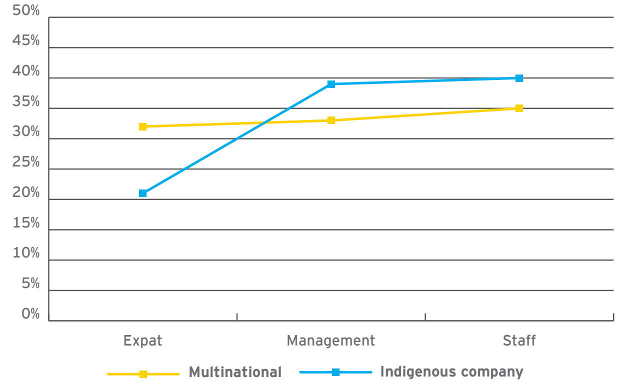
Pay is benchmarked



Pay is linked to individual performance



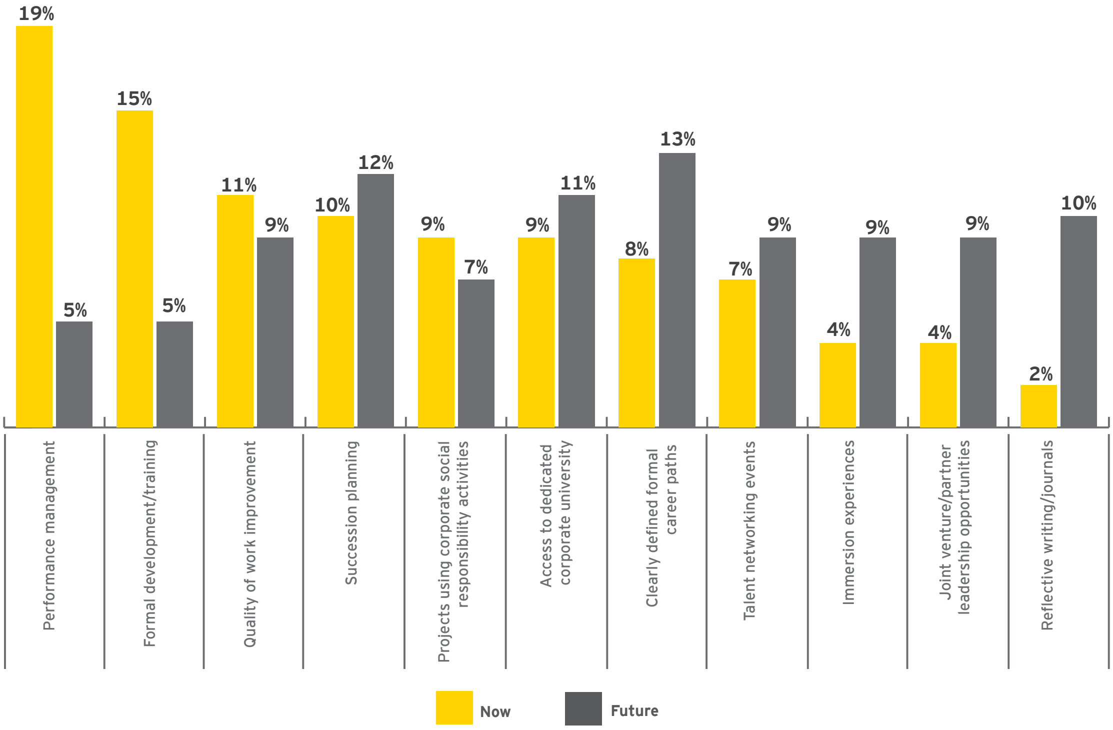
Formal performnace management in place



Leadership development approaches

The more traditional approaches to leadership development are currently the most widely used. These include performance management, formal development and training, and quality of work improvement initiatives (i.e.: secondments or stretch assignments). However, it is very evident that less-traditional approaches are likely to grow in importance in the future as leadership development becomes more complex. Career paths, corporate universities, immersion experiences, and joint venture/ partner leadership opportunities will all assume greater prominence.

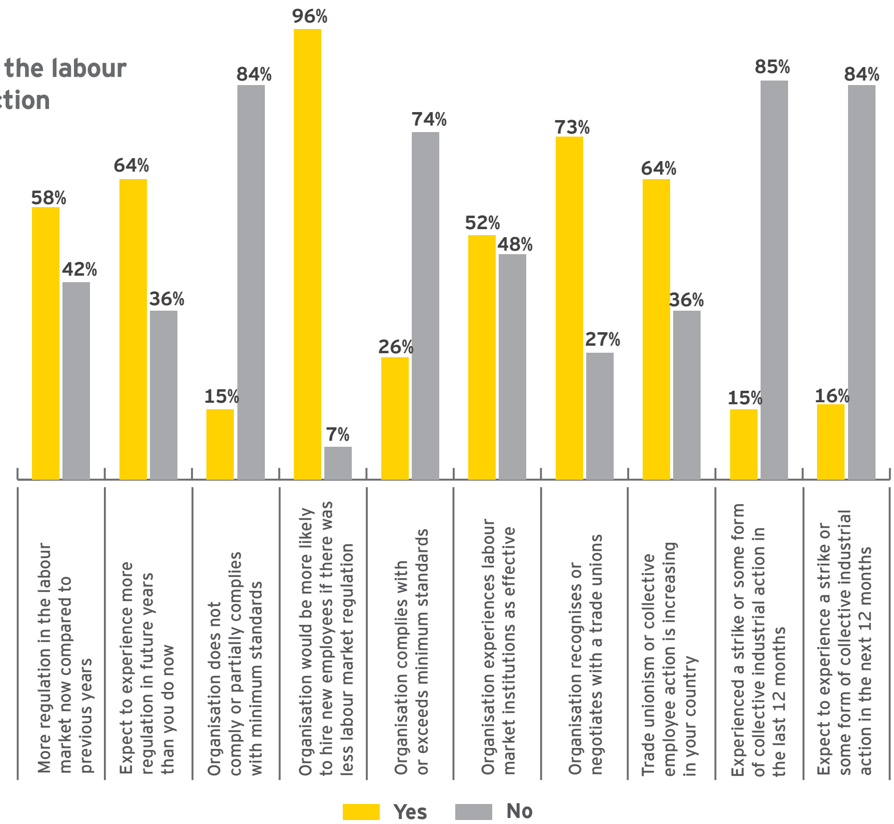
Leadership development modalities



Labour relations

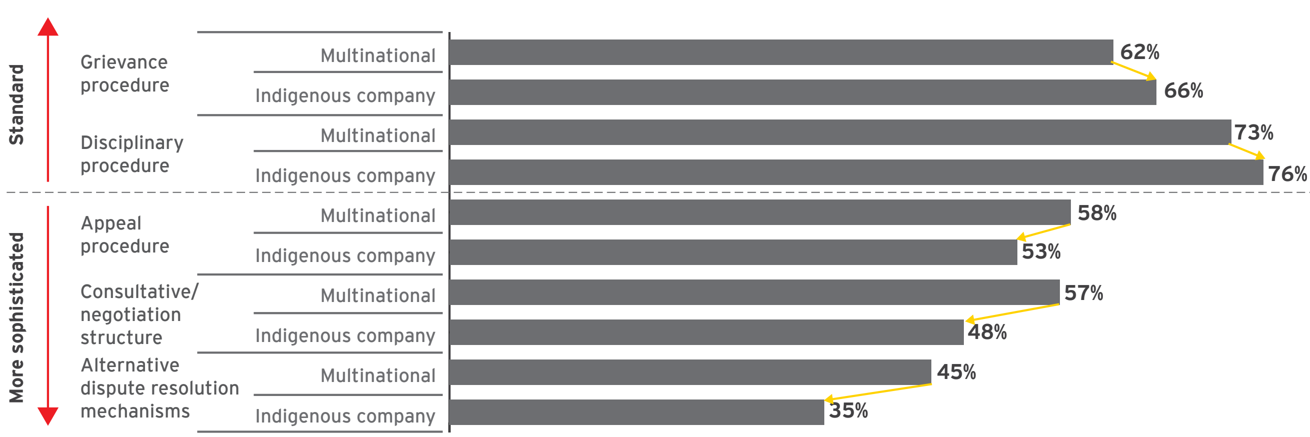
The research indicates that the African labour relations environment is comparatively calm. In the main, regulations are expected to increase but this will not affect hiring decisions. Overall, most organisations demonstrate high compliance with labour market institutions and report a relatively good experience with them. Trade unions are recognised by the majority, and increased trade union activity is expected. Relatively little industrial action has been experienced over the past 12 months (except in South Africa), but much more is expected over the coming year.

Current and anticipated experience of the labour market, trade unions and industrial action



When it comes to resolving labour disputes, indigenous companies tend to have basic dispute-resolution procedures in place. However, multinationals are more likely to have more sophisticated processes at their disposal.

Dispute resolution process - organisational type



Expatriates

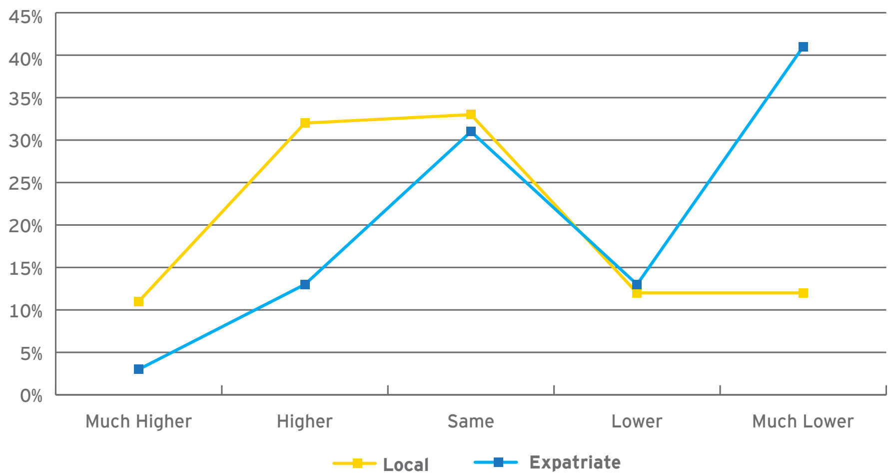
Expatriates

Although expatriates make up a little over 5% of the respondent employee base of the survey, they are likely to be in executive and senior management roles, and thus occupying a critical part of human resources landscape. They are typically used to plug strategic skills gaps in labour markets, start up new businesses or greenfield sites, and lead organisations. Given the importance of these roles, understanding the dynamics of this market segment provides deeper insight into the employment situation and challenges of the continent.

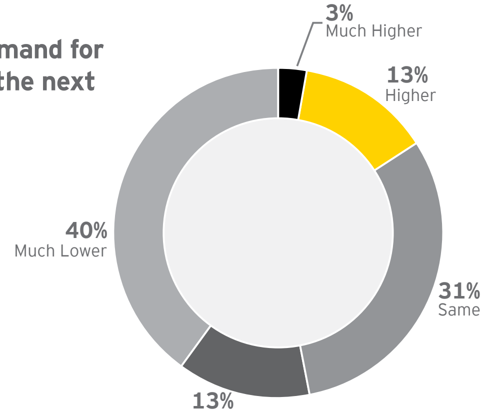
The demand for expatriates

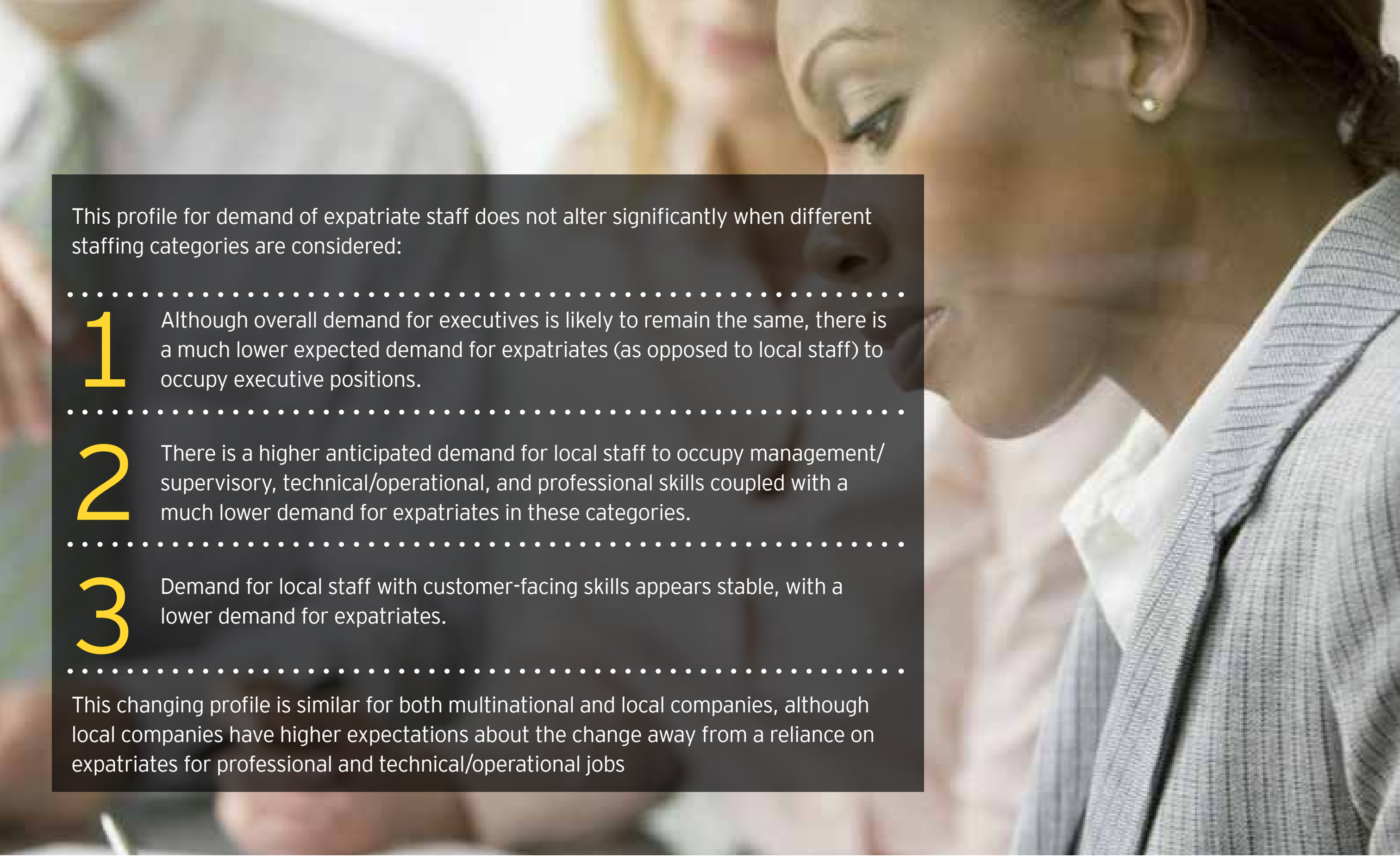
Whilst one-third of respondents expect the demand for expatriates to remain the same in the next year, just over half expect to experience a lower/much lower demand for such employees with a move away from dependence on expatriate labour.

Expatriate vs. local demand next 12 months



Anticipated demand for expatriates in the next 12 months





This profile for demand of expatriate staff does not alter significantly when different staffing categories are considered:

1 Although overall demand for executives is likely to remain the same, there is a much lower expected demand for expatriates (as opposed to local staff) to occupy executive positions.

2 There is a higher anticipated demand for local staff to occupy management/supervisory, technical/operational, and professional skills coupled with a much lower demand for expatriates in these categories.

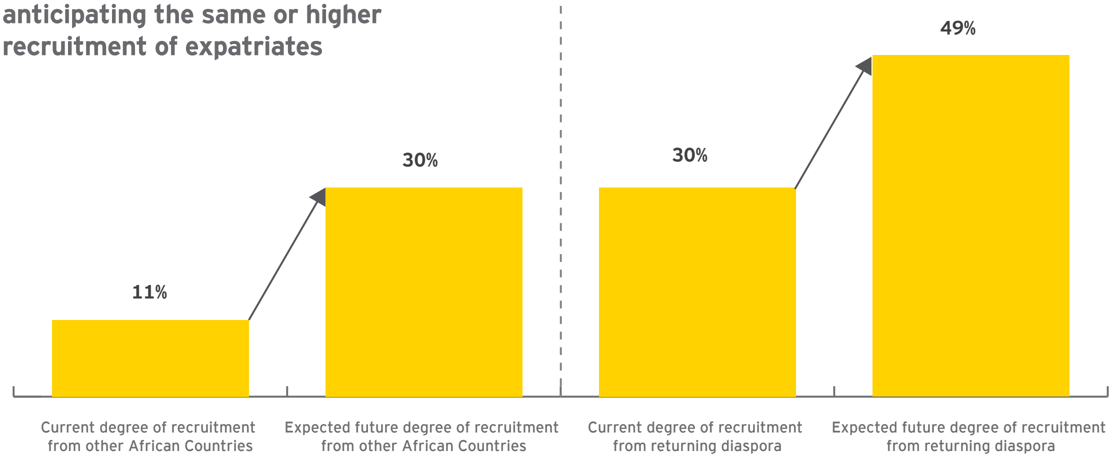
3 Demand for local staff with customer-facing skills appears stable, with a lower demand for expatriates.

This changing profile is similar for both multinational and local companies, although local companies have higher expectations about the change away from a reliance on expatriates for professional and technical/operational jobs

Sourcing

Respondents who indicated they expect to recruit expatriates at same or higher levels in the next year, show a desire to recruit from other African countries or the returning Diaspora.

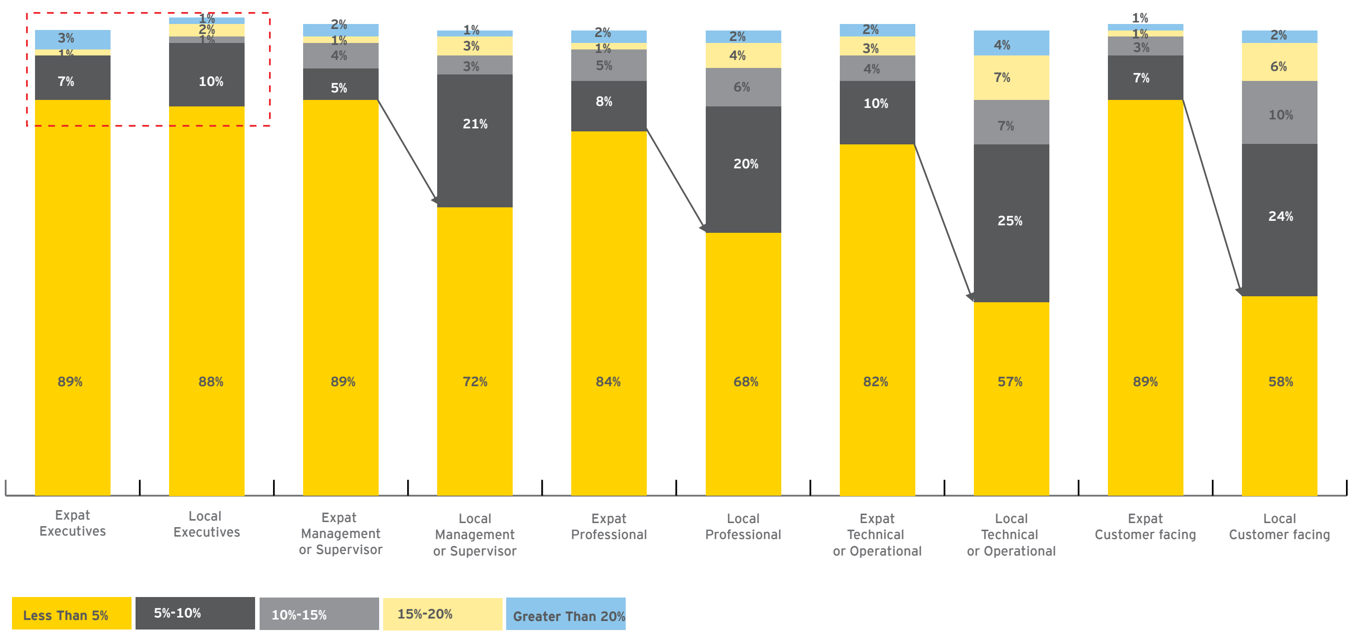
Recruitment expectations of respondents anticipating the same or higher recruitment of expatriates



Expatriate turnover

Although there's a desire to move away from using expatriates, with the low turnover rates (87% of respondents have an expatriate turnover less than 5%) specific strategies to do so will be needed. (Contract length and contract roll-over may be a contributing factor to these turnover figures.)

Turnover by staff category - expatriate versus local



- Turnover for expatriates in multinationals and indigenous companies is largely similar; with indigenous companies slightly more effective in containing exits (89% of indigenous companies experience expatriate turnover of less than 5% compared to 83% for multinationals).
- Comparing turnover of expatriates against local employees for different staff categories shows turnover profiles for executives are very similar, but greater mobility for all other staff categories for local employees. This metric should be monitored as mobility in the local labour markets may indicate poaching, and thus skills gaps.

Time to fill vacancies for expatriates

We considered whether respondents who prioritised "improving the attractiveness of their organisation to potential expatriate employees" were any quicker to fill expatriate vacancies (assuming that time to fill might in part be attributable to the attractiveness of the organisation as potential employer.) Findings show that when this is a priority, there is a greater degree of success in filling vacant positions in under four months for some categories of employee.

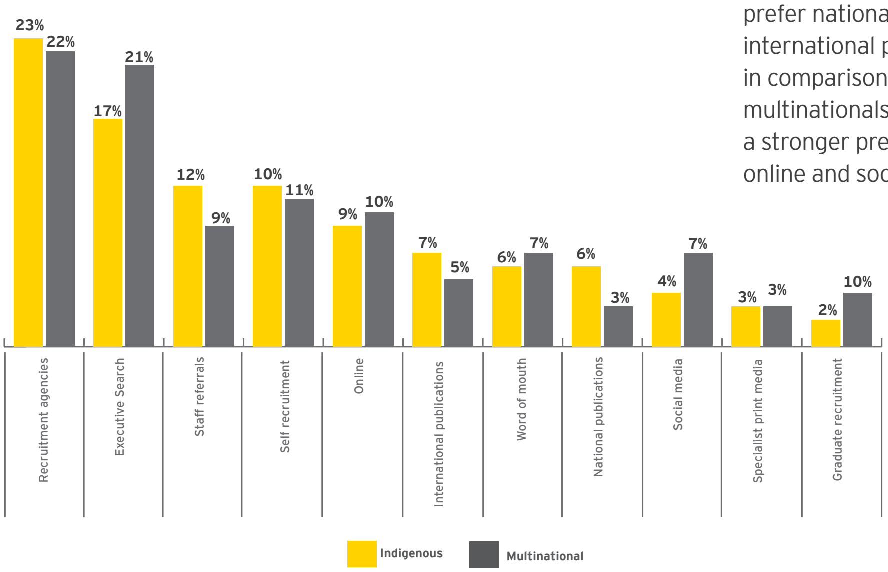
Category of employee	**% filling positions in <4 months where attractiveness to expatriates a priority**	**% overall sample filling positions in <4 months**
Executives	60%	56%
Management/supervisor	79%	73%
Professional	81%	72%
Technical/operational	69%	74%
Customer facing	81%	83%

Expatriate sourcing channels

There are few differences in preferred sourcing channels between indigenous and multinational firms, with indigenous companies favouring recruitment agencies whilst multinationals favour recruitment agencies and executive search almost equally. However:

- Indigenous respondents prefer national and international publications in comparison to multinationals, which have a stronger preference for online and social media.
- With staff referrals as one of the preferred recruitment channels for expatriates, the question is whether expatriates refer other expatriates.

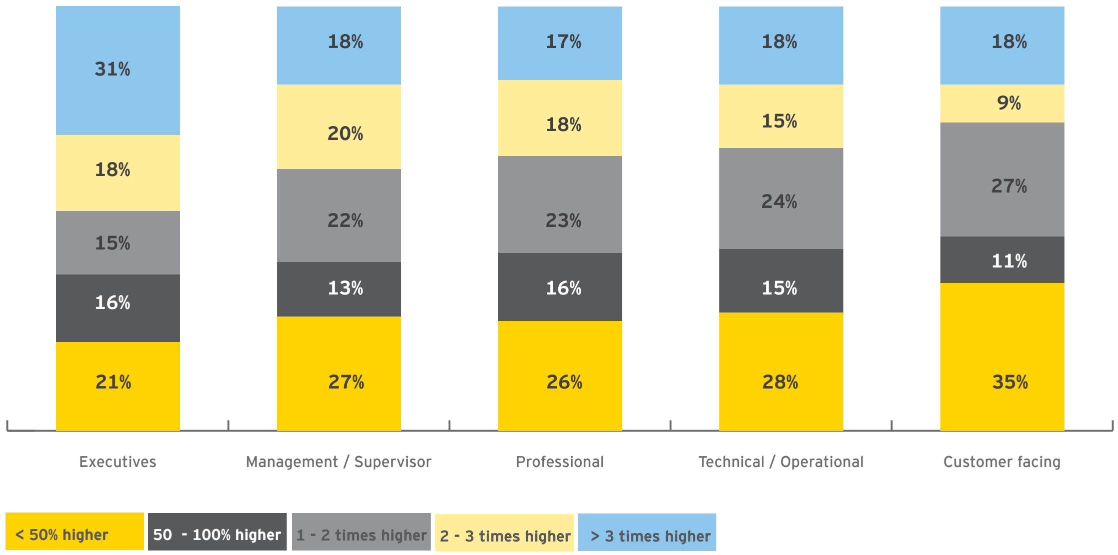
Which channels to source expatriate talent? Indigenous vs. multinational



Cost of expatriates

Approximately one in three expatriates in executive positions, and one in five of expatriates in other categories, can earn a premium three times that of their local counterparts.

Expatriate premiums by category



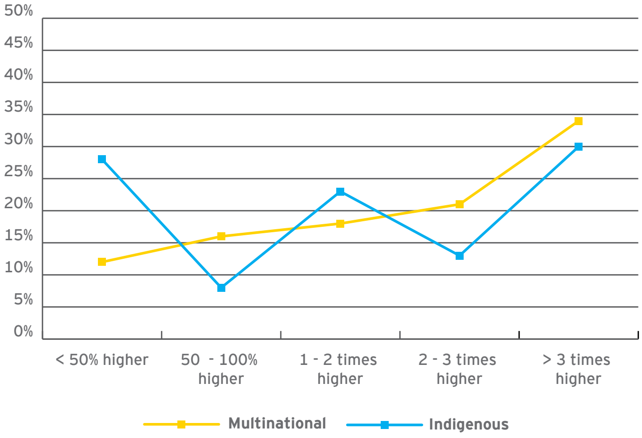
Indigenous companies pay less than their multinational counterparts for all categories of expatriate skills. However:

- Indigenous company expatriate turnover rates are comparable to multinationals, indicating that pay is not a significant barrier in retaining staff.
- With the exception of executives, indigenous companies fill vacancies faster than multinationals.
- Premiums offered to expatriates tend to increase in line with the length of the contract.

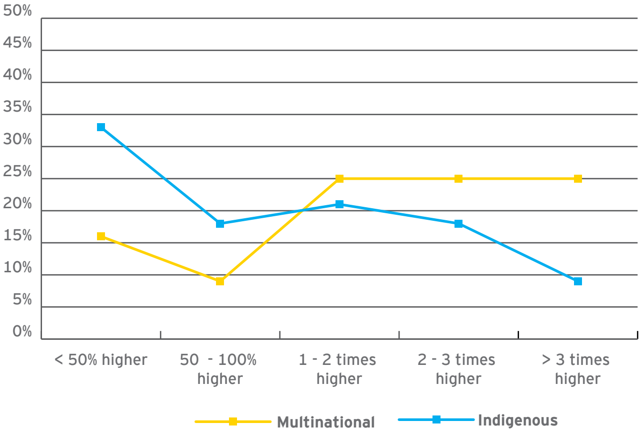
Possible reasons for these differences are:

- If indigenous firms source expatriates from local or regional markets, pay costs may be lower than from multinationals' global labour markets.
- Potentially multinational firms may look at drawing from their global organisational labour pools whilst indigenous firms look for independent contractors.
- Multinationals when compared to indigenous companies may have less understanding of the local skills available as well as the associated pay requirements.

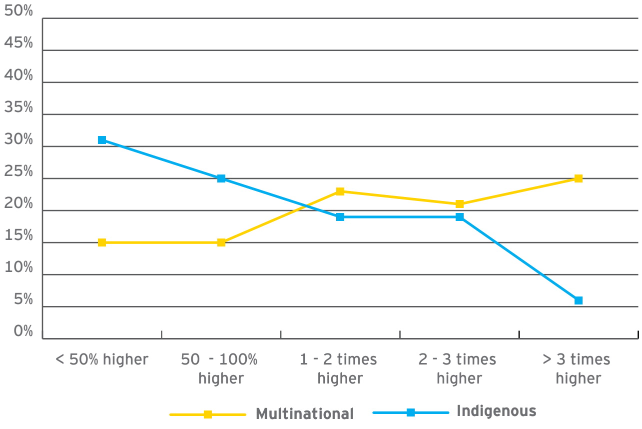
Expatriate premium - Executive



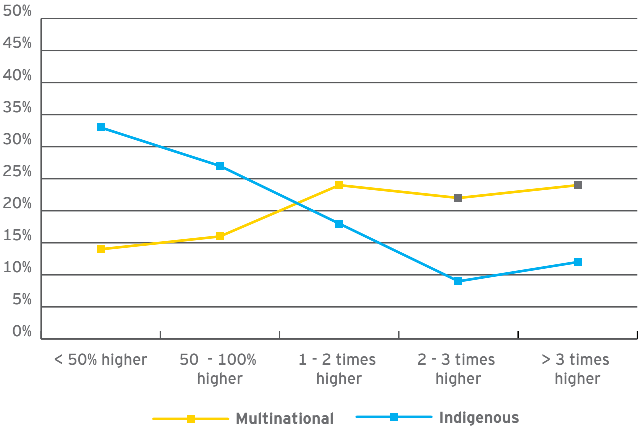
Expatriate premium - Management/supervisory



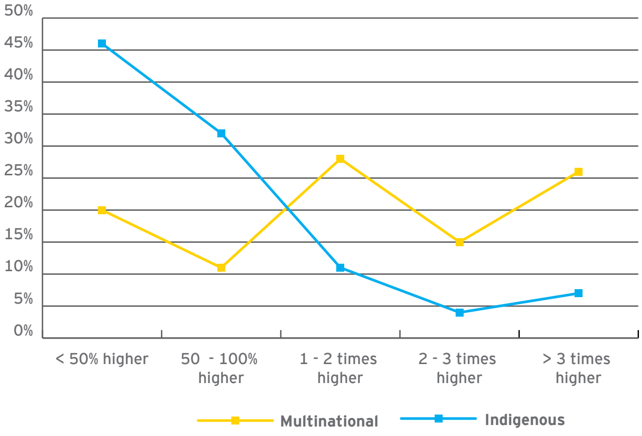
Expatriate premium - Customer facing



Expatriate premium - Technical/operational



Expatriate premium - Customer facing

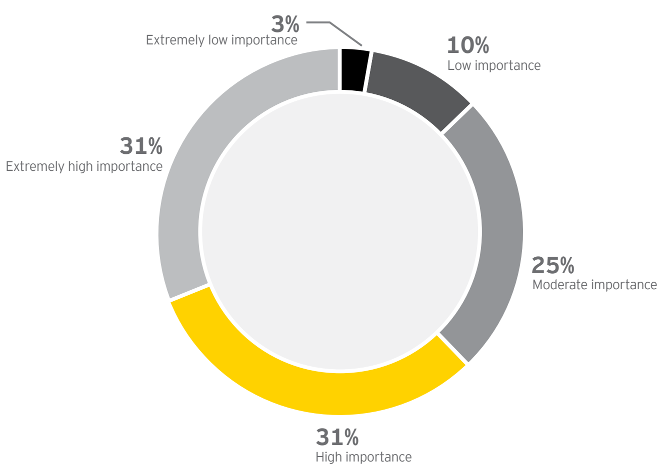


Transforming the dependence on expatriates

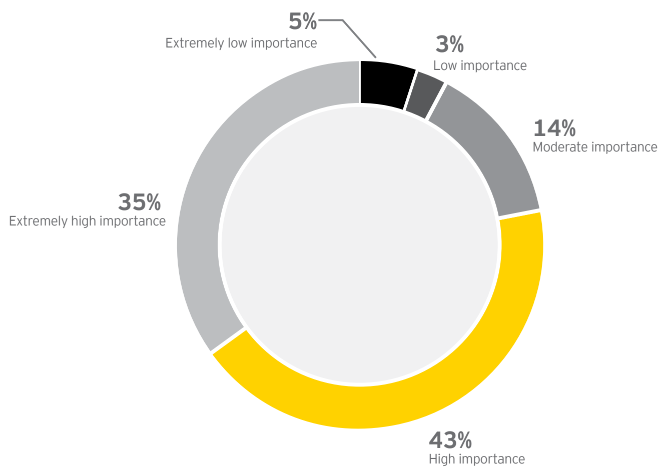
Cost is not the only issue relating to expatriates—or even necessarily the biggest. Localisation is becoming more important on the Sub-Saharan Africa's labour agenda, and the consequences of ignoring this issue are escalating. These consequences include an increase in anti-imperialism, cultural divisions and reduced employee engagement.

In pursuing the localisation agenda, the survey found that the two biggest challenges appear to be skills transfer from expatriates to locals, and more local employment of managers. One challenge here is that expatriates are not trained to spot and develop local talent. In fact, their presence can help exacerbate cultural dissonance.

Importance of skills transfer from expatriates to locals: indigenous companies

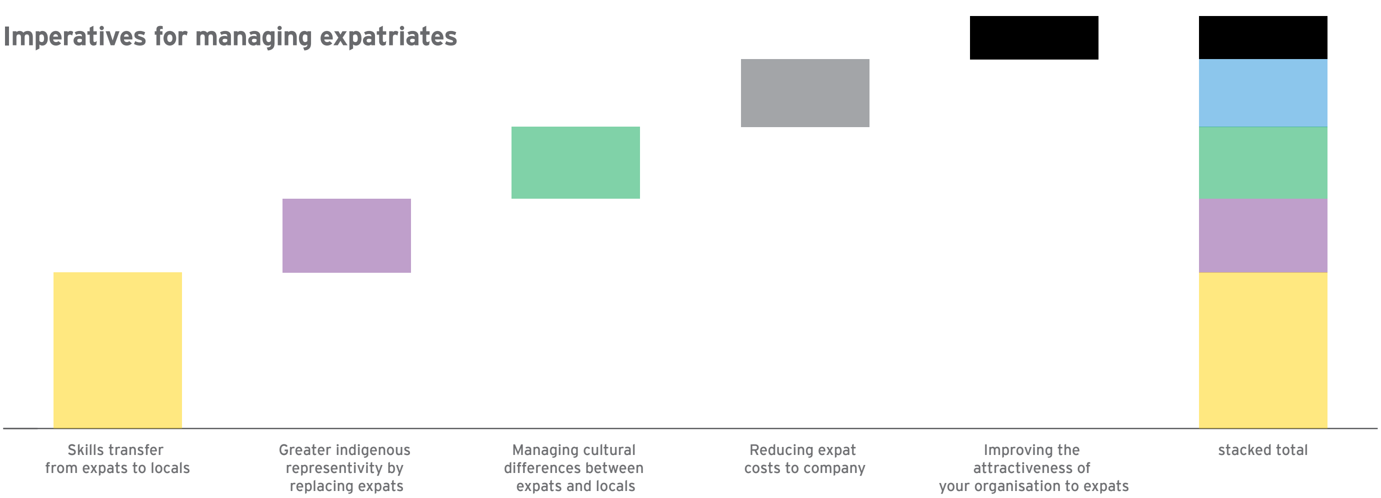


Importance of skills transfer from expatriates to locals: multinational companies



- Both indigenous and multinational companies are concerned about skills transfer, with multinationals viewing this as a far more important issue.
- Skills transfer is a more important issue than cost when it comes to expatriates. This might seem to indicate that companies find the extra costs associated with expatriates palatable provided effective skills transfer takes place.

Imperatives for managing expatriates



Expatriate length of contract

The length of expatriate contracts as well as their role in terms and conditions of contracts plays a large role when it comes to transferring skills to locals. Lengths of contract vary depending on positions with most contracts between one and three years. Key factors being:

- Contracts longer than three years decrease with complexity of the job.
- Executive posts are more likely to have contracts longer than three years.
- Indigenous companies are most likely to extend contracts beyond three years for executives.
- Roughly 2 out of 3 management/supervisory expatriate contracts for indigenous companies are two years or longer whereas for multinationals around 2 out of 3 are between one and three years.

Category	Type	Less than 1 year	1 year	1-2 years	2-3 years	Greater than 3
Executives	Total	10%	3%	16%	34%	37%
	Indigenous company	12%	2%	10%	27%	49%
	Multinational	3%	3%	21%	42%	32%
Management / Supervisor	Total	13%	4%	29%	28%	26%
	Indigenous company	14%	3%	22%	31%	31%
	Multinational	6%	3%	35%	31%	25%
Professional	Total	14%	6%	31%	27%	23%
	Indigenous company	15%	3%	26%	32%	24%
	Multinational	9%	4%	34%	28%	25%
Technical / Operational	Total	16%	10%	27%	28%	18%
	Indigenous company	14%	9%	29%	26%	23%
	Multinational	9%	9%	30%	35%	17%
Customer facing	Total	24%	7%	32%	24%	13%
	Indigenous company	27%	20%	27%	27%	10%
	Multinational	13%	2%	43%	28%	15%

- The brevity of typical expatriate contracts raises some important issues relating to localisation
- Do these short contract times provide enough time to pass on vital skills to local talent, especially in the technical and operational categories?
- Is skills transfer included in the terms of the contract?

Conclusions

1

The war for talent is just beginning, but now is not the time for complacency. Winning in Africa requires a horizon longer than six to twelve months, which in turn requires a workforce planning horizon that stretches to the medium-term not the short-term. This in turn requires resourcing solutions that are not directed towards 'how can I win the best share of a scarce pool of skills?' to 'how can I grow my existing pool to meet my future needs?' The former approach is less sustainable and more costly in the long run. The latter approach requires an investment in human resources development, and a deeper appreciation of the factors that retain employees beyond pay and benefits.

2

The expatriate factor is a complex challenge. Organisations need to define specific, practical plans to replacing expatriates with indigenous labour which in turn may require revisiting key elements of expatriate recruitment, performance management, and reward. Real thought needs to be given as to how skills transfer from expatriate to local will happen. This requires a parallel focus on ensuring that the supporting development structures and processes are in place and aligned to support such initiatives.

3

The potential of the returning African Diaspora and recruitment from other African countries as sources of scarce talent has not been considered in any meaningful way. The extent to which these can be fully exploited may be hindered by national labour legislation and cultural sensitivities. However these talent pools represent a fresh and potentially cheaper alternative to the typical western stereotype of the expatriate. Any consideration of the returning African Diaspora and recruitment from other African countries needs to understand the potential and drivers of this labour segment.

4

The cornerstone to realizing Sub-Sahara's human capital potential is management capability and underlying that, management and leadership development. Without competent managers and leaders, the performance and development of talent required to drive growth will never be realized. Solutions are required that are contextually appropriate, complete, and focus on the key role managers play in development and retention of human capital.

5

The capability of the HR function to deliver services and processes in a range of areas requires attention. Although multinationals and organisations with a presence in multiple countries may be able to leverage the delivery of services where they are weaker through a combination of in-house and out-of-country delivery, a range of alternatives may be available including:

- Building capabilities through investment in development;
- Buying capabilities through recruitment;
- Borrowing capabilities through outsourcing or contracting (including expatriate skills);
- Bouncing capabilities by investigating opportunities to share/co-source individual expertise or centres of excellence.

Issues for action

EY believes that this survey should compel companies active in Sub-Saharan Africa to consider the following key issues:

- What is the role of HR in achieving competitive differentiation? What people practices need to change to support the organisation's strategy, whether it is to consolidate (defensive) or to grow (offensive)?
- How will organisations in Sub-Saharan Africa improve their talent-management practices in order to ensure that the human potential of their staff is fully realised?
- How will organisations in Sub-Saharan Africa achieve greater levels of employee engagement, and thus improve their ability to compete? What are the cultural and organisational obstacles to more effective engagement?
- What aspects of an organisation's current HR operating model require re-examination—especially when growing across borders?
- Expatriates are an important constituent of the Sub-Saharan talent pool, and yet they represent a potentially damaging issue for organisations as localisation pressures build. What is the organisation doing to ensure that expatriate skills are properly transferred to locals?
- How can expatriates be better managed for long-term growth and value?
- Has the full spectrum of resourcing solutions been considered; what is the real potential of the returning diaspora and what is that value proposition?
- How is skills transfer from expatriates to local employees practically and sustainably managed?
- How can the leadership pipeline for executive and management skills be deepened and sustained?

Our footprint

Although the risks in investing in Africa may appear high, risk can be managed, and the rewards can be great. That is why we are investing in growing our integrated Africa presence and capacity to serve our clients who are also investing in and across the continent. We now enjoy an integrated representation in 33 countries across Africa, described in the media as "one of the biggest changes in the accounting profession in more than 100 years."

Today, we are able to navigate successfully through the complexity that our clients are experiencing across the geographies and the diversity of market sizes and sophistication. We do this through our Africa Business CenterTM: its sole purpose is to assist clients in making their investment and expansion decisions in Africa.

Our Africa integration benefits our clients through:

- Consistent quality standards everywhere
- A "single point of contact" service
- The best Ernst & Young resource irrespective of country location

Africa Business CenterTM

Helping companies navigate the opportunities and challenges of doing business across the African continent.

Africa is receiving unparalleled attention from large global companies, with the substantial opportunities in oil and gas, mining and agriculture closely followed by consumer-driven demand in the areas of consumer products, telecoms, financial services, information technology and others.

To further support our activity on the continent and in strategy co-development with businesses, **the Growing Beyond Borders™ software** is an Ernst & Young developed and owned software that visually maps data through the lens of the world's geography, in a highly intuitive manner. It helps to navigate the challenges and opportunities in doing business across the globe.

Publicly available data, as well as our own surveys are depicted in heat maps, competitive footprint views and comparison tables across the map, to help companies make business decisions and grow beyond their current borders.

http://www.ey.com/ZA/en/Issues/Business-environment/Africa_Business_Center_2011

Strategic Growth Forum – Africa

Ernst & Young's first Strategic Growth Forum (SGF) in Africa, held in March this year, attracted more than 300 attendees including CEOs, leading entrepreneurs, investors and government officials all with a passion for unlocking value in Africa to ensure she achieves her potential.

A clear theme and strong message running throughout the forum was that there is a new story emerging about Africa; a story of growth, progress, potential and profitability.

We heard that 7 of the 10 fastest growing economies in the world over the next 5 years will be African; we heard of the successes and optimism of a range of business leaders from Ecobank, Diageo, DHL, Standard Bank, Tullow Oil, Ford, Chevron, BAT, Equity Bank, Engen, Notore, Educomp, IBM, Transnet, among various others; we heard from leaders in government about concrete steps being taken to create environments conducive to investment and doing business.

Read more: http://www.ey.com/ZA/en/Services/Strategic-Growth-Markets/Strategic-Growth-Forum---Unlocking-value-to-grow-beyond-the-possible

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