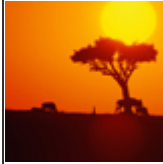


Making Competitiveness a Lever for Good in Africa

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Malik Fal, Africa director of OTF Group consultants, says the principles of competitiveness can kick-start African economies. Extreme case in point: Rwanda.

by Martha Lagace, Senior Editor, *HBS Working Knowledge*

It may seem the hardest of hard sells. Rwanda—a country that in many eyes is synonymous with genocide and destruction—has hit upon tourism as the key to rebuilding its economy. And in that regard it is already ahead of its financial targets forged three years ago, says Malik Fal, Africa director of OTF (On The Frontier) Group, a spin-out of Monitor Group.

Rwanda is carefully and systematically applying the principles of competitiveness, he said, and its plan for tourism should improve the most important facets of any economy: the ability to provide jobs, income, and training to its citizens, a proper infrastructure, and hope and prosperity for the future.

Fal, who delivered a keynote address at the student-run Africa Business Conference at Harvard Business School on February 12th, said that unlike a lot of other countries in Africa, Rwanda has taken the principles of competitiveness to heart.

One of his practice's clients is the Office of the President of Rwanda, and Fal said Rwanda is now a good example of how a country, just like a company, can study an industry, analyze its potential customers, and pursue a niche with an "unbeatable product." In the Rwandan case, its unbeatable product is ecotourism based on its variety of primates, an asset unique in the world. Northern Rwanda is a habitat for mountain gorillas, and southern Rwanda is home to thirteen other types of primates as well as one of the last remaining high-altitude rainforests in the world.

How Rwanda is attempting to develop and market these assets says a lot about competitiveness as a focused discipline, said Fal, a Senegalese native who was educated in Africa and the West. If Rwanda can surmount its economic problems, there's no reason other impoverished countries can't.

Abandon misconceptions

Before describing what competitiveness is, Fal clarified what it is not. It is not about cheap prices, cheap labor, or lowering taxes, he said. Nor is it about access to markets. These elements are part of competitiveness, he said, but competitiveness integrates all of them toward one specific goal: the ability to produce and sell good-quality, high-margin products and services to demanding clients both at home and abroad. This in turn should lead to high-salaried workers.

The independence movement may have swept Africa forty years ago, but the battle now is for economic dignity, Fal continued.

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"Political independence without economic independence is meaningless. This is the struggle of our lifetime."

As of now, most African countries' and companies' exports are basic commodities such as farm products. On any scale, countries that export basic commodities stay poor, he said. "When one looks at the trends in prices for commodities, whatever the timeline is—25 years, 50 years, 200 years—commodity prices have been going down. It is basic economics, simple supply and demand. When a country engages in natural commodities, other countries watch, and those that have similar natural conditions do the same thing."

This tendency is detrimental to Africa because competition based on price means that the only way to endure is by compressing the payroll, he said. "In order to survive in this mode of competition, the African countries have had to compete in a struggle about who can stay poorest the longest, who can maintain the cheapest labor costs the longest.

"Frankly, Africa needs to change its business model."

Build on basic commodities

Competition based on strategic choices is critical for Africa's development, he said. While it is not realistic to expect African companies to export fighter jets in ten years, it does make sense to think about ways to embed knowledge in basic products, even basic agricultural products. As an example, he said, Holland has shown the world that even a country with high-cost labor and no sunshine can become the world's number-one exporter of flowers. There are twelve research centers in horticulture in Europe, all twelve of which are in Holland. The Dutch custom-design flowers for different markets and the Dutch distribution system gets the flowers to market in a matter of hours.

"Good [Dutch] flowers in market can sell for sixty dollars a dozen; flowers from Kenya or Latin America sell for seven dollars a dozen.

"When [we] talk about sophisticated products, they don't have to be fighter jets," said Fal. Instead, they can be agriculture-based products that have knowledge and technology embedded in them as a result of scientific research.

Define the market

Another principle of competitiveness is about understanding customer needs, said Fal. "When you talk with African companies, producers, or farmers, they tell you, 'Well, I take my cows, my coffee, or my tea to Mombassa, and then after that I don't really know what happens. I go to the auction and sell it and that's it.'"

Fal discounted the concept that "evil western countries" are preventing Africans from penetrating their markets. It is fine to petition for market access, he said, but the central issue is still about creating products and services that customers want and need.

Frankly, Africa needs to change its business model.

"Otherwise, opening market access to the world won't do Africa any good," he said. "Understanding the customers, not the customers in the next village or the capital city but the

customers overseas—and investing in knowledge of those customers—is how Africa will be able to increase its prosperity and share of trade of the world."

Another key to competitiveness is cooperation. In order to create good products and services, African countries, companies, universities, research centers, and NGOs all need to cooperate around an industry and find solutions to the production problems they face, as well as distribution and marketing, said Fal.

Seek competitive advantage

When countries attempt to articulate a national strategy for development, they should offer clear and tangible goals, he advised. Focus on a handful of priorities. Ask what the limits are in terms of human, financial, and constitutional resources. Mauritius, Botswana, and South Africa—three of Africa's most successful economies—all focus on a few clusters, Fal observed. In Mauritius, these are tourism, sugar, and textiles.

"Once those countries start making serious money and also start acquiring the relevant know-how, then they can take those surpluses, that know-how, and apply it to other industries. I'm not saying that countries should forget about all the other opportunities that they have. I'm saying, let's be methodical and systematic and start with a few industries and then go on and invest in the others.

"Making those strategies takes a lot of work. It takes a lot of work to really understand what it takes to succeed in that industry. What are the local dynamics? What is the history of that industry in the country? What is the level of competence of the stakeholders? What are the financial trends affecting that industry? Just doing the due diligence to understand the dynamic of an industry is very difficult," he said.

How Rwanda is making it work

Rwanda is on the right track because it has taken the time to understand the dynamics of tourism, said Fal. Its neighbors are countries that have all but invented ecotourism: Kenya, Tanzania, and Uganda. But it is clear those countries are all selling the exact same tourism experience—safaris. "Today Kenya, which invented that tourism model, has had to go down market ... Kenya has ten times the number of visitors that Mauritius has, but the two countries have the same revenues from tourism.

"Tourism is not about number of arrivals; tourism is about receipts: how many people come, how much they spend, and how long they stay. Rwanda learned that success is not measured in the number of arrivals of visitors; it's in the receipts. ... Rwanda also learned that it could not compete on safaris. The natural assets in Rwanda are not nearly as beautiful."

So Rwanda's tourism could not be mainstream. It had to be based on something different. The starting point became the north, the habitat of mountain gorillas.

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"But basing tourism on gorillas alone was not going to build an industry that creates work for the average Rwandan. So how does a country articulate and develop a product that no one else can beat them at and that makes money? ... It was interesting to see how Rwanda developed a tourism product that would combine the gorillas in the north with the other


primates in the south, and create a unique set of tours called the Primate Discovery Tour. There are also research centers there studying primates.

"The customer research I was talking about earlier? Most of the people who go there are passionate about primates. Rwanda's ecotourism product enables it to keep people in the country an average of seven days. They are targeting people who are not backpackers but surgeons from New York, et cetera. These are people who have the money to fly in on private jets." These ecotourism customers are demanding: They want to interact with scientists who understand the behavior of primates. The tourism product gives individuals and groups an opportunity to talk with scientists in the wild.

"Building such a product requires very tight coordination," Fal continued. "The north and the south have no roads connecting them. The [Rwandan] guides didn't speak French, English, or any other Western languages. So the guides were receiving guests who knew more about the animals than they did.

"All these components are important when we talk about infrastructure, training, and education," he said. The example set by Rwanda shows how business strategy led to the idea of a product that in turn led to decision makers coming together to coordinate with the private sector.

The Rwandan government has a clear role to play, he said, because it must connect training in languages and knowledge with the development of transportation. Universities have to teach students the science of flora and fauna so Rwandans can prosper by accentuating their country's assets, said Fal.

"Competitiveness lies in all these components," he added. 

The 7th Annual Africa Business Conference, presented by the [HBS Africa Business Club](#), was held February 11-13 at Harvard Business School. The theme this year was "Beyond Natural Resources: Developing Africa's Competitive Advantage."