



Recommendations from experts on business affairs in Africa for building your own business

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Within the framework of the project "Doing Business in the Economic Community of West African States" with the IHK Mittlerer Niederrhein, we had the privilege to get to interview three interesting experts who are experienced in doing business in Africa. From the following interviews you will gain useful hints about several aspects you have to be aware of when entering the ECOWAS region.



First, Mr. **Heinz G. Rittmann** is CEO of the Deutscher Auslandsbau Verband e.V. in Düsseldorf and supports business in ECOWAS. The DABV is one part of 6 organizations, which belong to the „Baugewerbliche Verbände“. He has experience in dealing with countries like Sierra Leone, Senegal, Liberia and Guinea in the ECOWAS region.



Second, Mr. **Gabin Kouévi Ananou** is a science manager. He is responsible for WASCAL and SASCAL in the "Deutsches Zentrum für Luft und Raumfahrt", the Project Management Agency of German Federal Ministry of Education and Research.



Third, Mr. **Jan-Patrick Martens** works for the Delegation der Deutschen Wirtschaft (AHK) in Ghana. He is based in Accra.

How is the situation of German products in Ghana?

J.P Martens: Everyone in Ghana knows that German products stand for good quality, so the demand for German products is very high. But the German products have three big competitors: Chinese products, Turkish products and local products. The political situation for local companies is better because they get support from

Ghana's government. Chinese products benefit from the price level because they are cheaper than German products.

Is there an entrepreneurial atmosphere in the West African region?

G.K Ananou: If you go to the region, you will get to know many people who are very, very rich. They can invest and do everything alone. But sometimes they need more expertise from us; we have seen everything, we can give them new ideas, we help perhaps as partners, we buy equipment, and we make an agreement to your benefit.

How are foreign investors treated in the ECOWAS region?

G.K Ananou: You have to be aware of the two systems in the ECOWAS region: the Anglophone countries and the Francophone countries are different. The French system is very dominant. If, for example, the French president is travelling - before he goes there he sends entrepreneurs to Senegal, two big aeroplanes carrying about 200 people, they go there to participate in negotiations. This is the way France supports African countries. The collaborations are intensive. There are people there to prepare everything, and then the president comes just to sign contracts. If you go to Anglophone countries it is more liberal. It means the government is not pushing the development. If you want to create your own enterprise YOU must do it. You must look at your contacts, look for your partners in Europe or wherever and do it yourself. In the Francophone system the government is applying pressure, it is the one organizing the frame for those things. This is why sometimes it is quite heavy.

So if you go to Togo now and you want to make big business, you will probably have to contact the Chamber of Commerce. You will feel that the government is immediately implicated and involved. And you will also get support if there are some problems. The Anglophone system is more liberal. Most of the countries are francophone countries. So you have Liberia, Gambia, Ghana, Sierra Leone and you have Nigeria - 5 of the countries are Anglophone, the rest francophone.

How do you estimate the economic situation in the ECOWAS region in general?

G.K Ananou: For 5 years, I have been going to the region regularly. You can see a fundamental change. You can see that things are changing positively. You can see the economic growth of countries. You can see that there are more shops and infrastructure - which we didn't have 10 years ago. Most of the countries in ECOWAS have actually achieved an economic growth of 6% on average. The way people are living there, the cars they are driving, the way of life - everything has changed.

Furthermore, a lot of Africans are going back to Africa because of the economic growth and the job prospects. Most of them do not want to live in the US or Europe anymore. They are going back with new ideas and they are trying to implement them in the region and set up small enterprises. The spirit is growing up. And you will see that there are a lot of partners, for example in the banking sector. So 10 years ago it was not possible to send money. But now, if you make a transfer in the morning, people can receive the money in the afternoon or next day. Even if I send it to a US citizen it will take 2 days. Moreover, two factors are very important in the region: internet and telephoning. With the development of telephoning everything

has changed very quickly. In most of the countries you have the possibility to make very cheap telephone calls. So mobiles have started economic growth and from the view of entrepreneurship: If you have a partner in the region you want to communicate.

How did you prepare for market entry and what were your first steps?

R. Rittmann: At first, we look for the organizational states (Verbandstaaten). We try to get in contact with them through the Department of Foreign Affairs. Then the German embassies establish the connection. We have to agree on key aspects by cooperating with the EU. Finally, we have to search for German companies to realize projects. Usually the German companies are Greenhorn companies which have to be supported by our organization at the beginning of building up their business in Africa.

What were your market entry strategy and your goals in carrying out this project?

R. Rittmann: At the beginning we have to identify the CEOs of the German companies. After that we have to inform GTAI and GIZ which have to identify the areas that need to be promoted (Förderstandorte). At the end German companies and Africa have to be connected with each other.

Is it easy for the German companies to enter the ECOWAS market?

J.P Martens: In my opinion it is not difficult for the German companies to enter ECOWAS. You have to be aware of three main points: Political support, regional integration and the strength of German companies. In addition, you have to think about the size of the company and the capital when entering Ghana's market because the costs for market entry are also very high.

Which countries in the ECOWAS region are suitable for a bridgehead strategy meaning which market is profitable to enter in your opinion?

G.K Ananou: Nigeria is a very big and powerful country. I think Nigeria has more potential than South Africa. The advantage of South Africa is to be in a region where the political development is quite stable and in their region they have a change of seasons, which helps the industry to produce a variety of goods. But Nigeria has great financial potential. That means Nigeria is a big country with big industries and they are able to face more challenges than in Burkina Faso or Togo. If you see the epidemic of Ebola in Liberia and in Guinea, they don't have the financial possibility to face the epidemic very quickly. If this had happened in Ghana or Nigeria for example they would have solved it quickly. Liberia doesn't have the infrastructure and financial possibilities to solve the problem of Ebola.

What resources did you use to get information about the market and its demand?

R. Rittmann: We got our information from the German Embassy, BMZ, GIZ and KFW.

How did you find your business partner in the local market and build your local network?

R. Rittmann: First of all, we had to check if there is a local organization for construction and architecture. Then, we had to figure out the suppliers to get a better sense of the local price level. After that, we looked for a German community. The community helped us to find business partners in the local markets and local networks.

G.K Ananou: The first step is to look for a partner. It is better for an entrepreneur to have an African partner. You go to make your investment in Togo alone; if there is a problem you will be treated as a foreign person.

...and how to establish contact to an African partner?

The classic way is to search for countries' diplomatic representations. You can contact the embassy, present your plan, present your project and tell the ambassador that you need support. The ambassador provides you with contacts, so that you can meet different partners.

Were there any trade barriers or other difficulties in dealing with the target country?

R. Rittmann: Yes, there are two difficulties we have to deal with anytime. It is always a problem to get construction machines into ECOWAS. When the machines arrive at the harbour, the Africans are used to corruption and bribery. Usually they are paid for getting our German machines into the target country in Africa. Then we have to be in contact with the German embassy which lets them know that this is a huge project that is controlled by the Federal Republic of Germany. The second trade barrier is the lack of access to internet in your office in Africa.

G.K Ananou: People must be prepared to deal with the issue of the difference between Anglophone and Francophone countries. However, financial tools are difficult to find. Furthermore, the temperature in the ECOWAS region is actually increasing, there are less rain and all the countries are affected, this has an impact on food security. It means that we are collecting data to help them to know when they have to export food, in which sectors entrepreneurs have to invest. The government can find investors who want to work in the sector that they want. Burkina Faso, Mali, Niger are more affected by this phenomenon. You can have nine months without rain.

J.P Martens: Yes, of course there are barriers and difficulties. The first barrier is the process of getting information, which is difficult. Second, the law in Ghana is not that strict, sometimes it will raise problems. Third, the German products have three big competitors: Chinese products, Turkish products and local products. Due to the support of Ghana's government of the local company, the political situation is better for the local company. However, Chinese product is cheaper than German product so it is also an obstacle for German companies, which are focused on producing very high quality products.

What were the biggest challenges you have to deal with in ECOWAS?

R. Rittmann: For us it is very difficult to search for a critical and serious consultant for the building industry and architecture (Baufachberater) in ECOWAS because there is still a lot of corruption and unreliability existing. You have to imagine that the hierarchy in ECOWAS is totally different in contrast to German hierarchies.

G.K Ananou: Regular power breakdowns in the area: For people in Africa it is not a question of permanently having electricity. People have to face the challenge of having electricity everywhere by being creative in finding a way to be connected.

How did you deal with the challenge that there is no postal address system in West Africa?

R. Rittmann: For us, it is no big challenge that there is no postal address in West Africa. A lot of important topics are discussed via e-mail / internet. When we send a package to West Africa there are several DHL stations where the Africans can pick up the packages.

It is important to be informed about the African system and the name of the building where you have a meeting. Then you can tell the taxi driver the name of the building.

G.K Ananou: Since I have been in Europe for 25 years, I send documents to Togo by DHL. I had to give my phone number so that they can call me when the parcel has arrived. However, the only critical point is only that it doesn't create new jobs. The missing of postal address doesn't provide work for local people by delivering parcels.

How did the intercultural aspect affect your business and what was the most memorable situation that happened to you?

R. Rittmann: Nearly the whole business process from the beginning till the end is a huge challenge for everyone. Our German employees have a problem with the African mentality in general. The Germans do not like the appearance of the Africans wearing sunglasses and golden necklaces. For Germans this appearance reflects an unprofessional and unserious business partner. In contrast to that, the Africans do not like the German rationality. In addition, the Africans have 3-4 mobile phones, which ring in almost every business meeting. For the Germans this is an impolite gesture in meetings but for the Africans it is business as usual. Besides, there is a totally different sense of time and understanding of punctuality. For example in Germany it is important to stick to deadlines but in Africa the business partners do not care about fixed deadlines. Furthermore, the Africans are short-term orientated. This orientation differs totally from the German one, which is long-term orientated. There is no specific memorable situation concerning the intercultural aspect, which I want to mention here. However we unfortunately had problems with business partners in Africa, who do not finish their work for the project and leave with the money.

Do you think that the aspect of intercultural communication might be a problem for an entrepreneur?

G.K Ananou: The aspect of intercultural communication has been a problem for an entrepreneur in the past. But today most of the African partners, they have lived in Europe or in the US. An African who can set up an enterprise in Africa has lived in or had close contact to Europe and the US before to get more skills.

Have you experienced any obstacles raised by cultural differences (eg. religion, language, values...)? Please specify them.

R. Rittmann: I have found out that there are a lot of cultural differences concerning values and others. The values in Africa are totally different in

comparison to our German values. In Africa family is the most important aspect. When you search for an employee, the Africans act emotionally and will rather take someone of the family clan than somebody who has the expertise. The Africans can speak English and French better than the Germans. In the beginning we make sure that we talk on the same level. But sometimes the dialects are difficult to understand which leads to several misunderstandings. In Guinea the people are muslims and in Liberia and Sierra Leone the people are Christians. I think religion is not a main problem but please avoid talking about homosexuality and multiple marriages (Mehrfachehen).

What are the future prospects for German companies which are working in ECOWAS today?

R. Rittmann: From my point of view, the future prospects for German companies which are working in ECOWAS are very good.

If German companies continue working rationally, there will be better business opportunities in the future in Africa than in Germany because of the growing markets in Africa.

J.P Martens: In the short term, it is very challenging for the German companies which work in ECOWAS today. But in the long term there is a big chance for them. Africa has a large population and resources. The market in Africa is also new and big. Especially the energy, medical, food and agriculture industry, all of these industries have unlimited potential.

Authors Information

- Carmen Tappert, University of Applied Sciences Bonn-Rhein-Sieg, www.h-brs.de
- Céline Castéran, University of Applied Sciences Bonn-Rhein-Sieg, www.h-brs.de

Sources of Information

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