

Assessment of Digital Readiness of Businesses in Ghana



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Summary of highlights of findings

This section provides highlights of initial top line findings of the study.

- The results indicate that digital technologies have significantly changed during the COVID-19 pandemic; transforming business operations by streamlining the online business and providing opportunity for businesses to reach a broader market.
- Digital technology utilisation for business operations was below 25% among 48.5% of the companies surveyed before COVID- 19 while 51.5% operated above 25% prior to COVID-19. 100% of the firms have increased digitization of their business operations during the pandemic.
- A significant number of the companies have witnessed increased digital technology transformation in terms of improving service quality delivery (71.6%), increasing productivity (67.2%), enhanced client engagement (70.1%) and business innovation (58.2%) because of technology deployment during the pandemic.
- During the pandemic, most of the companies developed new ways of using digital technology to improve and differentiate their products/services and enhance customer engagement: 69.2% of the companies have leveraged on social media platforms to engage clients; 63.1% have adopted digital marketing.
- 86.4% of the companies are willing to maintain digital technology changes in their businesses during the pandemic in the medium to long-term especially for marketing (68.8%) and 62.5% in the area customer and stakeholder engagement.

However, there are a number of challenges and risks for digital technology adoption in Ghana:

- the majority of the companies (65.7%) have identified digital capability gaps, the use of technology and the high cost of acquiring and maintaining digital infrastructure.
- Barriers to SMEs digitising their businesses include lack of finance, lack of knowledge about many digital processes, weak internet connectivity, high cost of data, lack of the appropriate human capital, and poor integration with existing platforms, and poor access to internet.
- The adoption of digital technology is being hampered by the high cost of digital payments that is often passed on to users, trust issues with using digital payments, low penetration of debit and credit cards, and low availability of POS devices at merchant points, low internet penetration for people and businesses, few people have digital IDs or transaction accounts making access to critical services, financial inclusion, and markets difficult.
- The study concludes that access to finance, training and enabling environment, access to internet, and addressing risks will enable businesses to be more effective in implementing digital strategies in Ghana.

o. Executive Summary

Globally, the adoption and effective application of digital technologies are expected to characterize businesses in the future, shaping their ability to succeed in the global marketplace. This study assesses the digital readiness of 68 companies in Ghana. The aim was to determine how COVID-19 has influenced companies' adoption and harnessing of digitisation to optimize business processes in Ghana, the main challenges that prevent businesses from integrating digitisation into their operational strategies, the gaps in the current digital ecosystem in supporting supply chain networks and enabling businesses to stay operational and the core pillars of growth and opportunities in the sector that can spur investments. A total of 68 companies drawn from different sectors of operation, background and from different regions of Ghana participated in the survey. The study reveals that:

- The application of digital technologies in business operations has increased significantly during the COVID-19 pandemic, transforming business operations, and streamlining online business and logistics processes. This is providing opportunities for businesses to reach a broader market and clients in Ghana.
- All the companies sampled have seen significant increase in the utilisation of digital technologies for business operations during the pandemic. 100% of the firms have witnessed increased digitization of their business operations during the pandemic.
- A large proportion of the companies have witnessed significant digital technology transformation during the pandemic which has improved service quality delivery (71.6%), increased productivity (67.2%), enhanced client engagement (70.1%) and business innovation (58.2%).
- During the pandemic, most of the companies have developed new ways of using digital technologies to improve and differentiate their products/services and enhance customer engagement. 69.2% of the companies have leveraged on social media platforms to engage clients. 63.1% have adopted digital marketing.
- 86.4% of the companies are willing to maintain digital technology changes in their businesses in the medium to long-term especially for marketing (68.8%) and 62.5% in the area of customer and stakeholder engagement.

Challenges

- A majority of the companies (65.7%) have identified digital capability gaps as a major problem resulting from lack of finance, poor internet connectivity, senior management not demonstrating the need for digital technology, employees showing apathy to the use of technology and the high cost of acquiring and maintaining digital infrastructure.
- Barriers to SMEs digitising their businesses include lack of finance, lack of knowledge about many digital processes, weak internet connectivity, high cost of data, lack of the appropriate human capital, and poor integration with existing platforms and poor access to the internet. Access to the internet remains out of reach for most people and businesses in Ghana.

1. Introduction

The adoption of digital technologies in businesses has moved to the centre stage of global development agenda creating new opportunities and enhancing business growth amid the COVID-19 pandemic. Despite the popularity of the utilisation of digital technology in developed countries, digital technology adoption amongst SMEs in developing countries is still relatively low. The COVID-19 pandemic has had significant impacts on different sectors of the Ghanaian economy. Various studies point to a low level of digital readiness as well as inadequate digital infrastructure for SMEs and supply chains in Ghana during the crisis. There is an urgent need for businesses to be digitally enabled in the process of working towards economic recovery.

Ghana ranks third in Africa in private digital platforms, after Nigeria and South Africa (Insight2Impact 2019). Digital platforms in Ghana are transforming the provision of services, particularly in the retail, transportation, and accommodation sectors. Digital commerce is ramping up, positioning Ghana as the sixth country in Africa in B2C E-commerce in 2018, climbing six positions from its 2017 ranking. The growing desire to achieve greater efficiency, transparency and accountability has led to the government's continued investment in public sector digital platforms to enhance governance and private sector businesses. These include issuance of national passports; automation of tax and business registration systems, which has significantly broadened the tax base and streamlined business processes by reducing the number of days for registering businesses; transportation GIG platforms for intercity buses, Uber, Bolt etc.)

This study assesses the digital readiness of businesses in Ghana; how COVID-19 has influenced companies' adoption of digital strategies; the main challenges that prevent businesses from integrating digitisation into their operational strategies; the gaps in the current digital ecosystem in supporting supply chain networks and enabling businesses to stay operational and the core pillars of growth and opportunities in the sector that can spur investments.

1.1 Background of Companies

This report is based on a survey of 68 companies drawn from different sectors of operation, background and from different regions of Ghana. This section covers the sector of operation, number of years in operation, size of employees, turnover and type of company i.e., foreign and local shareholding. Figure 1 shows breakdown of business in the regions.

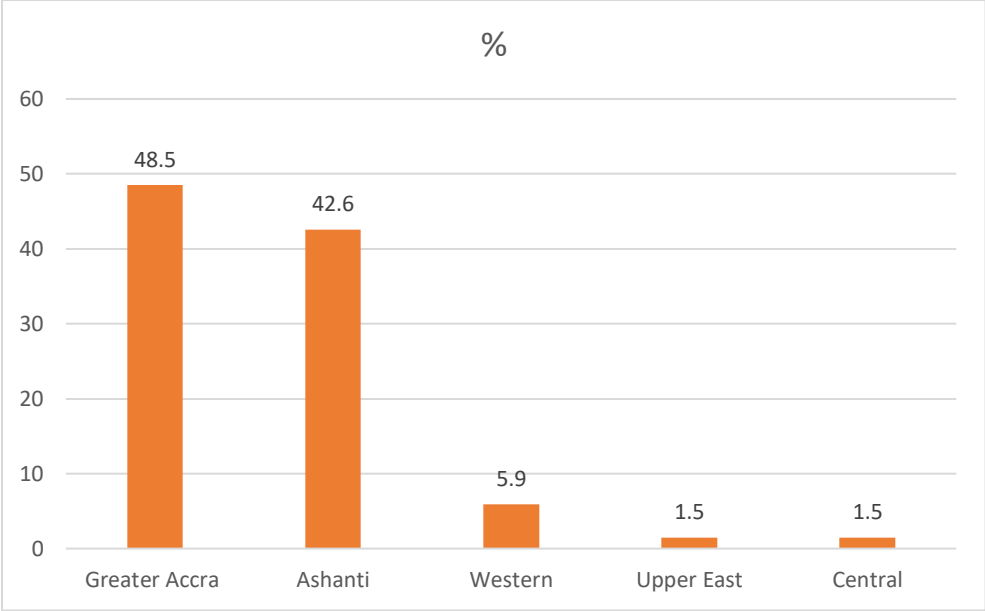


Figure 1: Breakdown of business in the regions

Type of Businesses

In terms of sector of operation, the companies are spread across finance and insurance sector, professional services, media, telecommunication, food and beverages, wholesale and retail trade, manufacturing, textiles and apparel, construction and real estate, wood, paper and printing.

As shown in Figure 2, over 54% (54.4%) of the firms are small enterprises with number of employees between 1 and 19. This is followed by firms with employees ranging from 20-49 (13.2%) and those between 500-999 (13.2%) respectively. Six (8.8%) of the

companies have number of employees between 1000 and 2500. Two of the companies have employees between 250-499 (2.9%) and one company (1.5%) with employees of over 2500.

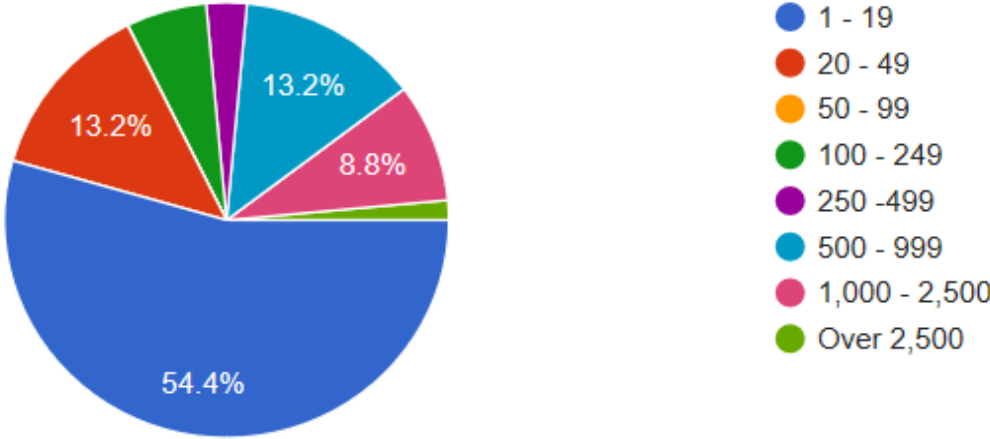


Figure 2: Sizes of Companies by number of Employees

The data reveals that 72.1% of the companies have no foreign shareholding while 27.9% have foreign shareholding. With regards to the number of years in operation in Ghana, more than half of the companies i.e. **50.7%** have been in operation for over ten years. Twenty (20) of the companies (29.9%) have been in business for less than **5** years. More than ten percent (10.4%) have operated for 5 years while **9%** have operated between 5 and 10 years. Almost half of the companies are very young and in operation for less than 10 years. The fundamental reality is that the accelerating speed of digital technology for businesses will also require young and small-scale companies as they may have capacity and other ingredients to be digitally ready.

Figure 3 depicts the number of years businesses have been in operation.

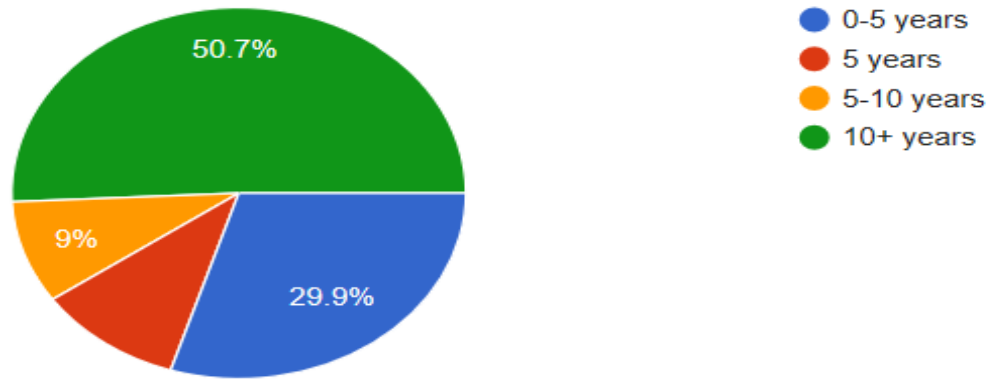


Figure 3: Number of years in business

Turnover in 2020

Twenty-four (35.8%) companies had a turnover of over \$10 million in 2020. Nineteen (19) of the companies (28.4%) had a turnover of less than half of a million dollars (\$0.0-0.499m). 26.9% had turnover of \$1-10m while 9% had turnover between \$0.5m-\$1.0m. Figure 4 shows the turnover of the companies in 2020.

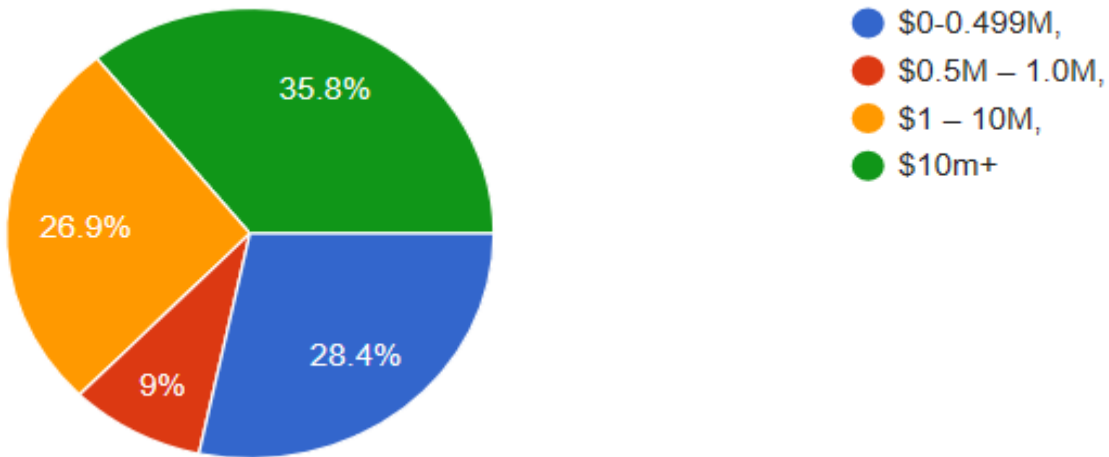


Figure 4 shows the turnover of the companies in 2020

2. Digital Technology Utilisation of Companies Prior to COVID-19

The results of the survey indicate that digital technology utilisation for business operations among the selected companies prior to the COVID-19 pandemic was very low. This is not surprising as stated above, many of the companies do not appear to have the requisite capacity and finance to be digitally ready. Figure 5 shows the percentage of companies using digital technology in business operations before COVID 19 pandemic.

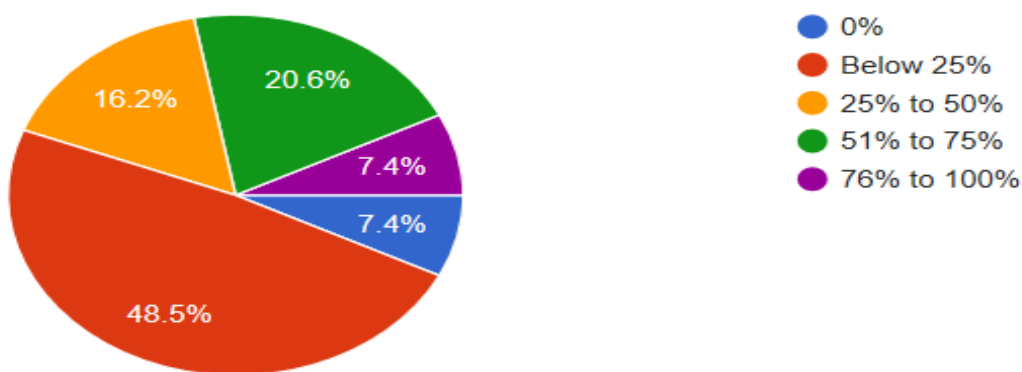


Figure 5: Digital Technology Utilization of Companies Prior to COVID-19

The survey results confirm a rapid shift towards delivery of business and interaction with customers through digital channels after COVID-19. When asked if there has been significant changes in the utilisation of digital technology during the pandemic, over 60.3% responded in the affirmative while 39.7% responded in the negative. In terms of percentage of companies using digital technology before COVID-19, thirty-three (33) (48.5%) of the companies were using below 25% digital technology to deliver their business operations. *16.2% of the companies were operating between 25% to 50% digital technology before COVID-19.* Hitherto, factors, such as business decision making, changing needs and expectations of customers, and competition drove the digital technology utilisation in business operations, but the COVID-19 situation meant that many companies had to make a choice between adopting digital technologies or fold up

as they were left with very limited options during the pandemic. This explains the high adoption rate for digital technologies during the COVID-19 pandemic.

2.1 Digital technology and Business transformation

Majority of the companies indicated that digital technology has significantly transformed their businesses in terms of improving service delivery quality, increasing productivity, enhancing client engagement and innovation. Forty-eight (48) companies representing 71.6% said that the transformation has improved service delivery quality, 70.1% said it has enhanced client engagement while 67.2% said it has improved productivity. 58.2% indicated that it has facilitated business innovations such as improved communication, collaboration, content management, access to analytics data and social networking. Digital technology transformation is a valuable opportunity for businesses to deliver cutting-edge business services to their customers. Although the advantages of adopting digital technologies are known, several factors such as lack of capital, top management not demonstrating the need for digital technology, lack of IT specialist knowledge, and poor internet connectivity constrained adoption. The results here show that with the right investment and support, digital readiness and adoption among Ghanaian companies could be enhanced by improving digital infrastructure in Ghana.

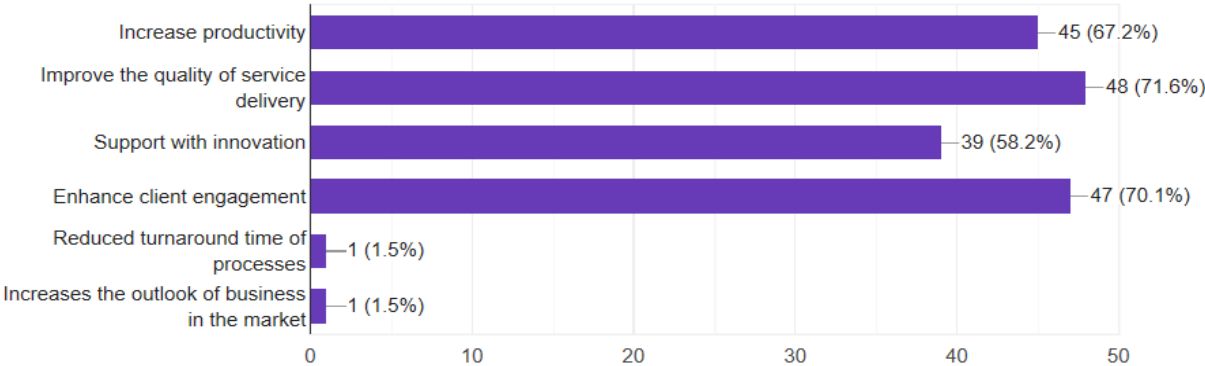


Figure 6: How Digital technology has transformed Businesses

2.2 New Ways of Using Digital Technology

The study found that most of the companies have developed new ways of using digital technology to improve and differentiate their products and services to enhance customer engagement since the outbreak of the pandemic. 69.2% of the companies have leveraged on social media platforms to engage clients. 63.1% have adopted digital marketing. 38.5% said it has enabled their customers to place orders online. 27.7% indicated that they have re-designed their website to make it more user-friendly. In terms of integration of digital technology into business operations, fifty-one (51) of the companies i.e., 76.1% have incorporated digital technology into all aspects of their operations while 23.9% have not incorporated digital technology into all aspects of their operations.

This finding suggests that during the crisis, companies have significantly integrated digital technology into their business operations at a faster rate than it would have happened without the pandemic. Companies that have incorporated digital technology mentioned the main changes. These include automating more internal processes, monitoring and reporting, digital documentation and payments, enhanced internet banking mobile apps and internet banking applications, working from home, marketing and procurement, customers ordering online, using social media platforms to advertise products, interacting with clients via zoom. The study found out how companies achieve these milestones in digital technology. Some companies achieve this through social media handles, leveraging on the technologies available in other markets and localised it to suit Ghana. Fifteen (15) (22.1%) companies have re-equipped and re-trained all personnel in IT, invested in 4IR tools (AI, cloud, IA, etc) and upskilled staff into future ready roles (automation engineers, data scientists, business analysts, etc), creating an online platform linked to their website. Others also created digital platforms to advertise their services.

The majority (86.4%) of companies said they will maintain these digital changes in the medium to long-term. Growth in digital technology may alter businesses and supply chains, by switching from selling products in bricks-and-mortar stores to selling products online. **68.8%** of the companies said they will maintain digital technology especially in the area of marketing. 62.5% said they will maintain digital technology in the area of customer and stakeholder engagement. This is an indication of a huge shift in customers'

behaviour and how they have embraced digital technology in doing business and it is likely that this technology will become a normal part of doing business post COVID-19.

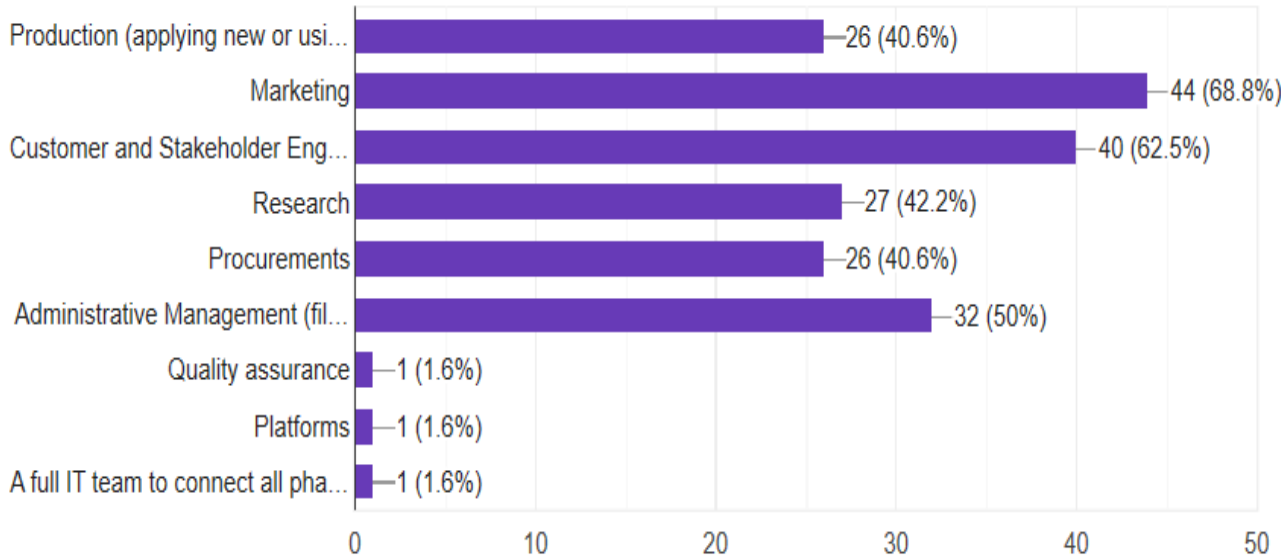


Figure 7: Making digital-related changes in post COVID-19

3. Challenges in Integrating Digitization into Operational Strategies

The study assesses the challenges in integrating digitisation into operational strategies of businesses. The majority of companies (65.7%) indicated they have major digital capability gaps in their organisation. 34.3% do not have any major challenges integrating digitalisation into their operations. In terms of capability gaps, 55.6% cited a lack of training to improve technology skills. 46.7% indicated no/low basic knowledge of modern technology. 22.2% cited senior management not understanding the need for digital technology while 20% said employees are showing apathy to the use of technology. 16.3% have no plans to close this gap while 83.7% do. These plans include training workshops for employees on modern technology and educating clients on the benefits of digital technology. Others indicated creating websites and improving social media marketing, investing in digital technology, hiring of specialists in the digital space, using digital payment systems, introduction of business applications like ERP, HRMS, and document management systems.

In terms of resources that are required to execute the digital vision of the companies, the results indicate that 58.2% have the right resources to execute their digital vision while 41.8% do not. Most companies indicate the need for human and financial resources to execute a digital vision, and to prioritise digital technology as part of organisational priorities. However, significant costs to using digital technology prevents some companies from leveraging on such technology. 59.3% cited the cost of acquiring and maintaining digital infrastructure as high. 31.5% said hiring of an IT person is a big challenge. The results indicate that only 10.6% are able to find the services that they need in order to support the digitisation of their business processes. Majority of the companies i.e. 89.4% are not able to find the services that they need in order to support the digitisation of their business processes. Where services are available the cost is expensive for SMEs. 66.7% indicated that the services are not aimed at SMEs but at companies with larger operations. 25% said there is not enough demand for these services while 8.3% said services are not provided in-country.

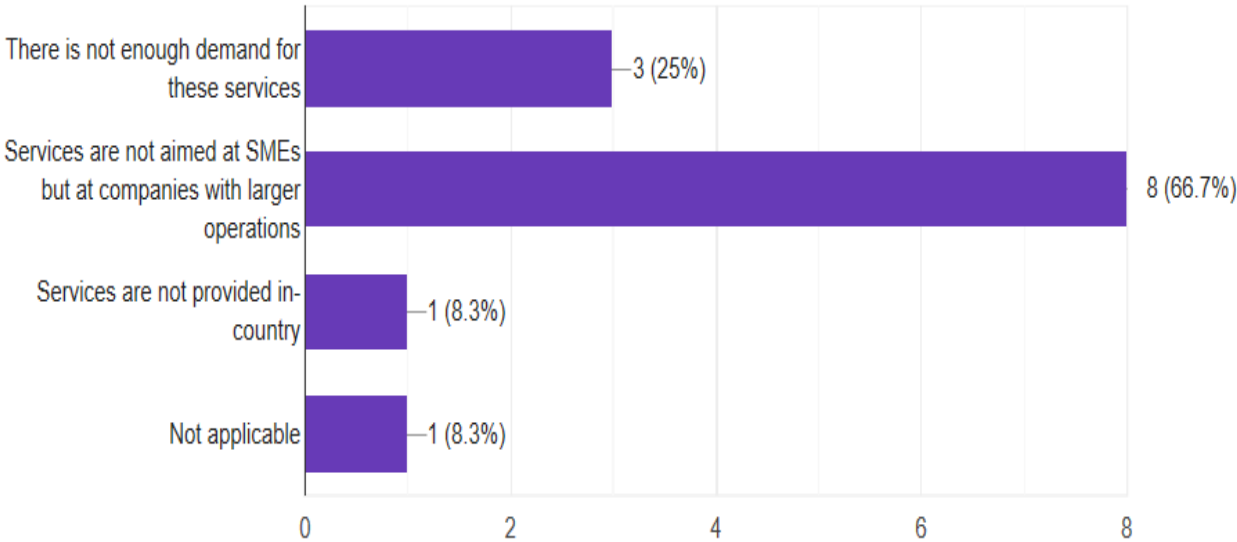


Figure 8: Businesses demand for digitization technology

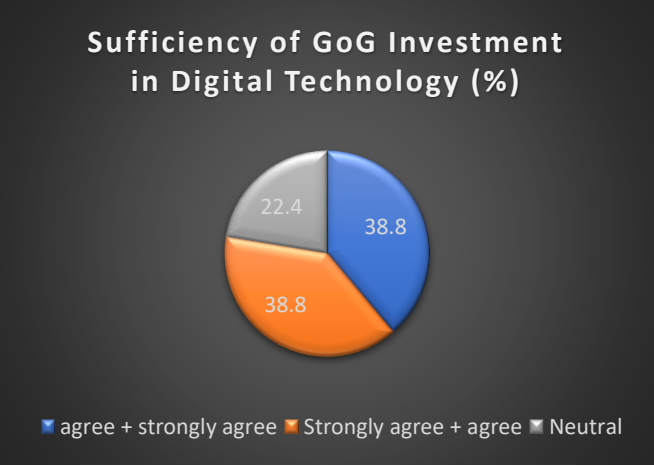
Access to the internet remains out of reach for most people in Ghana. Few people have digital IDs or transaction accounts. This excludes them from access to critical services,

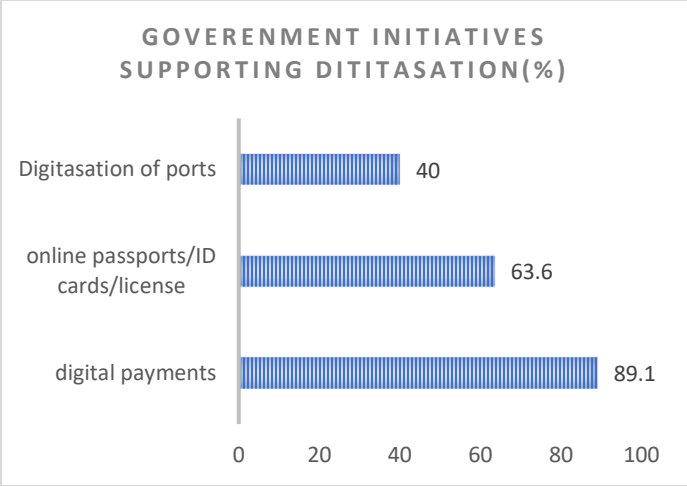
financial inclusion, and markets. Digital start-ups struggle to attract funding and traditional businesses are only slowly adopting digital technologies and platforms to boost productivity and sales due to barriers mentioned above.

In spite of the challenges, respondents think they can be more effective in implementing digital strategies when they have access to training, vibrant social media platform that can cover a wider range of customers, setting up online sites, shopping cards, use of credit card information, affordable online shop and website design, stable internet services, provision of the right IT infrastructure, information technology experts, and website developers. The results also indicate some challenges companies face in their digitisation process. These include financing, lack of knowledge about many digital processes, weak internet connectivity, high cost of data, lack of the appropriate human capital, and poor integration with existing platforms.

4. Shortfall in Current Digital Ecosystem

Government investment in the digital technology sector is critical to sustain business growth. The study assessed the government’s current investment in digital technology in Ghana. 38.8% agreed or strongly agreed that the government’s investment in the sector is sufficient. Another 38.8% disagree or strongly disagree that government investment in the sector is sufficient while 22.4% remained neutral.





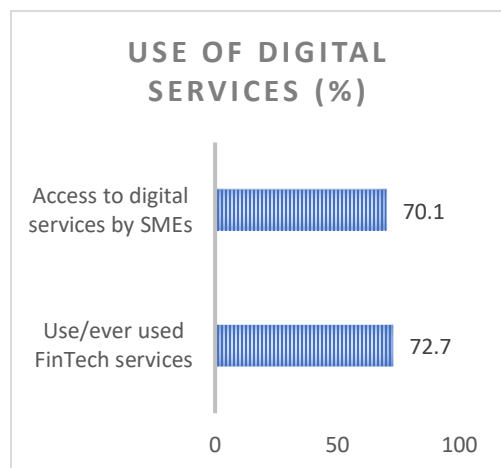
75.8% said there are government policies which support digitisation strategies for businesses in Ghana. 89.1% cited digital payments systems in Ghana. 63.6% indicated digitised online application processes for passports, ID cards, driver licensing (63.6%), digitisation of the ports (40%), etc. The Government of Ghana

(GoG) is making significant efforts and investments that are expected to position the country as a regional hub for digital services such as acquisition of passports, registration of businesses and automation of taxation. The government recognises the opportunity that digital development has for stimulating jobs, improving productivity, and accelerating inclusive growth, and has pledged to put digital economic transformation at the centre of the country’s Ghana Beyond Aid agenda. When asked if they will welcome new policies or revisions of current policies, respondents said they will welcome digitisation of the Government hospitals, road toll payments, incentives to technology companies to extend access to digital services in rural areas and support for SMEs in acquiring digital technology. Others said the paperless systems and the digital port system must be strengthened to improve on time and reduce cost of operations.

Although digitisation presents great promise, it also introduces new challenges and risks including a growing risk of cyber-attacks and fraud, threats to privacy, and disruption to markets. 87.9 agree or strongly agree that regulation of digital technology is a key factor to determining how companies will be transformed digitally. 3% disagree while 9.1% were neutral to government regulation. Those who agree on proper government regulation support regulation to ensure security of payments and protection of private information, prevention of cybercrime, and regulation of FinTechs, mobile money, E-commerce, data management, data protection, social media, digital payments and cryptocurrency. Ghana has put in place some policy and regulatory interventions which have brought success in the digital technology and also strengthened competition, including the ICT for Accelerated Development (ICT4AD) Policy (2003), the National Telecommunications

Policy (2004), and National Broadband Policy (2012), though some may require updating.

In terms of sufficiency of data and analytics on the digital sector that businesses can draw on to make business decisions, 51.3% agree or strongly agree that there is sufficient data and analytics. 29.6% disagree or strongly disagree while 18.5% remained neutral. Majority (56.1%) of the companies agreed that information on new and innovative technology for businesses is readily available and can easily be accessed. 62.1% are aware of the digital strategies of other organisations while 10.6% are not aware. 27.3% remained neutral. 92.4% of the companies will welcome the idea of understanding the digital strategies of their competitors within and outside their company's sector of operation.



The results also reveal that 72.7% of the companies are currently using/have previously attempted to use FinTech services. On what has worked well, respondents indicated that FinTechs have enabled rapid deployment of digital solutions, innovative ideas and speed to market, world's secured and first mobile payment platform. FinTechs continue to innovate to meet the changing market needs and digital payments are considered to be working well

so far. Others indicated that Fintech gives room for flexibility but comes with high operating costs. A majority (70.1%) said SMEs can easily access and use digital services/products in their operations.

5. Core Pillars of Growth and Opportunities

The study found out the greatest challenges in transacting business with suppliers of digital technology. 43.5% said they are unable to contact suppliers even though they are available they are not visible. 40.3% indicated their inability to meet suppliers' terms of transactions. In terms of digital innovation, 81% indicated that the digital sector in Ghana lacks innovation and is more reaction oriented than proactive. Given the magnitude of

change in competitive advantage that digital technologies for businesses in Ghana, the risks of slow or poor adoption could be damaging for the economy. Digital technology transformation in businesses requires more proactiveness. Companies expect digital technology providers to support businesses to manage the change by providing training on the use of digital technologies, extensive education on new emerging technology, providing more knowledge of digital technology to business owners. However, 67.7% agree that available digital technologies do align with the operations of their companies. Entrepreneurship support policies, programs, and actors in Ghana are growing at a rapid pace, but the country still lags behind many of its regional peers in terms of ecosystem maturity. Ghanaian entrepreneurs still face many challenges that threaten their ability to start and grow viable businesses. This is an opportunity to harness the digital revolution for business development in Ghana.

6. Conclusions and recommendations

Although COVID-19 has impacted negatively on businesses in Ghana, the digital technologies have transformed business operations significantly by streamlining the online business and logistics processes as well as by providing an opportunity for businesses to reach a broader market. Most of the companies have developed new ways of using digital technology to improve and differentiate their products/services and enhance customer engagement. Nonetheless, there are numerous barriers to SMEs digitising their businesses, including financial constraints, lack of knowledge about many digital processes, weak internet connectivity, high cost of data, lack of the appropriate human capital, and poor integration with existing platforms. Most of the companies have major digital capability gaps. With access to finance, training and an enabling environment, businesses can be more effective in implementing digital strategies. There is the need for government to scale up policies that support digitisation strategies of businesses in Ghana. There is also the need for government to support SMEs, entrepreneurs, and enterprise development with clear coordination for the digital business transformation, improved internet connectivity and expansion to the country's rural population and SMEs without effective coverage. The Government of Ghana has intensify and pursue a more vigorous digitisation agenda and ensure that all the agencies

under the Ministry of communication such as Ghana Meteorological Agency (GMet); Ghana-India Kofi Annan Centre of Excellence in ICT (AITI-KACE); National Information Technology Agency (NITA); Data Protection Commission (DPC); National Communications Authority (NCA); and Investment Fund for Electronic Communications (GIFEC) provide lots of services including capacity building services which private sector agencies could leverage on to enhance their digitisation.