KPMG

Agile or irrelevant

Redefining resilience

2019 Nigeria CEO Outlook

KPMG in Nigeria

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Foreword

A successful CEO is an agile CEO.

This second edition of our annual KPMG Nigeria CEO Outlook emphasises that agility has become a fact of life for Nigerian CEOs, with almost nine in ten chief executive officers indicating that agility is the new currency of business. The ability to pivot quickly and adapt to disruption has become even more of a strategic imperative for CEOs and their organisations to compete in today's economy.

Nigerian CEOs are still very optimistic about the prospects for growth in the economy and their industries over the next three years. However, the expectations for growth in their businesses are more measured, set against the backdrop of the potential disruptive forces of cyber security, emerging technologies and regulatory risks, the top three threats to growth identified by CEOs in this study.

Operating in a more complex and rapidly changing environment is also challenging CEOs like never before, with an expanding breadth of skills and expertise needed to lead their organisations. CEOs need to stimulate innovation, oversee new types of customer relationships, and make bold decisions about their investments in technology.

In the wake of these challenges, it isn't surprising that a significant number of the CEOs we spoke with confirm they are working to develop new skills and capabilities, and investing in strategic collaborations and partnerships as part of their playbook for the next three years.

You will find a great deal of data and insights to draw from this report, as leading CEOs and KPMG leaders share their strategic and tactical perspectives as well as solutions.

We are excited to talk further about these insights, and KPMG's partners and professionals welcome the opportunity to discuss how you can drive agility and further embed resilience in your organisation.

We sincerely thank the CEOs who took the time to share their views with us.

Kunle Elebute
Senior Partner, KPMG in Nigeria & Chairman, KPMG Africa

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Economy and Business: The Next 3 Years

Confident growth expectations

In our 2018 CEO Outlook, we found a significant number of chief executives positive about the growth trajectory of the country's economy and their respective industries. That optimism has continued this year with 76 percent (same as in 2018) of CEOs showing great faith in the economic environment. A major point of difference between the current and preceding years is that 42 percent of CEOs (4 percent in 2018) are very confident about the country's growth prospects over the next three years.

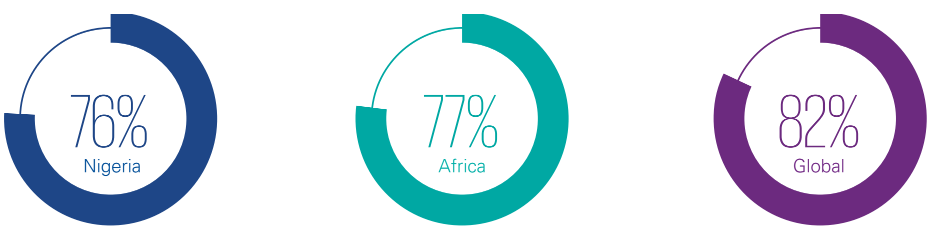
"The country's economy has witnessed eight consecutive quarters of year-on-year growth," according to Wole Obayomi, KPMG in Nigeria's Head of Tax, People and Regulatory Services. "This clearly situates the economy in the recovery phase of the economic cycle. In addition, the country's general elections were conducted earlier this year and they were deemed to be largely successful. With the return of the incumbent administration, it is expected that there will fundamentally be policy continuity. So, it is perhaps unsurprising that Nigerian CEOs are more confident in their growth expectations.

"With the political risks significantly reduced, the economy will benefit from the right policy signals and direction. Some of the areas of focus would include the implementation of the minimum wage increase, the viability of our foreign reserves (which is intrinsically tied to oil price movements) and the sustainability of the fuel subsidy regime."

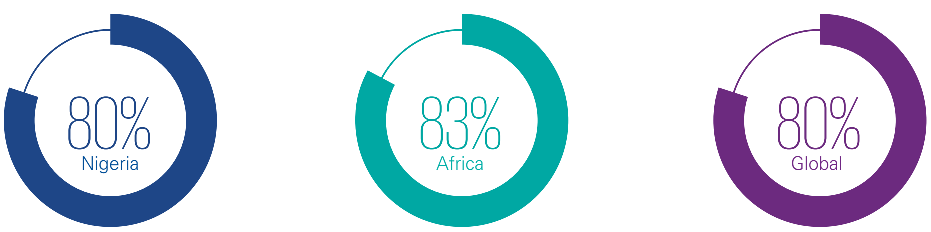
At the industry level in 2019, there has also been a significant increase in CEOs (34 percent) who are very confident about the growth of their industries.

76 percent of CEOs are confident about the growth prospects of the economy over the next three years

Chart 1:
Level of confidence in the growth prospects for your country over the next 3 years



Level of confidence in the growth prospects for your industry over the next 3 years



Source: 2019 KPMG Nigeria CEO Outlook

New concerns emerge

CEOs' optimism is tempered by the greater anxiety about new risks that are likely to upset the status quo and catalyse further disruption, especially within the industries they operate in. According to Olumide Olayinka, KPMG in Nigeria's Head of Risk Consulting, "The risk landscape is changing as organisations embrace new business models and technologies. The most important risks today are those related to emerging technologies, people and processes."

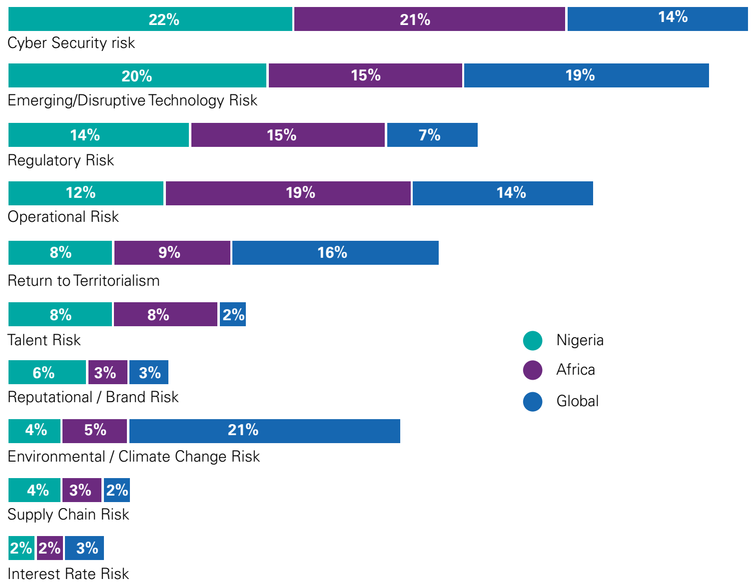
This view is supported in this year's study where CEOs consider the following four major risk areas to be major threats to growth: cyber security, emerging/disruptive technology, regulatory and operational risks.

"In 2018, three of the four risks were identified by CEOs among the top threats to growth, with emerging/disruptive technology risk as the number one stay awake issue," Olayinka says. "Talent risk, which was ranked at number three last year, has been replaced by regulatory risk in this year's survey. Cyber security risk has been ranked as the number one threat to growth this year.

"In this environment, CEOs, and their boards, will need to increase their focus on risk management and controls to remain resilient. They must allocate enough time to monitor progress and immediately address any issues arising."

It is noteworthy that cyber security risk is the top growth threat for African CEOs and environmental/climate change risk is number one for global CEOs.

Chart 2:
Threats to Growth



Source: 2019 KPMG Nigeria CEO Outlook

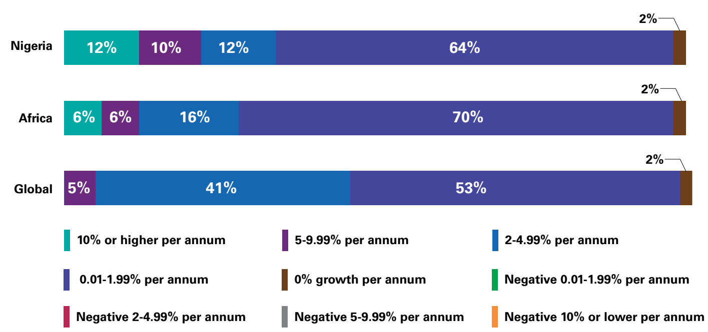
A dose of pragmatism

Nigerian CEOs' faith in the macroeconomic environment is not translating into ambitious growth targets for their companies. The majority of CEOs (64 percent) expect conservative top line growth of less than 2 percent over the next 3 years. African CEOs are even less optimistic about the growth prospects with 72 percent forecasting growth of less than 2 percent.

"This conservative outlook could reflect the challenges of driving growth from new digital business models and revenue streams," says KPMG's Obayomi. "It will take time for CEOs to effect the necessary changes in their portfolio and make them relevant to this digital age and replace traditional revenue streams.

"In addition, the success of new digital initiatives is often measured by performance indicators other than top line growth – customer engagement, for example."

Chart 3:
Outlook for top line revenue growth over the next 3 years



Source: 2019 KPMG Nigeria CEO Outlook

CEO Insights

In the midst of a slow growth economy, underpinned by severe macroeconomic headwinds, consolidation and stability are the watchwords to maintain business agility and resilience for **Olakunle Alake, Group Managing Director of Dangote Industries Limited.**

The Dangote Group is one of Africa's largest and most diversified business conglomerates, operating in twelve African countries across major sectors including cement, food and beverages, oil and gas, and logistics. The Group has been ambitious in driving self-reliance in Nigeria across the sectors it operates in, with cement being a prime example.

"Our biggest priority over the next three years is consolidation," Alake says. "We have grown quite fast and expanded to twelve African countries, especially in cement which is the largest portion of our business. We aim to maximise capacity utilisation across the Group and develop our export capabilities in this area to serve markets in Cameroon, Ghana and Cote d'Ivoire.

"Oil and gas is a new growth area for the Group, and our plan is to achieve stability in this sector over the next three years. We still have about a year or two to complete our major projects in this space.

"We believe that the completion of our fertiliser and refinery projects over the next two years will be game changers for the continent."

Alake, whose experience with the Dangote Group has spanned over 28 years, believes that while there exists a massive opportunity in the Nigerian economy, the government's actions need to be geared towards making Nigeria a more productive nation in order to boost the country's growth prospects. "There appears to be a disconnect between the country's fiscal and monetary policies," he observes. "This is causing a slowdown in growth in credit, manufacturing, agriculture and most other sectors. There is very little production taking place in the economy. The implication of this is that consumer purchasing power has diminished and unemployment remains high."

For a large conglomerate like the Dangote Group, Alake sees these macroeconomic challenges and talent as the major threats to growth. "We aim to invest in ventures that utilise local inputs for production and reduce dependence on imports," he notes. "Fiscal policies need to support that, not tax incentives only, but policies that ensure that businesses can grow and create jobs. Where these policies are not in place or are inconsistent, it will be difficult to attract the right kind of investments.

"The foreign exchange rate is another major concern. The stability that the Central Bank of Nigeria has been able to achieve is fragile because of uncertainties in oil price. If oil prices decline, then it is a major issue for rates. This will have an adverse effect on investor confidence and the cost of doing business.

"Talent is very critical, given our fast paced growth. We need to maintain the quality of our products in a very competitive environment. We need the right people to stay ahead of the curve, but finding the right skills is a challenge. It is a no-brainer that people are the future of the business and we are investing massively to find the right people and training those already working with us."

"We aim to invest in ventures that utilise local inputs for production and reduce dependence on imports."

Olakunle Alake
Group Managing Director
Dangote Industries Limited

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CEO Insights

With Nigeria's economy struggling to deliver real growth, and under stress from local and global macroeconomic pressures, **Herbert Wigwe, Group Managing Director and CEO of Access Bank Plc.**, believes that resolving the country's power sector challenges is critical to boost economic growth.

"The power situation in the country is approaching a breaking point and will explode if no positive action is taken," he says. "Reliable power supply is critical for growth and lack of a stable power supply has had adverse implications for the cost of production across all sectors. There has been a valiant attempt to resolve the issues, but the structures that will ensure success from a regulatory and financing perspective have not been very effective. It will require all the stakeholders in the sector, and government, to sit together to find a lasting solution.

"The Bankers' Committee has decided to create a strong advocacy group to work with the government around specific aspects like differential pricing for electricity consumers, pricing for gas production and supply, and refinancing of power sector investments.

"If the country is able to make the necessary adjustments, there is no reason why the economy cannot deliver 6-7 percent growth."

Against the backdrop of an uncertain macroeconomic environment, the Nigerian banking industry has also witnessed its own challenges. "This is a function of several things," Wigwe says. "Monetary policy has had an adverse impact on the cost of lending. The Central Bank has been committed to defending the currency and this has impacted negatively on interest rates, and ability of banks to lend to the real sector."

In spite of all these, Wigwe believes that retail represents a major source of growth for the industry. "Digital technologies have transformed the retail play and helped deepen financial penetration," he explains. "The ubiquity of mobile phones and availability of mobile applications have greatly reduced the cost to serve the lower segments of the market. The accessibility of machine learning and artificial intelligence capabilities has also enabled banks to rapidly increase their understanding and prediction of customer behaviour, improve their product customisation to specific segments, and reduced the risks of consumer lending."

Access Bank, one of the largest financial services group on the African continent, recently executed a merger that has greatly increased its scale, retail expertise and footprint, with more than 10 million mobile customers. The bank's digital transformation journey has enabled the bank remain agile and consolidate its position in this space. "Our strategy is digitally-led, supported by collaborations with reputable fintechs," Wigwe notes. "The effort to transition to digital has been massive, but necessary. We are training and re-skilling our staff because they need to demonstrate strong digital skills to adapt to this new world.

"We are using AI for insights and decision making. The kind of scale that we envisage for this business can only be supported by robust AI capabilities.

"For CEOs to thrive in this fast-paced and dynamic environment, they must be digitally and technology savvy, understanding the implications of new technologies for their industries and businesses. They must embrace, seek and create change with a passion, and be 'tragile' in their approach – maintaining the right balance between the traditional way things are done and still be agile."

Our strategy is digitally-led, supported by collaborations with reputable fintechs…we are using AI for insights and decision making.

Herbert Wigwe
Group Managing Director and CEO
Access Bank Plc

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Agility: The New Currency of Business

Agile or irrelevant

Large, established organisations – which are built to drive an advantage from scale – are finding that smaller, more agile players have a competitive edge. As industries such as financial services have seen, disruptors are targeting key elements of the value chain, such as fintechs' moves into the payments industry.

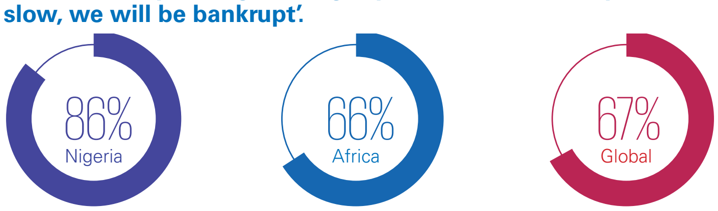
Today, more than ever before, leading a business is about challenging convention and driving radical change. Eighty-six percent of CEOs in the survey say that they have to act with agility and champion new ways of creating value to ensure that they are not left behind. They cannot be slow and cumbersome in a fast-moving age. This means being more customer-centric, increasing the speed of innovation and collaborating across organisational boundaries.

Collaborations and partnerships, a top strategic priority

CEOs are aggressively trying to position their companies to remain agile and survive amongst incredible technology-driven disruption. Nigerian CEOs rank driving growth via strategic alliances (35 percent) as the number one priority to achieve growth objectives over organic growth (22 percent) and joint venture (20 percent).

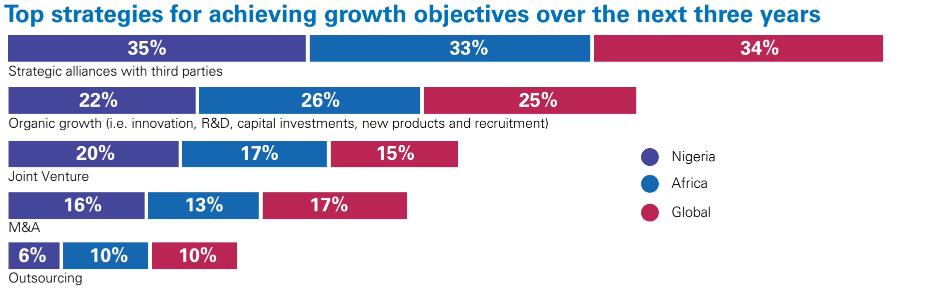
This is further underpinned by the fact that Nigerian CEOs are more likely than their African and global peers to undertake a number of actions relating to innovation and collaboration to drive growth. Three-quarters intend to set up accelerator or incubator programmes for start-up firms and 68 percent intend to collaborate with innovative start-ups.

Chart 4:
CEOs who say 'acting with agility is the new currency of business; if we're too slow, we will be bankrupt'.



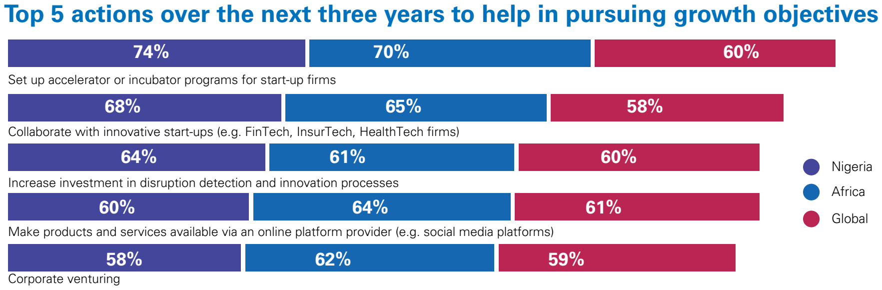
Source: 2019 KPMG Nigeria CEO Outlook

Chart 5:
Top strategies for achieving growth objectives over the next three years



Source: 2019 KPMG Nigeria CEO Outlook

Chart 6:
Top 5 actions over the next three years to help in pursuing growth objectives



Source: 2019 KPMG Nigeria CEO Outlook

86 percent of Nigerian CEOs say that acting with agility is the new currency of business and being too slow risks bankruptcy

55 percent of CEOs favour strategic alliances and joint ventures as their top strategies to drive growth

Bisi Lamikanra, KPMG in Nigeria's Head of Advisory throws further light on this. "In the last few years, especially during the economic downturn, most CEOs were in a cost-preservation mode, rarely focusing on new markets or products," she says. "Today's CEO is about moving faster than the competition and delivering smarter solutions. No one organisation can constantly deliver that in today's fast-changing, dynamic environment. They have to partner with third parties that complement their core capabilities.

"For such alliances and partnerships to succeed, there has to be a very strong alignment between the two organisations, a clear definition of success, and how such success will be measured. There must also be a strong alignment of culture and values."

Three major hurdles

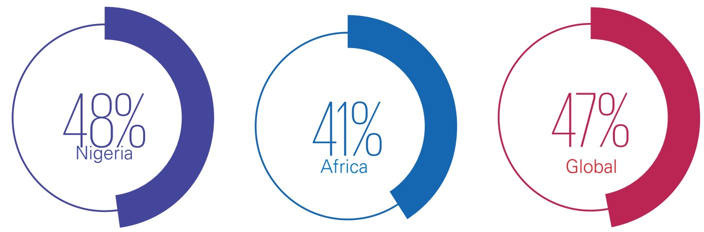
The survey showed that there are major concerns that Nigerian CEOs need to address in order to remain agile and relevant.

Agile organisations are defining comprehensive strategies that map their business goals to a wider societal purpose. However, almost half of Nigerian CEOs surveyed (48 percent) say linking their growth strategies with broader social purposes remain a challenge.

Secondly, in order to adapt quickly, organisations must have a culture that nurtures innovation and creativity to thrive in an age of unpredictable and high-impact change. A significant disconnect exists in this regard as 72 percent of CEOs believe that improvements in their innovation processes and execution will be a major area of focus over the next three years.

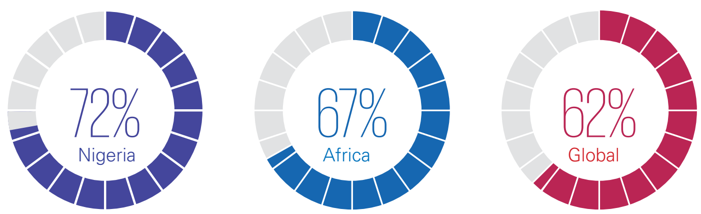
Thirdly, Nigerian CEOs see talent acquisition as among the toughest issues companies need to address to stay relevant. In fact, 60 percent of the CEOs surveyed report that it is difficult for them to find the right talent that they require.

Chart 7:
CEOs who say 'we are struggling to link our growth strategy with a wider societal purpose for the organization'



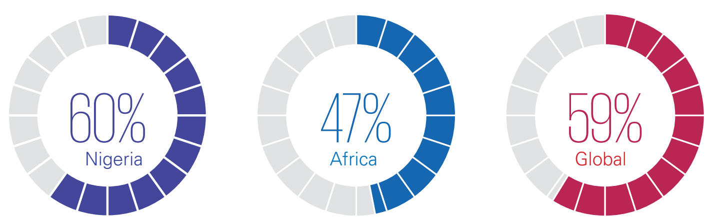
Source: 2019 KPMG Nigeria CEO Outlook

Chart 8:
CEOs who say 'we need to improve our innovation processes and execution over the next 3 years'



Source: 2019 KPMG Nigeria CEO Outlook

Chart 9:
CEOs who say 'it is challenging to find the workers we need'



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> For businesses to continue to grow in this country, infrastructure related to trade and production needs to be a priority area for investment.

Uche Orji
Managing Director and CEO
The Nigeria Sovereign Investment Authority

CEO Insights

The Nigeria Sovereign Investment Authority (NSIA) is an agency of the Federal Government set up to manage surplus income from budgeted oil revenues. As the manager of Nigeria's sovereign wealth fund, NSIA had over $2 billion assets under management at the end of 2018. **Uche Orji, Managing Director and CEO of NSIA**, says that strategic alliances and partnerships is a strategic priority to achieve the Authority's growth objectives.

Over the years, NSIA has increased its focus on domestic infrastructure projects in agriculture, healthcare and infrastructure enabling financial institutions via the activities of its three strategic funds[1]. "We are looking to expand our presence in other sectors in infrastructure," Orji says. "Over the next three years, we aim to complete three major transport infrastructure projects – the Abuja-Kano highway, Second Niger bridge and the Lagos-Ibadan road projects. Investments in all three projects add up to more than ₦500 billion.

"We also see an aggressive increase in healthcare investments in the next three years. The Lagos University Teaching Hospital Cancer Treatment Centre is already operational. Two other advanced diagnostic centres in Kano and Umuahia are also slated for commissioning 2019.

"Once we have all these projects operational, we see ourselves significantly expanding to several other projects during the rest of 2019 and in 2020."

Orji believes that a strategy of collaboration with third parties will be critical for success with the anticipated growth in NSIA's investments. "In the agriculture space, we have started to make some aggressive investments following a 50/50 partnership with South Africa's UFF Agri-Fund, backed by Old Mutual. We also have a joint venture with OCP Morocco to invest in an ammonia plant, and we plan to do more.

"InfraCredit has been a major example of the success of our alliances. We started with the Private Infrastructure Development Group and GuarantCo as co-investors, and recently the Africa Finance Corporation and KfW have also come on board as investors."

As NSIA expands its infrastructure investments over the next three years, there are major hurdles to be navigated to ensure attainment of its growth objectives. Orji throws more light on these. "Our business is one where we depend on the growth in oil revenues in order to grow our assets under management. So, the top three risks we see are the pricing, reinvestment and environment risks. The environmental risks are mainly around insecurity.

"The pricing risk is essentially driven by the macroeconomic environment. We are not seeing as much investments in the country as needed, and this poses a risk for our business."

Orji believes that resolving other key infrastructure constraints will spur growth in the sector and the larger economy. "For businesses to continue to grow in this country, infrastructure related to trade and production needs to be a priority area for investment," he says. "The investments being made in rail is fantastic and linking that with the ports will go on to accelerate growth."

[1] These include the Stabilisation Fund, the Future Generation Fund and the Nigeria Infrastructure Fund

CEO Insights

The Nigerian Stock Exchange (NSE), with a market capitalisation of over ₦23 trillion, is Nigeria's leading capital market platform, providing stakeholders with a reliable and efficient exchange hub to save and access capital. For **Oscar Onyema, the NSE's CEO**, maintaining market integrity and investor confidence in a digitised world is key to driving resilience in an uncertain macroeconomic landscape.

"I am confident in the growth prospects of the Nigerian economy," he says. "However, the major challenges that need resolution include ensuring the country's oil output targets of over 2 million barrels per day are met, given the relative stability of oil prices at between $60–70 per barrel, and the general insecurity issues.

"The security challenge is a symptom of a deeper problem – the population is growing faster than the economy. This is hampering efforts to provide infrastructure, education and other ingredients for a productive and high quality population."

The Nigerian equities market has largely experienced a bearish turn over the past 12 months, with the All Share Index declining by over 8,500 points, indicative of negative market sentiments over this period. "Our business is closely correlated with the economy, which in turn is highly correlated with oil prices and output," Onyema explains. "So, the equities market has mirrored recent economic struggles, especially during periods of uncertainty in oil prices and local production."

Demutualisation still remains a key strategic priority for the NSE and it is expected to contribute to a more dynamic, transparent and efficient capital market. The exercise should also increase the agility of the NSE and its ability to innovate. "The demutualisation exercise will give us the flexibility to undertake more innovative initiatives," Onyema says. "Our revenue sources are consolidated around our core areas of trading and listing, and these have largely stagnated. There is an imperative for us to diversify, especially the marketing aspects.

"I see digital disruption as an opportunity here, not necessarily in trading, as trading technologies have evolved so much that there are only marginal gains, but in the listing and marketing aspects of our business. For listing, we are exploring new initiatives around cloud technology, ramping up our capacity and developing new partnerships. For our market data products, we are exploring the use of technology to better understand our customers and service them better without violating their privacy, in the light of new legislations such as the EU GDPR[1]."

According to Onyema, navigating the critical operational and reputational risks will be key to maintaining business resilience and retaining the confidence of key stakeholders. "Operational risk is always a priority for us," he says. "At the NSE, we strive to establish very strong governance, policies and systems because the service we provide relies on trust. Our systems and processes therefore must not fail otherwise trading is compromised.

"Reputational risk is another major area; investors and stakeholders must have the confidence in the fairness and credibility of our platforms. They must be able to rely on these platforms at all times, whether they are trading or listing."

At the NSE, we strive to establish very strong governance, policies and systems because the service we provide relies on trust.

Oscar N. Onyema, OON
CEO
The Nigerian Stock Exchange

[1] European Union General Data Protection Regulation

Mastering Resilience: Transforming for the Future

A future-ready business

Trends in globalisation and in digitalisation have motivated many organisations to expand or shift their business focus to adapt to the evolving business landscape. A majority (36 percent) of Nigerian CEOs surveyed described a resilient business as one that can adapt quickly to the changing business environment. In addition, a significant proportion of the CEOs (34 percent) believe that a resilient business must also protect the core and disrupt the market.

Our survey suggests that to future-proof their businesses, a substantial number of Nigerian CEOs (38 percent) intend to focus on modernising their workforce capabilities.

To master resilience, CEOs need to drive an organisation-wide digital reinvention. This means accelerating the adoption of advanced technologies and undertaking wholesale upskilling of the workforce.

However, there appears to be a tension between the workforce changes Nigerian CEOs know they need to make and the investments that are required in their technology. The majority of CEOs (58 percent) say that they are placing more capital in buying new technology.

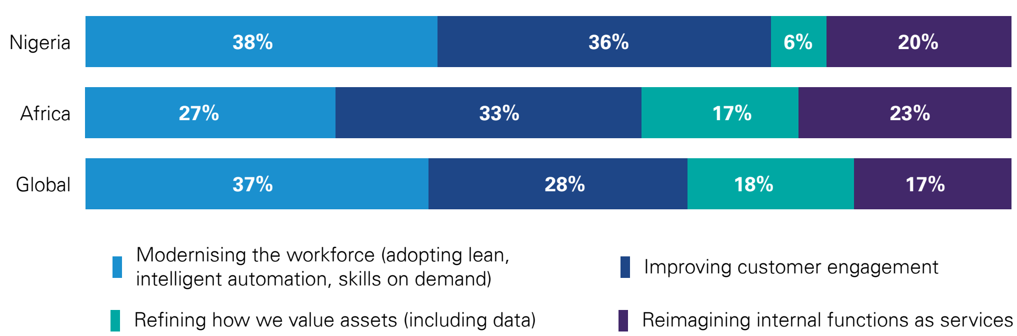
Investing in technology and digital transformation

CEOs are embracing the digital agenda like never before and are also under pressure to realise the benefits of the investments in digital. 86 percent of Nigerian CEOs expect to see significant return on investment (ROI) from their digital transformation programmes within 3 years. Over the same time period, 48 percent and 34 percent of Nigerian CEOs expect significant ROI on their artificial intelligence (AI) and robotic process automation initiatives respectively.

AI-based technologies and their applications, from intelligent automation to voice recognition, offer an opportunity to transform organisational performance. They can be used to unearth insights from huge repositories of structured and unstructured data, improving the speed and quality of decision-making. They execute processes and tasks that used to be undertaken by employees – something they can do with significant speed and accuracy, leaving humans free to tackle higher-value tasks.

Only 14 percent of Nigerian CEOs in our study say that they have already implemented artificial intelligence to automate their processes and over half (54 percent) indicated that they have begun trialing AI in just a small number of processes.

Chart 10:
Which strategy are you most relying on to ensure your organisation is future ready?



Source: 2019 KPMG Nigeria CEO Outlook

74 percent of CEOs intend to focus on modernising their workforce and improving customer engagement to future-proof their businesses

86 percent of CEOs expect to see significant return on investment from their digital transformation programmes over the next three years

According to Boye Ademola, KPMG in Nigeria's Digital Lead, "Driving AI at enterprise scale presents significant challenges that are different from mainstream IT delivery. Many organisations face a shortage of relevant skills, with specialists in high demand. Organisational resistance may also be pronounced, with employees worried about the implications of artificial intelligence adoption for their roles."

The majority of Nigerian CEOs do not appear overly concerned about this with 76 percent of them believing that the most likely impact of AI and robotics technologies in the organisations will be to create more jobs than it eliminates.

"The advent of AI and RPA has created the opportunity to automate all the processes within an organisation," Ademola continues. "This includes reconciliations (banks, suspense accounts), fraud detection, auditing, management reporting, and tracking of key performance indicators. CEOs will have to reconfigure their workforces for a future where smart machines and talented people work together."

Enabling Workforce 4.0

Disruptive technologies, from artificial intelligence to robotics, are obviously causing many roles and skills to become outdated or evolve in our machine age. CEOs, and their organisations, are having to embrace a new way of thinking about talent, workforce strategy, and the need for upskilling.

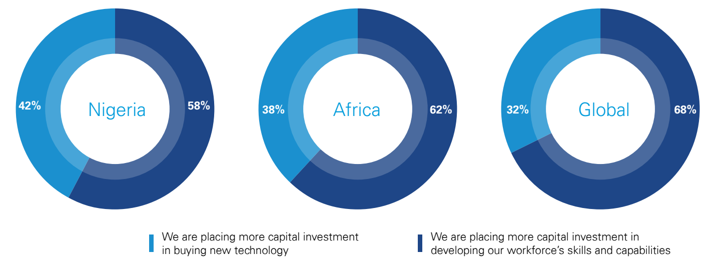
It appears that many Nigerian CEOs expect to re-task their current employees to take up new roles and responsibilities. Eight in ten Nigerian CEOs surveyed plan to upskill at least 30 percent of their current workforces.

Yetunde Kanu, Partner and Head of People & Change, KPMG in Nigeria, believes that CEOs will have to take an entirely new approach to workforce planning and development, beyond upskilling employees in new technologies, to remain agile and resilient. "Our experience across various industries show that leading organisations recognise that their workforce need to be aligned around the customer rather than business functions," she says. "This means finding ways to remove the traditional functional barriers and silos.

"It is also critical that workforce plans are developed alongside an organisation's transformation strategy to ensure that the company has access to the right skills and capabilities at the right time to aid their transformation journey."

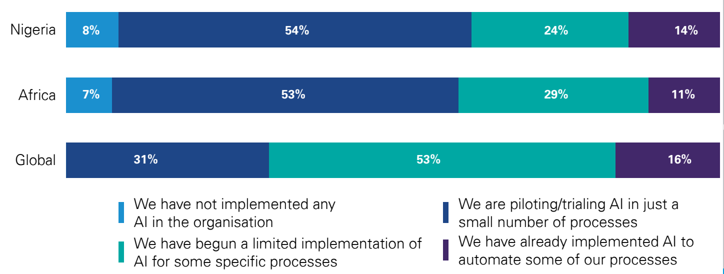
"Leading organisations also proactively address employees' resistance to change and fears about automation by deploying structured change programmes to encourage and embed adoption of new ways of working across the company," she continues. "They must also start thinking about how they engage and motivate employees that may not work in an office or may have to work with smart machines."

Chart 11:
Thinking specifically about improving your organisation's resilience, which of the following investments are you prioritising?



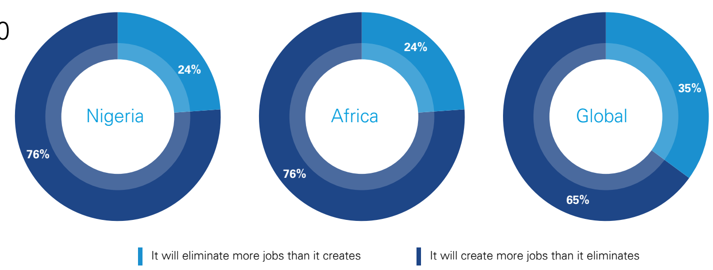
Source: 2019 KPMG Nigeria CEO Outlook

Chart 12:
State of play of artificial intelligence (AI) in the automation of organisation's processes



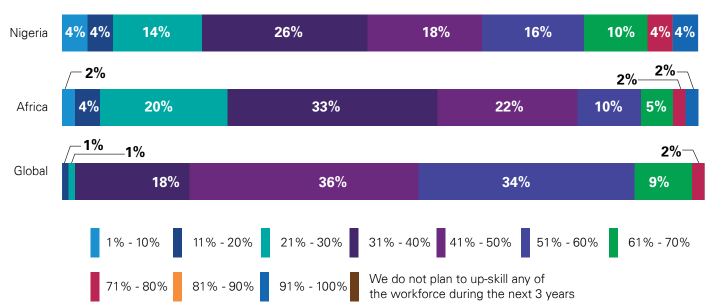
Source: 2019 KPMG Nigeria CEO Outlook

Chart 13:
The most likely impact of artificial intelligence and robotics technologies on organisations



Source: 2019 KPMG Nigeria CEO Outlook

Chart 14:
Proportion of current workforce planned for up skilling in new digital capabilities (such as advanced data visualisation, ability to code, etc.) during the next three years



Source: 2019 KPMG Nigeria CEO Outlook

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Cyber resilience

The ability to integrate digital innovation is key to unlocking long-term growth. Digital innovation can create significant value across business models, customer experience and operations. But greater connectivity brings increasing cyber vulnerability which can put a handbrake on any long term growth potential.

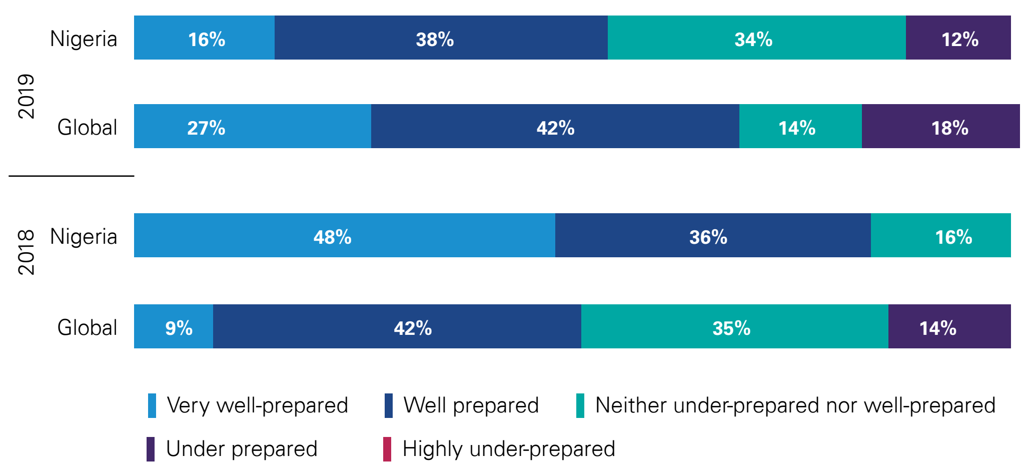
Cyber security risk (22 percent) has moved to the top of the risks facing Nigerian CEOs, up from second place in 2018. However, Nigerian CEOs appear to be a lot more cautious about their preparedness as only 54 percent say their organisation is prepared for a future cyber attack, a significant drop from 2018 (69 percent).

Joseph Tegbe, Partner and Head of Technology Advisory, KPMG in Nigeria believes CEOs have to take a long-term view with regard to cyber risk mitigation. "Cyber security preparedness refers to the ability to organise a team to respond quickly to an attack, and it varies based on the size and complexity of the organisation," he says. "Some organisations are still only in the nascent stages of their programme, implementing the basic tactical initiatives required to achieve a base level of security. But we are seeing today that there are more discussions focused on sustainable programmes of cyber risk mitigation versus point security projects.

"There is still a lot of improvement when it comes to the ability of organisations to prevent cyber attacks or to limit their negative impacts."

Only 54 percent of CEOs believe that their organisations are prepared for a cyber attack, down from 69 percent in 2018

Chart 15:
Preparedness for a future cyber attack



Source: 2019 KPMG Nigeria CEO Outlook

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"To endure as long as First Bank has, institutions must be agile; they must reinvent themselves."

Dr. Adesola Adeduntan, SCIB
CEO
First Bank of Nigeria Limited

CEO Insights

With over 125 years of operation, 15 million plus customer accounts and more than 750 business locations, First Bank of Nigeria Limited is a shining example of a resilient organisation in Nigeria. **Dr. Adesola Adeduntan, CEO** of the bank, believes that organisations must continuously reinvent themselves to survive as long as FirstBank.

Today's Nigerian banking industry is continually evolving and remains dynamic. While many CEOs appear to understand their competitive positions today, most of them are worried that new entrants, including established international technology organisations and fintechs could decide to use their sophisticated customer insights to disrupt the customer relationship models. "Disruption is a factor that remains constant in any industry. It is nothing new," says Dr. Adeduntan. "But to endure as long as FirstBank has, institutions must be agile; they must reinvent themselves.

"FirstBank has retained that ability such that, irrespective of the leader at any point in time, it has been able to maintain its quality and standard."

Dr. Adeduntan believes that FirstBank has made great effort to improve and transform its capabilities in a market characterised by rapidly changing customer preferences and constant technological changes. "We have articulated and are systematically pursuing our growth objectives," he says. "To ensure success, we have made significant investment in our technology that has now enabled digital banking and we've been quite successful.

"Remarkably, FirstBank recently hit the N1 trillion mark in Firstmonie transactions, has over 10 million digital banking customers transacting actively on our FirstMobile and USSD applications, and has over 25,000 agencies in our Agent Banking Network – the largest in the country. We see these as leading indicators of what the future will look like and we have made investments in such areas, both internally and externally."

FirstBank's Firstmonie service has been at the forefront of providing essential financial services to the unbanked and underbanked communities in Nigeria. "We are particularly delighted about the progress we are making in supporting the Federal Government's agenda in driving nationwide financial inclusion, exposing communities to opportunities for empowerment, growth, job and wealth creation," Dr. Adeduntan explains.

For Dr. Adeduntan, at the heart of an agile and resilient business is technology-enabled innovation that allows organisations stay ahead of the curve. "The banking industry is very dynamic," he says. "No one knows precisely how the industry will evolve, but we do know that technology will continue to play a critical role. As an industry leader, we must remain innovative to stay ahead of the market.

"Everything is about technology today; it is closely interwoven with our business. We see digital as an opportunity, an irreversible evolution. FirstBank was an early adopter and we continue to expand our digital frontiers, like embracing cloud solutions. In fact, for us, the rule for new solutions is 'cloud first'."

Amidst this digital and technological evolution, cyber risk remains a major concern that can upset the status quo. "The most concerning risk for the banking industry today is cyber security risk," according to Dr. Adeduntan. "It is not enough to have platforms and solutions that excite customers; these platforms must be strengthened in ways that minimise losses to us and our customers."

> “You need to have the right structure in place that guides all your actions as a business.”

Funke Opeke
Founder and CEO
MainOne

CEO Insights

Recognising the major infrastructure gap in connectivity between Nigeria and the rest of the world, **MainOne Cable Company Limited** has been at the forefront of providing broadband infrastructure services over the past decade. **Funke Opeke, MainOne's founder and CEO**, who has led the expansion of the company's network capabilities and footprint across Nigeria and West Africa, believes that governance is fundamental for business resilience in an environment as dynamic as Nigeria's.

"Good governance has played a critical role in the success of our business," she says. "The market dynamics and technology will change, and opportunities will evolve, but you need to have the right structure in place that guides all your actions as a business. It provides the framework for the implementation of the long term business strategy and actions in a holistic manner that addresses the needs of all key stakeholders. This is fundamental to building a sustainable business.

"Capital is also very important. But access to capital is less of a challenge for us, especially as we have the right governance and structures in place."

The Nigerian economy is currently in a recovery cycle, having recently emerged from a recession. However, recent growth forecasts have been in the low single digits. Opeke believes that these economic growth cycles are a test of an organisation's agility and resilience. "Resilience has been absolutely essential for us as a business during the slow growth phase of the economy," she explains. "During such times, an organisation has to be able to maintain high quality operations, continue to delight, and hold onto, customers and talent in order to sustain revenues.

"We have had to build more resilience into our business over the years, leveraging technology to improve our efficiency, addressing skill and knowledge gaps, and exploring innovative ways to deal with the impact of adverse foreign exchange rates – given a lot of our inputs are sourced internationally – in order to deal with growth in business volumes at more competitive prices.

"However, when the economy is growing, then it is a time for the business to be extremely agile."

Being in the information and communications technology space, disruption is both a threat and an opportunity for a business like MainOne. "We are seeing ourselves being disrupted and we are prepared for disruption," Opeke says. "Technology evolution is seeing shorter obsolescence windows. A few years ago, computing was largely done in computer centres owned by companies, in the facilities they controlled. Then this companies transitioned to having these service outsourced by moving to data centres. Now, large businesses, even on the African continent, are migrating completely to cloud platforms.

"We see all these disruptions, and we are prepared for them because we are nimble enough, with the capabilities to shift across all these segments. We are building platforms that our customers own and also enabling customers on our own platforms. As a resilient and sustainable business, we are looking far ahead and are not afraid to cannibalise what exists in order to build something greater in future."

CEO Insights

Zenith Bank, one of the biggest banks in Nigeria today, has always been a trailblazer in the industry. With almost 600 branches and cash centres, the Bank transacts business with over 8 million customers across its network. The Bank has embraced technology in its drive for leadership in the Nigerian banking industry. **Peter Amangbo, the immediate past Group Managing Director and Chief Executive Officer, Zenith Bank Plc**. provides more insight.

"Our investments in technology has enabled Zenith Bank to consistently deliver superior performance over the past 29 years," he says. "The Nigerian banking industry is very dynamic. Technological disruption has created such a large space of opportunities such that there are products and solutions that you don't even see outside Nigeria.

"We have adapted well to these changes. We were the first bank to provide mobile banking services to customers in Nigeria, starting with the corporate banking segment and eventually to the retail segment. We have invested in cards and have issued over 6 million cards and significant growth in usage.

"The data from our customer transactions and interactions has even now made it imperative that we should invest in robotics and artificial intelligence. This is because some of these transactions have become very complex."

The ability to adapt effectively to the disruptions resulting from the operating environment is one of the qualities that Amangbo believes will enable the Bank navigate the risk landscape. "There are so many risks that the banking industry is facing," he says. "A major driver of this is the challenge posed by the larger macroeconomic and operating environment. Though the country has successfully emerged from the recession, consumer purchasing power is still very weak and earnings in the industry are declining.

"Some factors, such as the foreign exchange rate risk, remain a major challenge for us and our customers. Credit growth has slowed significantly in the last few years. Cyber fraud is also a key risk facing the industry."

A significant number of organisations have pivoted towards digital in order to remain agile and resilient in this challenging operating environment. Amangbo believes that CEOs, as the owners of such technology and digital transformation, require a reinforcement of some traditional skills and attitudes to thrive. "CEOs must have a clear focus of where the organisation is heading," he says. "They must show a willingness to take the tough decisions and maintain high standards to make an impact.

"Teamwork and collaboration is critical to any transformation effort, and the CEO must drive that. He or she must bring strong motivation and energy to bear."

"The data from our customer transactions and interactions has even now made it imperative that we should invest in robotics and artificial intelligence."

Peter Amangbo
Immediate past Group Managing Director and CEO
Zenith Bank Plc

The Resilient Leader: A New Playbook

An urgency to act with agility

The majority of Nigerian CEOs (30 percent) in our study indicated that enabling long-term business success is their main motivation. In contrast, at a global level, 22 percent of CEOs are driven to deliver short-term growth.

However, Nigerian CEOs feel that they have less time to make an impact than previous generations of executives. Seventy percent of CEOs believe that the average tenure of a CEO is around 5 years, which is shorter than when they began their careers. As a result, 3 in 4 Nigerian CEOs believe that the average tenure of a CEO means there is more urgency to act with agility.

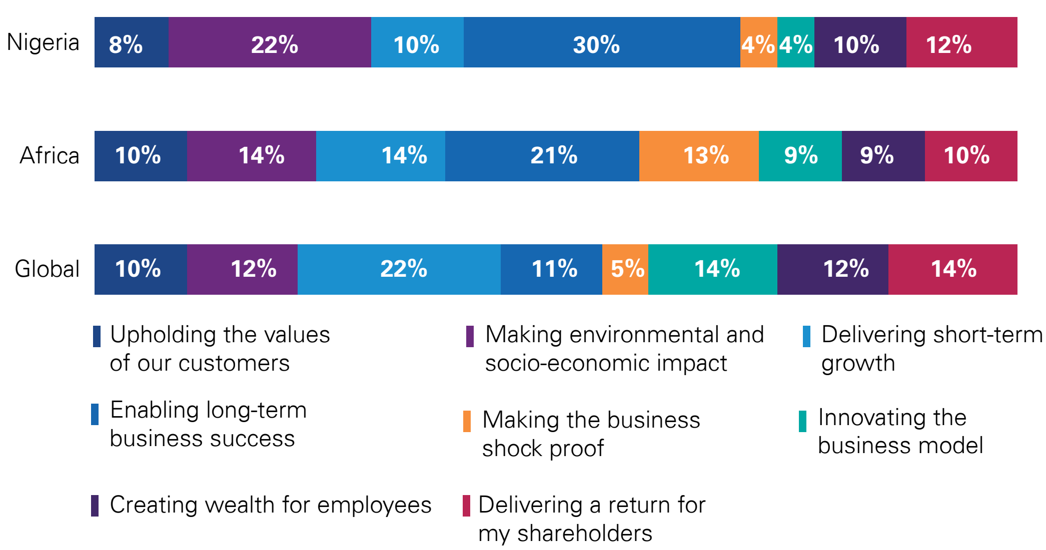
Evolving the leadership team

CEOs understand that leading an organisation in 'interesting times' takes more than talk about new business models and innovation; it requires courage and inspirational leadership, an ability to protect as well as provoke, and close involvement in all corners of the organisation.

C-level roles have already changed significantly over recent years as CEOs respond to new demands. The established direct reports of the CEO – such as the CFO and CRO – have been joined by new C-suite capabilities, from Chief Digital Officers to Chief Data Officers. While CEOs have added more firepower to their leadership teams, they are not stopping there.

Three-quarters of Nigerian CEOs (74 percent) said that they are actively transforming their leadership team to build resilience.

Chart 16: Motivations for CEOs



Source: 2019 KPMG Nigeria CEO Outlook

75 percent of Nigerian CEOs say that, at 5 years, the average tenure of a CEO means there is more urgency to act with agility

74 percent of Nigerian CEOs say that they are actively transforming their leadership team to build resilience

The balancing act

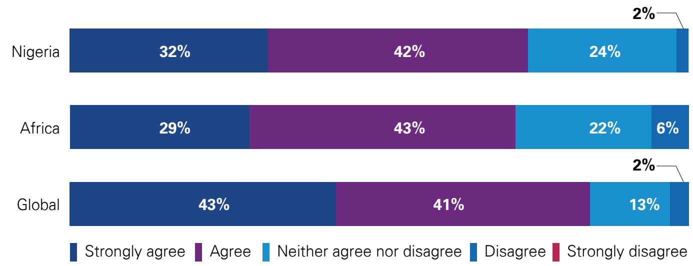
CEOs need to be prepared to take their organisations in entirely new directions to drive innovation and change. Most organisations are undertaking some form of emerging technology implementation including partnering with technology firms and startups to deliver new artificial intelligence, machine learning and robotics solutions. It is unsurprising therefore, that a majority of Nigerian CEOs (82 percent) see themselves as being personally responsible for driving their company's technology strategy.

This research suggests that CEOs need to call upon two other qualities to generate new ideas and drive radical change: firstly, maintaining close customer connections, and secondly, balancing data-driven insights with intuition and experience to anticipate customers' needs.

Seventy-two percent of Nigerian CEOs say that improving their understanding of their customers is an improvement area. This lack of understanding appears to underpin the belief of almost 4 in 10 Nigerian CEOs that their investments to personalise their customers' experience have not delivered the expected growth benefits (compared to none in 2018).

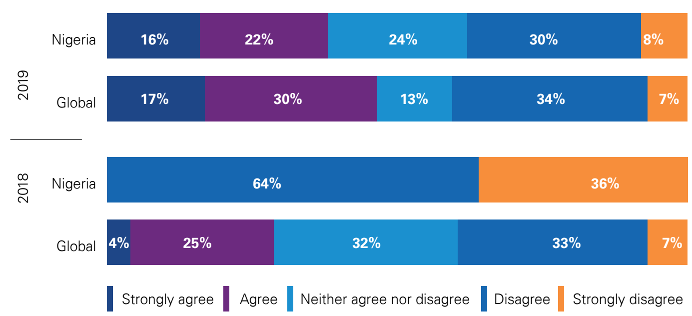
We found that 58 percent of Nigerian CEOs say they have disregarded data-driven insights into customer needs and requirements because they were contrary to their own experience or intuition. This is a major area that CEOs need to address to ensure that they get value out of increasingly sophisticated analytics, particularly if that insight has not been produced by a human but by an algorithm.

Chart 17:
CEOs Views: 'I am actively transforming our leadership team to strengthen our resilience'



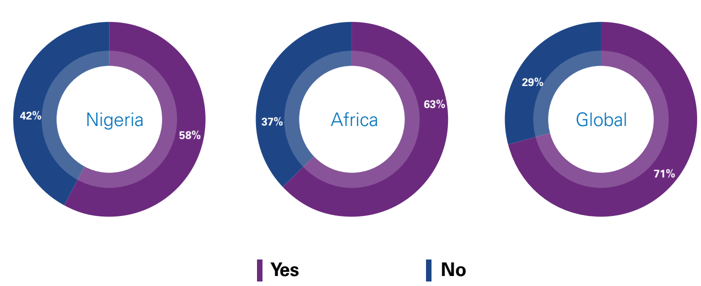
Source: 2019 KPMG Nigeria CEO Outlook

Chart 18:
CEOs View: 'To date, the investments we have made in trying to personalise the customer experience have not delivered the growth benefits we are hoping for'



Source: 2019 KPMG Nigeria CEO Outlook

Chart 19:
CEOs View on overlooking the insights provided by data analysis models/computer-driven models because they were contrary to own experience/intuition



Source: 2019 KPMG Nigeria CEO Outlook

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> **Agility is key for the Bank…we have to make sure that we are able to adapt quickly to the situations that evolve, now and in the future.**
>
> **Bola Adesola**
> Immediate past CEO of Standard Chartered Bank Nigeria Limited and Senior Vice Chairperson, Africa Standard Chartered Bank Group

CEO Insights

"For a business to remain resilient, it must clearly define its core values and strengths, investing significantly to build and reinforce its capacity in these areas," says **Bola Adesola, immediate past CEO of Standard Chartered Bank Nigeria Limited and Senior Vice Chairperson, Africa, Standard Chartered Bank Group**.

With over 30 years of banking and financial services experience, Adesola is now responsible for supporting the execution of Standard Chartered Bank's strategic intent in the Africa region including representing the Bank on its various subsidiary boards. "Shareholders have now realised that the sustainability and resilience of a company is more important than the personalities running the company," she says. "So it is important that the company has a clear identity that enables it to build resilience and manage the risks it faces.

"Over the next three years, I see 3 major risks for Standard Chartered Nigeria – regulatory risk and the cost of regulatory compliance, cyber security risks, and socio-political risks. These are all challenges that we face as we grow our business."

"For the Bank, agility is key, especially in the short term. We have to make sure that we are able to adapt quickly to the situations that evolve, now and in the future. The focus that we have put in our core values and strength will enable us achieve this."

One of the major drivers of Standard Chartered Bank Nigeria's agility will be its investment in people and technology. "We are investing a lot in cyber technology, not just for the IT team, but for all staff," Adesola continues. "Our other investments in technology will include maintaining our core banking solution and ensuring it remains robust. We are also looking at artificial intelligence and how we can use it to drive better analytics for more effective decision making."

The digital economy requires organisations to build a new normal around how they operate and this is no different for Standard Chartered Bank Nigeria. "The investments in technology have transformed the operational model of the Bank," according to Adesola. "We have become more efficient and our physical branch count has reduced from just over 40 to 21, as about 80 percent of our transactions are now being done digitally.

"We have launched digital banks in Cote d'Ivoire, Kenya, Uganda and Ghana. We will be launching one in Nigeria before the end of 2019. Customer demographics have evolved with them conducting banking transactions from their homes, offices and mobile phones. So, technology has positioned us to better adapt and serve our customers based on their needs and preferences."

"This digital transformation obviously has had implications for our staff as it affects the number and types of jobs available. They have to be trained, through various media including accelerator labs, to acquire the required skillsets in this new reality. This transformation provides them with unique growth opportunities and platforms for innovation and stimulating work."

CEO Insights

Telecoms networks have become a critical part of Nigeria's national infrastructure and have changed the way we communicate and interact. IHS Nigeria has played a very significant role in the development of the country's telecoms industry over the last two decades as the foremost provider of tower operations services to Nigeria's mobile network operators.

Mohamad Darwish, CEO of IHS Nigeria, has been a driving force in the growth of IHS Nigeria's operations and in establishing it as the leading tower company in Nigeria. He believes that harnessing the headwinds of change is critical to steering an organisation to growth in an environment where macroeconomic uncertainty, demographic shifts and disruption are the norm.

"Going back to 2001, when the telecoms sector was liberalised, there was a pessimism about the ability of the sector to thrive given the previous experiences," he says. "Eighteen years later, we have witnessed several successes in voice and data, and the growth potential still remains huge.

"IHS Towers started in Nigeria from the beginning and has experienced strong organic growth. Our success in Nigeria has enabled us to establish presence in 5 African countries."

"Nigeria is a tough environment. A successful CEO must be very resilient, be tough and able to recover quickly from setbacks."

Historically, the telecoms industry has been a major contributor to Nigeria's economic growth and there remains untapped market potential. "The sector is the fourth largest contributor to GDP with double digit growth in 2018, despite several challenges," Darwish says. "The market opportunity remains massive as demand for connectivity is still quite high. This is triggering the demand for more communications infrastructure. Current infrastructure capacity is inadequate, which is why the sector is still struggling with 4G. Some other countries have moved beyond this and have started exploring the roll out of 5G."

Darwish is of the view that the emergence of new technologies, while having the potential to disrupt the industry, has also provided opportunities to improve efficiencies. "Technology has been very instrumental to the development of the industry," he says. "It is a key part of our business. Our sophisticated network operating centre enables us to monitor 16,000 sites across the country."

One of the findings from this CEO research was that 50 percent of Nigerian CEOs are struggling to link their growth to a wider societal purpose. Darwish believes that having a social purpose is an important measure of success for any business, even more so in the Nigerian environment. He explains, "Giving back to the country, through corporate social responsibility initiatives, provides the energy and motivation for you to continue to succeed. We have between 30,000 – 40,000 people benefiting from our various initiatives including our technology transfer programme, 'School on Wheels' and our training centres across the country. We also have programmes aimed at assisting the digitisation efforts of secondary schools."

"Nigeria is a tough environment. A successful CEO must be very resilient, be tough and able to recover quickly from any setback."

Mohamad Darwish
CEO
IHS Nigeria

Conclusions

The pace of change continues to accelerate as the fourth industrial revolution ushers in the era of machine learning, robotics and artificial intelligence. The next 3 years will be critically transformative. This speed of change means that CEOs need to act now, having more to do and less time to do it.

"Our study clearly reveals an optimism and strong appetite for bold change among CEOs," says Kunle Elebute, Senior Partner, KPMG in Nigeria. "This is unfolding in an uncertain and volatile business environment that places a demand on CEOs to be agile and resilient.

"The speed of the change taking place limits visibility into the future, making short- or medium-term strategies risky. The solution is to strategise and execute in an agile manner, to account for the unknown and unknowable."

CEOs need to become internal disruptors of their own businesses, challenging management dogma and entrenched practices. They must lead a fundamental transformation of their operating models, building an agile, customer-focused and connected enterprise by combining advanced technologies with operating model redesign.

"A majority of Nigerian CEOs have said that they are devoting more of their capital investments to technology," Elebute observes. "This is clearly to drive the digital reinvention of their organisations. This transformation must bring the organisation closer to its customers.

"Fundamental to this will be the remodeling of the workforce. Digital advancement comes with a demand for new skills and roles. Employees need to be retrained where possible, but it will not be enough to meet the demands of the business, even if all employees are willing and able to be retrained on new capabilities. To remain resilient, CEOs will require a new approach that integrates their workforce plan into their transformation journey."

Digital innovation can create significant value across business models, customer experience and operations. But the more connected an organisation, the more vulnerable it is.

"With such digital transformation comes responsibility and risk, both of which CEOs have expressed appreciation and concern. Considering the high profile nature of many recent cyber attacks, and the catastrophic damage that they can cause, the natural progression for any cyber resilience strategy has to move from remediation to implementing a robust risk management programme that enables preparedness."

Methodology and Acknowledgements

The data published in this study was based on a survey of 50 chief executive officers (CEOs) of companies operating in Nigeria. Each CEO has spent an average of five years overseeing the affairs of their respective organisations. The survey was conducted between 7 January and 20 February 2019 by Longitude UK on behalf of KPMG.

The CEOs surveyed are operating in five main sectors as follows: financial services; consumer and industrial markets; energy; telecommunications, media and technology; and infrastructure.

Please note that, due to rounding, the numbers presented throughout this report may not add up exactly to the totals provided, and percentages may not reflect the absolute figures precisely. Throughout the report, '0 percent' and 'zero' refer to a numerical value between zero and 0.5; '-' indicates no value.

KPMG would especially like to thank the following for sharing additional insights and perspectives:

- Adesola Adeduntan, CEO, First Bank of Nigeria Limited.
- Bola Adesola, immediate past CEO of Standard Chartered Bank Nigeria Limited and Senior Vice Chairperson, Africa, Standard Chartered Bank Group.
- Funke Opeke, Founder and CEO, MainOne Cable Company Limited.
- Herbert Wigwe, Group Managing Director and CEO, Access Bank Plc.
- Mohamad Darwish, CEO, IHS Nigeria.
- Olakunle Alake, Group Managing Director, Dangote Industries Limited.
- Oscar Onyema, CEO, The Nigerian Stock Exchange.
- Peter Amangbo, immediate past Group Managing Director and CEO, Zenith Bank Plc.
- Uche Orji, CEO, The Nigeria Sovereign Investment Authority.

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