



## Leadership, Change and **Corporate Transformation** - The Nigerian Experience



August 2017

# Leadership, Change & Corporate Transformation/turnaround: The Nigerian Experience

## - The Self Deception Reality and the Corporate Regeneration Myth

**“Behind any process of corporate decline, there is an infinite string of deceptions”.**

– Pedro Nueno

When a company falls ill, unlike people, it is usually easier to diagnose the problem.

In the field of corporate analysis, there is no such thing as an autopsy because when a company dies, the causes are usually long before the fatal event actually happens.

Quite often, we have produced business leaders in this country who are still in charge of the nation's polity but alas! we cannot point to the companies they once managed (presided over).

It is obvious that the companies did not fall ill, suffer, writhe in their dying throes and finally die after they left; far from it, the process had long been on while they were there and because they failed to come to any agreement on how to avoid it, only allowed someone else to play the role of an undertaker.

The honours, accolades and encomiums we gave them while on their seats can now and should be withdrawn. They were earned by building their houses on a pack of cards. In some quarters, it is believed that there however may exist genuine force-majeurs that makes a compelling case for a company to die or become extinct. While I believe that this is plausible, I am quick to dismiss it as a charitable disclaimer of the leadership in question because it says a lot about the quality of management that was in place; not being able to anticipate such a major catastrophe.

The death of a company can be likened to that of a person who has diabetes but does not follow a diet, who has liver problems but drinks alcohol, who suffers from chronic bronchitis but smokes, and although that person's health clearly deteriorates from day to day, he or she refuses to give up his or her health destroying habits until the deterioration is irreversible.

He dies, not because the doctors did not present the fact, but because he embraced the self-deception paradigm that he can do it, perhaps expecting a cure to appear from above.

This is a clear testimony of man's tendency to value outward appearance more than reality!

This tendency equally and readily manifest itself in corporate matters, were the executive management appears genuine, but their true intentions are far from that declared.

In the conflagration of entrenched self-interest(s) of the key players of management/owners, a decision is arrived at which either achieves a turnaround for the organisation or goes to postpone the time and role for an undertaker to carry the can. For now, we will wear a mask for all to see and get real later (believing the deception so well that it becomes the only truth known to them).

Even at this, they often forget that a dying company, like a fallen tree, can still provide food for many

parasites. A chunk of it can equally be replanted to create a new one. Rather than allow the organisation to die, they can be placed on a sure path of recovery to help keep the society functioning; be it in the private or public sectors.

We need not look too far for examples of such organisations and parastatals that have been rendered

### **Just a Game?**

There exist infallible reasons to suggest that Corporate Turnarounds or Repositioning as widely used is fast turning into a “perception” game – the objective of which is best known to those who decide to embark upon it.

A cursory run-through of the buzz words employed in this turnaround game, some of which include Repositioning, Restructuring, Right-sizing, Down-sizing, Re-engineering, Repackaging and lately, CHANGE reveals that for every new management that takes over an organisation, the name given to their own effort at managing the concern, like our national budgets, economic plans and party manifestos gets christened mainly for maximum effect.

The long term sustainability of such plans and programs is a sad commentary on first, the state of our economy and operating environment which makes it a fast paced deteriorating business climate and secondly, the ever shifting interest of owners/management due mainly to a sub-optimal self-regulating (corporate governance) culture.

For those who choose the noble profession of organisation & methods facilitators or change managers, they are often left to lick the wounds of the bruises suffered in performing the task, having found out for themselves, the difficulty of reversing the momentum of a sinking or “non-performing” company.

They often start off being aware and expectant of a heavy opposition to conventional wisdom but remain propelled by the lure of achieving levels of social recognition and wealth that would be beyond the reach of conventional entrepreneurial or professional career paths. Some are often lost in the euphoric thinking that they are the “messiah” long sought after that they fail to appreciate the nuances of corporate politicking and thus fail even before they start.

For most of us, even as managers, the problems seem initially to follow such a textbook pattern that even the non-anointed understands it and think they can solve.

I must confess that in my more than three decades of being on the field, I have learnt that it is not that easy.

For in the field of corporate regeneration, so many variables are involved that to find a common structure for formal analysis is unthinkable. I find it to be something closer to an art than a profession. Lately I have found out that it really cuts the picture of a divine interceding into the affairs of the company.

In the end, however, when a situation turns out well and one looks back on the process that has been followed, one discovers that basically one has only been correctly applying well-known management principles.

Rarely is success attributable to the use of some sophisticated or leading edge technique that the business schools teaches one but rather to knowing how to lead a good team of people, managers and

professionals.

This rather simplistic conclusion does not however remove the fact that the interventions provided by the consulting firms, competent managers and purposeful management count for nought. No! They rather serve as a complement to the base foundation of mobilising people for breakthrough performance both as an organisation and indeed, in their individual lives.

Thus, these ex-business leaders mainly failed to provide good leadership to their organisations. It must be mentioned that for a discerning executive, there are situations that tend to occur repeatedly in the organisation's life processes that can be leveraged upon to help focus issues better and achieve a better final result.

Those leaders that were celebrated upon their retirement from their organisations only to see the firm die a couple of years later definitely have a case or two to answer. Outside the usual owner squabbles that negatively impact the development of the firm, failure to execute a plan of action that would guarantee the going-concern of the firm should be the clearest indication of the elevation of self-interest above corporate realities.

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Examples abound.

### ***Times have certainly changed!***

The last decade has witnessed such profound changes in virtually all aspects of life leading to a myriad of changes in business and the way personal life is; and should be conducted. From recent experiences in Nigeria, the changes can be seen from

- 📌 The new role expected from the financial sector in managing growth of the productive sectors of the economy and the expected impact of fiscal and monetary policies on entrepreneurship and corporate sustainability.
- 📌 The emerging realities of the new democracy ethos, good governance, ease of doing business, competitiveness, transparency, integrity and the elimination of “rents/subsidies”.
- 📌 The evaporation of reverence for institution and authority and its replacement with personal brands that looms larger than entities thus driving value perceptions.
- 📌 The growing public demand for information and the right to know accentuated by technology.

Our companies are specifically faced with the following changes:

- 🕒 Market definitional changes – disruptions in intermediation and dis-intermediation at both ends of the transaction value chain by new and more dynamic service providers who are operating from a new model.
- 🕒 Emergence of forceful competition from hitherto non-traditional sectors and non-local players in service delivery, professionals services, sovereign finances and funds management all working to create a new path to capital formation.
- 🕒 The re-emergence of “big” businesses set up more towards a monopoly and transitioning into an oligopoly.
- 🕒 The changing risk complexion of traditional services offering.
- 🕒 The rapid increase in technological changes or reduction in the shelf life of technological changes, platforms and processes thus creating a need for constant upgrades to remain competitive.
- 🕒 The changing profile of the customer and the ascendance of data analytics.
- 🕒 Changes in government role from being a sole provider of service to a provider of the operating environment and lately from being an enabler to a competitor in access to funds (thus choosing winners and losers in the business space through its policies) thus changing previous areas of business comfort/discomfort.
- 🕒 Reducing margins from traditional income generating areas coupled with an increasing shareholders expectation for impressive results. A good example is companies declaring profits in a recession from non-core business areas.
- 🕒 The changing ownership structure of most companies tilting from private to institutional/public companies; government to entirely private; and local to foreign/strategic alliances.
- 🕒 The era of the knowledge worker with the necessary skills and competence, sufficiently empowered to provide the new level of value adding services to an increasingly discriminating public for which the question of loyalty to institution is fickle, driven more by value perceptions of reward for productivity based on service offering.
- 🕒 Increasing dearth in skills and competence to drive the new organisations being created at a frenetic pace.

Local and overseas economic and political developments have also helped to drive the point home that the realities have changed to create a new and different operating environment.

The challenge is immense and the Nigerian firm is facing a defining moment where it either leap frogs into the next level of business growth or writhe in the pangs of daily survival challenges prolonged by late-in-the-day interventions.

Disruption is real and with it comes change and the attendant pains of child birth.

Are we ready for these changes at the leadership level?

### **The State of Our Companies:**

Generally, our companies have shown such a great vitality, their ability to withstand is so high, and their tolerance of things being done badly is so great that it is almost impossible to kill a company quickly; ditto the economy.

Pedro Nueno, whose work on corporate turnarounds greatly influenced me, had this to say:

“The only way to kill a company is by doing it little by little. If you shoot it in the heart, it survives bleeding for a long time. A company must be poisoned or malnourished, all of its parts must be pushed into a process of irreversible decay. So long as any one of its parts remain alive, the company can be regenerated from this single part”.

He continued, “There are many symptoms that an employer or senior manager can perceive to diagnose the changing conditions of his company. Some of them are listed below:

1. Loss of key managers
2. Loss of profitability
3. Loss of market share
4. Deterioration of liability structure
5. Sales increasingly based on price
6. Poor Implementation incidence
7. Resistance in financial community
8. Reticence among suppliers
9. Increasing labour hostility
10. Increase in non-payers & deteriorating pay imbalance, and
11. Loss of productivity and Internal inefficiency”

Because companies are not fragile enough to compel those running them to take the above processes of decline more seriously, it continues for quite sometime. My experience in a multi-subsiary company, which is now re-engineering itself, confirms further this position.

Management, being aware of all the compelling reports available to it, continued to carry the carcass until each successive Director completed their tenure. I am sure that the current leader would be praying to re-engineer the company to stay afloat until the completion of his own tenure. He might get lucky that an event occurs that allows him to reduce his losses by closing down unprofitable operations, which if you look closely, is facing competition from ex-employees of the same company.

Such Managing Directors can receive consolation from the conclusions reached by Peter Nueno in his treatise on the company's death, when he stated that

“However, some people are entitled to include in their list of achievements that they have killed a company”.

At another company, engaged in a critical sector of the economy, they resorted to creative accounting, image campaigns, and wringing of the last drop of money from any sellable asset in order to be able to carry on without facing the reality confronting them.

This situation, my former boss, the CEO of a well-managed financial institution once said, “ arises because of one of the common initial causes of business decline - the lack of an entrepreneurial spirit; the absence of anyone who really sees the company as his and demands that his manager(s) get results without demotivating them through his own actions”.

I couldn't agree more with him; this lack of entrepreneurship (and intrapreneurship) is often played out

through apathy, abandonment or plain incompetence.

All this can still be reasonably dealt with through a well-planned management intervention program.

The most difficult however, and that which inflicts the leadership, remains the extraordinary capacity for self-deception that goes on in most companies.

### **See no evil and Say no evil:**

One of the earliest major engagements in strategic management I had to tackle was that of a big corporation, which at its height of performance, was a dinosaur. At a stage in the company's life, sometime in 1996, issues had been raised about the:

- ① Un-viability of some subsidiaries due to consistent losses occasioned by obsolete equipments which created considerable wastages on production, faced increased competition from small time players who were considering forming a co-operative, lost key technical staff and encountered a further loss of patronage from government – a key customer;
- ① Need to encourage flexibility in operations as the cost of maintaining all the subsidiaries was becoming over burdensome for some of them to continue in business;
- ① Need to enter a new market for a subsidiary whose market analysis had seen an emerging change in customer preferences and thus required a shift in business philosophy to move into the market;
- ① Need to invest in new technology to drive the business and operate as a self sustaining concern;
- ① Apparent shift in personnel requirement to drive the fast approaching shift in business models and customer service issues;
- ① Expected paradigm shift needed in how the company was structured to address the yearnings of its people for greater responsibility and necessary empowerment to take their subsidiary's destiny into their own hands

In 2000 after a change in management, a new senior employee had asked his superior after coming out of a re-engineering briefing with the newly engaged firm of consultants the following questions:

- ① How is it possible for so many problems to be created at the same time, falling in the space of a few years from success to the danger of a major catastrophe we now face?
- ① How is it possible that the management team could contemplate such a decline without taking corrective action?
- ① What must have been going on in the board meetings quarter after quarter?
- ① So, why did the directors not do anything to change the company's direction? What did they say to each other to keep the deception going year after year?
- ① Did they resign themselves to thinking that the economic situation was going to change very shortly and that then everything would be put right?
- ① Did they accept losing the company providing that it did not cost them any money earned in the glorious past?

The company has now put together a series of interventions and leading-edge restructuring plans geared to turn-around the fortunes of the ailing company. We all pray that they succeed. If they had wanted to change the fortunes of the business, the steps to be taken, the strategies and models to be employed could

have been sourced through private discussions with their consultant friends, the internet or good books documenting case studies or research work of similar corporate turnarounds which abound in our various business schools. I will spare you the boredom.

My interest here is simply to help us answer the one principal question: why did the management deceive themselves to avoid starting the hard and difficult processes that could have restored their health while looking forward to the divine intercession we talked about earlier, after all we all quibble the popular phrase: “heavens help those who help themselves” (don't check your bible – its not there).

Parallels exist with how the sovereign has handled the affairs of the state and the economy recently.

Unfortunately, It would not be difficult to write a long list of well-known companies in Nigeria that are today living in self-deception and sooner or later will have to face the harsh reality. In that list, we would find the odd large bank who has been re-engineering for the last couple of years still overburdened with unskilled personnel, little technological sophistication, minimal creativity and considerable product maturity.

We will find insurance companies intractable from years of bureaucratic practice. We would equally find companies with cost structures that are just not viable in an increasingly cost-competence driven industrialised world, and without the resources or time to change their situation for comparative competitive advantage.

Let's leave out this new fad called CHANGE – sooner than later, the true import of the concept (doctrine) would set in and we will have to separate the real change agents from those who simply pay a lip service to an inevitability.

Self-deception, while so clear, sometimes so collective and so lasting, has specific mechanisms that explain it, maintain it and perhaps justify it. The mechanisms of self- deception are sometimes so strong that they withstand the energy of high-calibre executives.

The network of false arguments produces an enormous degree of internal resistance within the company and senior managers sometimes prefer not to face them for fear of an immediate upheaval that would be more shattering than a gentle decline. In the instance of the conglomerate above, there was too much top management in the group and too few companies to direct, control, supervise, and assume responsibility for.

We are told that monks do not usually burn down their monasteries, and that monastery of managers would hardly be likely to offload companies that were their *raison d'etre* of their jobs. The MD thus knew that all that was expected of him was that he did not make waves.

I can confirm that at least in one of the subsidiaries closely observed, there had been an implicit agreement to maintain an unstable equilibrium, jiggling with the subsidiary's numbers – which was all the top dogs, saw – to artificially prolong the life of a terminal patient. In such a situation, they were hardly likely to let go of the businesses that were not causing any problems and thus allowed them to justify their jobs.

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For the new businesses proposed, they knew that since they did not control the market knowledge, control could be affected, so they stuck to their guns, embracing the ultimate self-deception of all time, the hope of finding a different destiny before the final crunch.

There exist more examples of situations of companies contemplating repositioning or a major life saving intervention of which beneath the façade of change, they exist a desire not to face the reality of their situation, choosing instead to embrace the cosmetic programmes for which the number of consulting firms have grown to provide.

This attitude really forms the crux of this article as it does not restrict itself to the business world. It is probably also the attitude of the bad employee, of those whose marriage is on the rocks, of the person who drinks or smokes too much, and of those in many other such situations. It is probably one more indication of man's fallibility.

## Conclusion

By way of synthesis, the main conclusions reached concerning the extraordinary ability possessed by owner-employers and top managers to deceive themselves as to the state of decline their companies have reached, reveals a very serious and collective self-interest which conflicts with the long term survival of the business and often makes nonsense of leading edge business survival interventions/initiatives.

Individual interests, incompetence in the specific turnaround task, lack of interest on the part of the owners, political priorities often present motivations that may become inter-wined to prolong the deception and with it, the steady deterioration of the company.

People delight in hiding from reality, seeking a way to fill their minds with job survival tactics and postpone facing what should be their professional priority. Instead of getting up and rolling our sleeves, we often look for someone else to do it for us, and take the blame when it does not go along the intended path.

It is therefore an enlightened opinion that the very first step in achieving a successful turnaround is the confirmation that the owners and managers are favourable and satisfactorily disposed to achieving a change through the quality of responses to the symptoms of deterioration. In the case on a non-deteriorating company who only seeks to be market driven, the repositioning imperative would arise as a result of its regenerative structure.

However, and I would like to conclude on this note, if the signs of deterioration is noticed in a company, there is no need to wait any longer; one must act immediately or quickly find someone else who can.

Thank you.

'FA  
07 November





**Leadership, Change & Corporate Transformation:  
The Nigerian Experience**

Olufemi AWOYEMI, FCA  
CEO proshare

Lagos, November 07, 2017



**“Behind any process of  
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– Pedro Nueno



## Four things I wish to achieve

- ❶ Explain why our *politics/leadership* and not our *challenges* is a key limiting factor;
- ❷ Interrogate and Separate *FPI* from *FDI/Remittances* and its place in developing an economy;
- ❸ Raise issues around *what is possible* – *From a ‘kick and start’ Govt to a Mission-Driven Govt*; and
- ❹ Offer some closing thoughts

## What are FDI's and FPI's ....

❶ FPI lets an investor purchase stocks, bonds or other financial assets in a foreign country. Because the investor does not actively manage the investments or the companies that issue the investments, he does not have control over the securities or the business. However, since the investor's goal is to **create a quick return on his money**, FPI is more liquid and less risky than FDI.

❷ In contrast, FDI lets an investor purchase a direct business interest in a foreign country. The investor's goal is to create a long-term income stream while helping the company increase its profits. He helps **build the business and waits to see** his return on investment (ROI). However, because the investor's money is tied up in a company, he faces less liquidity and more risk when trying to sell his interest.

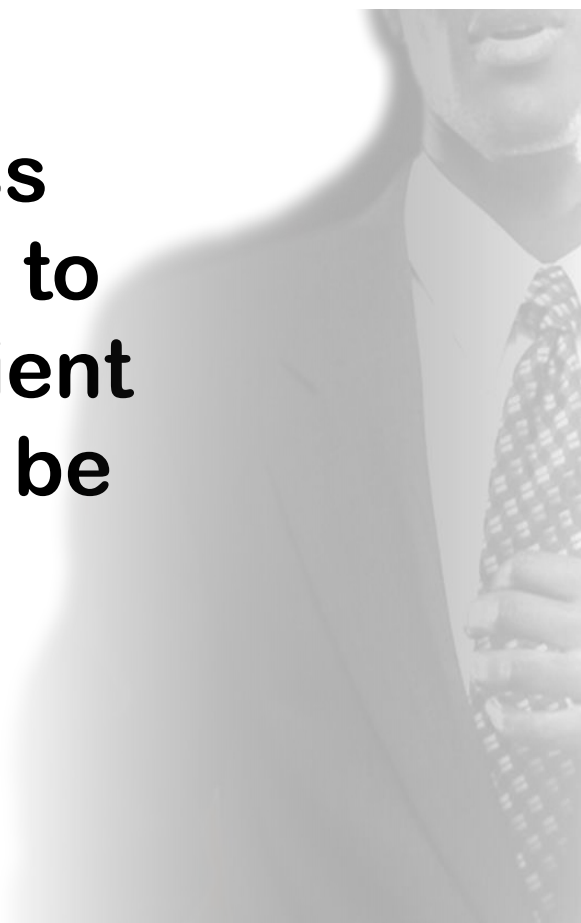
## What are Remittances?....

- ① This is a transfer of money from a migrant worker to their families or other individuals in their home countries.
- ① Remittances represent “the largest source of external finance for many developing countries, ahead of Official Development Assistance (ODA) and Foreign Direct Investment (FDI).”
- ① Remittances are significantly important in poorer countries where they constitute over a third of poorer countries’ Gross Domestic Product (GDP). It also contributes to resilience in the face of economic or humanitarian hardship.
- ① The United States is the leading source of foreign remittances, followed by Russia and Saudi Arabia. The top recipients are India, China and the Philippines.
- ① So much money is being remitted, the **G8** and the **World Bank** are attempting to monitor and regulate remittance costs.

## What are these countries doing right....

### Why do they remain a destination point for FDIs & Remittances?

- ① A clear and unambiguous definition of national interest and role of state.
- ① A holistic understanding of their needs **e.g.** China & India
  - A clear appreciation of the gaps and opportunities
  - An alignment of trade and investment policies to attract the much needed funds to bridge the gap through FDI & remittances.
  - Make these needs a centre piece of policy formulation such that local participants are not crowded out but built into the value chain.
- ① A clear appreciation of both economic & commercial interest of investors and decisions needed to “**signal**” an investor friendly environment.
- ① A willingness to take steps that encourage remittances from their large population of expats and migrant workers (Diaspora) such that overall national interest is not compromised.



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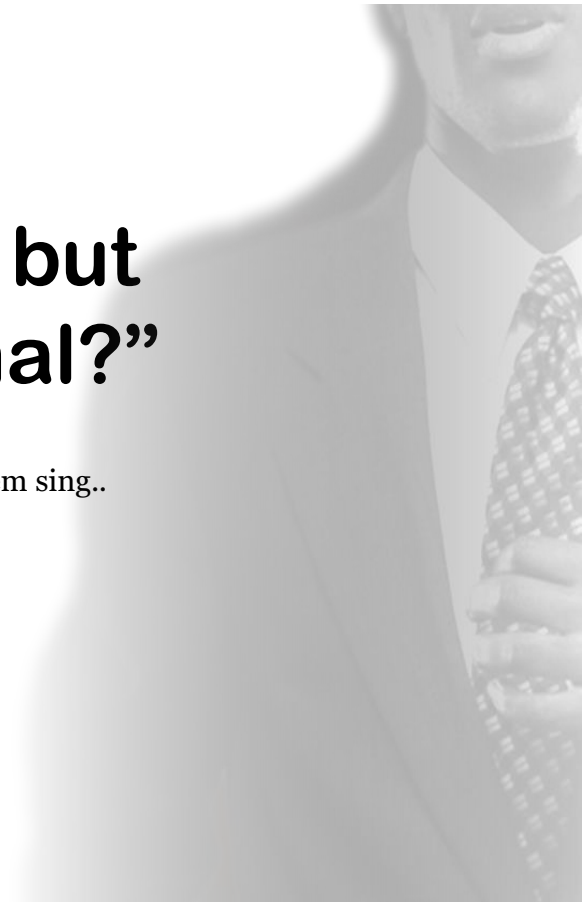
- Peter Drucker

### Nigeria Today....

- Just out of a recession, yet still bears deep seated marks of recession characterised by a scenario referred to a **hysteresis** by economists :
  - Rising youth unemployment
  - Fragile labour productivity
  - Double digit inflation, and
  - High misery index.
- Lean GNI, an emasculated middle class and rising wealth inequality.
- A massive infrastructural funding gap of up to \$800bn – a veritable investment case that makes Nigeria the place to be (*an opportunity*).
- A reliance almost exclusively **on volatile export income for forex** supply, *neglecting opportunities* to attract massive and much more stable diaspora and foreign direct investment inflows. FPI's are even more volatile that exports.

# “Pain is Inevitable but Suffering is Optional?”

..for the birds of hope are everywhere, listen to them sing..



## Politics vs Policy....Beyond the ‘noise’

While it is true that global commodity prices are currently weak, it is also true that the global economy is awash with liquidity.

Clever countries can attract foreign investment inflows to **compensate for lower export earnings.**

With the right policies, Nigeria can get **massive** foreign exchange inflows.

### The ERGP

- 📍 A good *work of fiction* like all economic plans.
- 📍 Good plans must have **3** roll-out elements:
  - Policy
  - Programmes
  - Projects
- 📍 Duly cost(ed) and funding/policy gaps identified to drive fiscal and monetary policies.

... An example 

## Factbox: Saudi Arabia's Privatization Plans DUBAI (Reuters) May 16, 2017

Saudi Arabia announced that it aims to raise around **\$200bn** (*that was before it announced a \$500bn New town plan this week*) in the next several years through privatization programs in **16 sectors** ranging from oil to healthcare, education, airports and grain milling. The following is a list of major privatization plans currently underway.

1. **Saudi Aramco.** The government has said it plans to sell close to 5% of the national oil giant next year through an initial public offer, with the shares to be listed in Riyadh and at least one foreign exchange. Officials have said the sale will value Aramco at \$2 trillion or more, though some private analysts have suggested a lower range, perhaps \$1-1.5 trillion.
2. **Saudi Postal Corp.** In February, Riyadh invited banks to pitch for an advisory role in the sale of the government-owned postal service, sources said.
3. **Saudi Grains Organization.** State-owned Saudi Grains Organisation, which handles the kingdom's grains purchases, is preparing to sell off its milling operations by placing them in four specially formed corporate entities while retaining other functions. A partnership of U.S. agribusiness giant Archer Daniels Midland Co and Saudi foods group Almarai 2280.SE is among potential bidders, sources said in March.



## Factbox: Saudi Arabia's Privatization Plans - / 2

4. **Saudi Arabian Airlines.** State-owned Saudi Arabian Airlines has started the sale of its medical services business in Jeddah, valued at around \$500 million, sources said this month.
5. **Healthcare.** Among the first assets to be privatized will be one of Saudi Arabia's top hospitals, King Faisal Specialist Hospital and Research Centre in Riyadh, an official said. The process is in a "very advanced stage", Vice Minister for Economy and Planning Mohammed al-Tuwajri told Reuters last month. Also, the Ministry of Health has received at least six bids to act as financial adviser for the privatization of 55 primary healthcare centers in Riyadh, sources said.
6. **Education.** Saudi Arabia hired HSBC as financial adviser to privatize construction and management of school buildings, the chief executive of Tatweer Buildings Co, a state firm affiliated with the Ministry of Education, said in January.
7. **Saudi Electricity Co.** Riyadh plans to split state-controlled utility Saudi Electricity Co 5110.SE into separate companies that would be offered either to local citizens through IPOs or to local or international corporate partners. Riyadh-based ACWA Power chief executive Paddy Padmanathan told Reuters in March he expects the first of four power generation companies owned by Saudi Electricity will be offered by year-end.



## Factbox: Saudi Arabia's Privatization Plans - / 3

8. **Soccer Clubs.** Saudi Arabian investment bank Jadwa Investment was appointed to advise on the privatization of as many as five soccer clubs in the Saudi Professional League, sources told Reuters in February.
9. **Saline Water Conversion Corp.** Officials last year outlined plans to privatize Saline Water Conversion Corp, which desalinates water and produces electricity. It would be transformed into a joint-stock holding company served by local production units; investment partners for the units would then be sought, followed by an IPO for the holding company.
10. **Sadara Chemical.** Saudi Aramco plans to cut its stake in Sadara Chemical Co IPO-SACH.SE, a joint venture with Dow Chemical, to 35% from 65% via an IPO, Sadara chief executive Ziad al-Labban said this month, without giving a timeline.

**NB:** For more insight, look up the **Saudi Arabia vision 2030** – the 15-year plan that includes diversification, privatisation of state assets, tax increases and creating a \$2tn sovereign wealth fund

- *Compiled by Gulf team; Editing by Andrew Torchia and Anna Willard*
- *Source: Ayo Terra, Economic Associates Limited*



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 **Peter Drucker**



**PRESIDENTIAL  
ENABLING BUSINESS  
ENVIRONMENT COUNCIL (PEBEC)**  
Enabling Business Environment Secretariat

**Making  
Business  
Work**

Rank	Economy	DTF score	Rank	Economy	DTF score	Rank	Economy	DTF score
1	Singapore	87.34	64	Jamaica	67.27	127	Cambodia	55.22
2	New Zealand	86.79	65	Bahrain	66.81	128	Maldives	55.04
3	Denmark	84.40	66	Kosovo	66.22	129	West Bank and Gaza	54.83
4	Korea, Rep.	83.88	67	Kyrgyz Republic	66.01	130	India	54.68
5	Hong Kong SAR, China	83.67	68	Qatar	65.97	131	Egypt, Arab Rep.	54.43
6	United Kingdom	82.46	69	Panama	65.74	132	Tajikistan	54.19
7	United States	82.15	70	Oman	65.40	133	Mozambique	53.98
8	Sweden	81.72	71	Bhutan	65.21	134	Lao PDR	53.77
9	Norway	81.61	72	Botswana	64.98	135	Grenada	53.46
10	Finland	81.05	73	South Africa	64.89	136	Palau	53.43
11	Taiwan, China	80.55	74	Tunisia	64.88	137	Guyana	51.83
12	Macedonia, FYR	80.18	75	Morocco	64.51	138	Pakistan	51.69
13	Australia	80.08	76	San Marino	64.21	139	Tanzania	51.62
14	Canada	80.07	77	St. Lucia	64.20	140	Marshall Islands	51.58
15	Germany	79.87	78	Tonga	64.13	141	Malawi	51.03
16	Estonia	79.49	79	Bosnia and Herzegovina	63.71	142	Côte d'Ivoire	50.93
17	Ireland	79.15	80	Malta	63.70	143	Burkina Faso	50.81
18	Malaysia	79.13	81	Guatemala	63.49	143	Mali	50.81
19	Iceland	78.93	82	Saudi Arabia	63.17	145	Papua New Guinea	50.74
20	Lithuania	78.88	83	Ukraine	63.04	146	Ethiopia	49.73
21	Austria	78.38	84	Brunei Darussalam	62.93	147	Sierra Leone	49.69
22	Latvia	78.06	84	China	62.93	148	Micronesia, Fed. Sts.	49.67
23	Portugal	77.57	86	El Salvador	62.76	149	Kiribati	49.50
24	Georgia	77.45	87	Uzbekistan	62.60	150	Togo	49.03
25	Poland	76.45	88	Fiji	62.58	151	Gambia, The	48.99
26	Switzerland	76.04	88	Trinidad and Tobago	62.58	152	Burundi	48.82
27	France	75.96	90	Vietnam	62.10	153	Senegal	48.57
28	Netherlands	75.94	91	Dominica	61.44	154	Comoros	48.22
29	Slovak Republic	75.62	92	Uruguay	61.21	155	Zimbabwe	48.17
29	Slovenia	75.62	93	Dominican Republic	61.16	156	Suriname	47.69
31	United Arab Emirates	75.10	94	Vanuatu	61.08	157	Bolivia	47.47
32	Mauritius	75.05	95	Seychelles	61.05	158	Benin	47.15
33	Spain	74.86	96	Samoa	60.70	159	Sudan	46.97
34	Japan	74.72	97	Albania	60.50	160	Niger	46.37
35	Armenia	74.22	97	Zambia	60.50	161	Iraq	46.06
36	Czech Republic	73.95	99	Nepal	60.41	162	Gabon	45.99
37	Romania	73.78	100	Paraguay	60.19	163	Algeria	45.72
38	Bulgaria	73.72	101	Kuwait	60.17	164	Madagascar	45.68
38	Mexico	73.72	101	Namibia	60.17	165	Guinea	45.54
40	Croatia	72.71	103	Philippines	60.07	166	São Tomé and Príncipe	45.50
41	Kazakhstan	72.68	104	Antigua and Barbuda	59.70	167	Myanmar	45.27
42	Hungary	72.57	105	Swaziland	59.10	169	Myanmar	45.27
43	Belgium	72.50	106	Bahamas, The	59.00	169	Nigeria	44.69
44	Belarus	72.33	107	Sri Lanka	58.96	170	Myanmar	44.69
45	Italy	72.07	108	Kenya	58.24	171	Djibouti	44.25
46	Montenegro	71.85	109	Indonesia	58.12	172	Cameroon	44.11
47	Cyprus	71.78	110	Honduras	58.06	173	Timor-Leste	44.02



## How do we build on this improvements....

- 🕒 We took a while longer to get the ‘deal breaker’ right – The FX environment.
- 🕒 Non patronage of Nigerian professionals by the govt. is a negative signal to the investment community and undercuts the perception and message we desire.
- 🕒 We can do more than tokenism with laws that do not just **protect intellectual property rights** but enforces them. Such laws will allow foreign direct investment into the entertainment, technology and creative industry. *Improving intellectual property rights in India have not just allowed Bollywood to benefit from foreign capital but delivered an improvement in its content.* Nollywood offers us much more even as **we have not evolved a formal financing cum business model** to maximise the advantages therein
- 🕒 Infrastructure remains a concern as it reduces the price competitiveness of Nigeria. Improving infrastructure such as road network and power dent price, especially where Nigeria’s power network is worse than Afghanistan, Iraq and Libya.



## India – Improving EODB amidst socio-political challenges

### INDIA'S RANKING IN TERMS OF EASE OF DOING BUSINESS

139	132	140	142	130
2012	2013	2014	2015	2016
YEAR				

South Africa + Nigeria not in bad shape. *S/Arabia is behind SA but earns more FDI than SA.* It has little to do with your bad reputation per se.. But your plans.

### Ease of Doing Business

How select countries (out of a total of 189) have been ranked on parameters of ease of doing business by World Bank's Doing Business Report 2016



KBK Infographics

Rank	Country	Rank	Country
1	Singapore	38	Mexico
2	New Zealand	49	Thailand
3	Denmark	51	Russia
4	South Korea	53	Israel
5	Hong Kong	55	Turkey
6	United Kingdom	71	Bhutan
7	United States	73	South Africa
8	Sweden	82	Saudi Arabia
9	Norway	84	China
10	Finland	99	Nepal
11	Taiwan	103	Philippines
13	Australia	107	Sri Lanka
14	Canada	116	Brazil
15	Germany	118	Iran
18	Malaysia	130	India
26	Switzerland	131	Egypt
27	France	138	Pakistan
28	Netherlands	167	Myanmar
31	UAE	169	Nigeria
33	Spain	174	Bangladesh
34	Japan	189	Eritrea

# FDI Regime Liberalized

Norms relaxed in host of sectors

**Civil Aviation**

**100%**

Automatic route

**Private Security**

**49%**

Govt approval

**Broadcasting Carriage Services**

**100%**

Automatic route

**Pharma**

**100%**

74% automatic route

**Single brand retail**

**100%**

from 49%

**Food Products**

**100%**

Govt approval

**Office Establishment**

No separate security clearance or RBI approval required

Now most of the sectors would be under automatic approval route, except a small negative list. With these changes, India is now the most open economy in the world for FDI

”

GRAPHICS

## Some comparative measures....

Country	Dt score for getting ELECTRICITY (1-100)	Dt score for paying TAXES (1-100)	Quality of JUDICIAL PROCESS index (1-18)
Afghanistan	45.04	51.29	5.0
Libya	58.60	63.78	4.0
Iraq	57.51	80.86	2.0
Mali	50.60	76.07	5.5
Niger	43.54	50.19	5.5
Liberia	48.21	76.07	6.5
Nigeria	<b>29.43</b>	<b>28.09</b>	7.7

Source: World Bank eases of doing business 2017, Proshare Research



## How do we build on this improvements... / 2.

### FDI INTO THE MIDDLE EAST AND AFRICA IN 2016

Capital investment

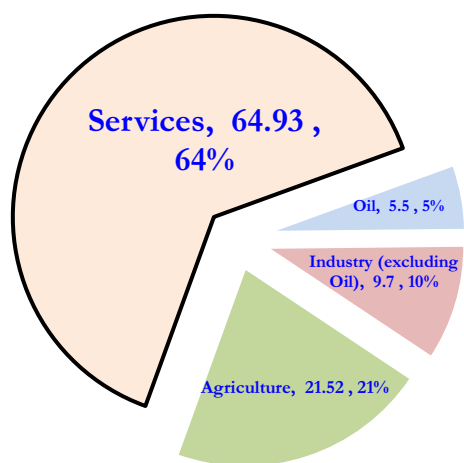


MEA market share	Country	Capital investment (\$bn) 2016
28%	Egypt	40.0
9%	Iran	12.2
8%	Saudi Arabia	11.6
6%	UAE	9.1
5%	Algeria	7.4
5%	South Africa	7.0
5%	Ethiopia	6.8
5%	Morocco	6.6
4%	Mozambique	6.3
4%	Nigeria	6.2
21%	Other	29.6

Source: fdi Markets  
Note: Includes estimates

# I cannot claim to know the answers, but...

## It goes beyond EODB to Economy: Farms, Factories and Cities....



Source: Economic Associates, Conference on 'Nigeria's Economic Outlook' March 16 2017.

### Contributions to GDP. Where is the money?

The 65 trillion Naira value added in services contributed 64% of Nigeria's total value added, otherwise known as nominal GDP, in 2016. The 22 trillion value added in agriculture was 21% of GDP, while the 15.3 trillion value added in Industry contributed the remaining 15%.

### Growth. Where are the new opportunities?

Value added in services increased by six trillion Naira to account for 80% of GDP growth, while the remaining 20% came from the nearly two trillion Naira increase in **agriculture value added**, less the more than half a trillion Naira decline oil and non-oil industry value added.

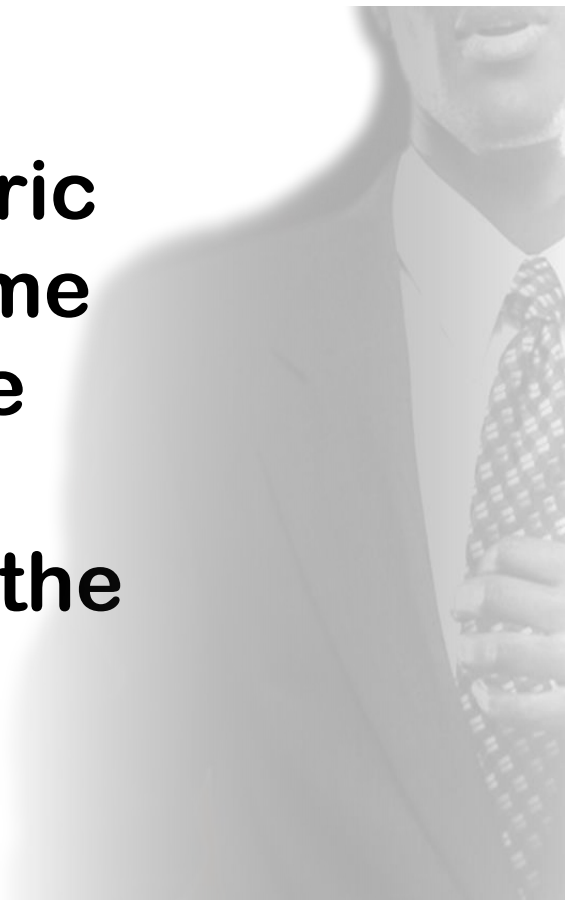
### How the States fared. Where in Nigeria?

Breaking the sectoral data down across the 36 States and the FCT revealed that about half of the states were even more dependent on services than the country, up to 90% in some cases, while about one-third of all states were dependent on agriculture in 2016, up to 80% in some cases.

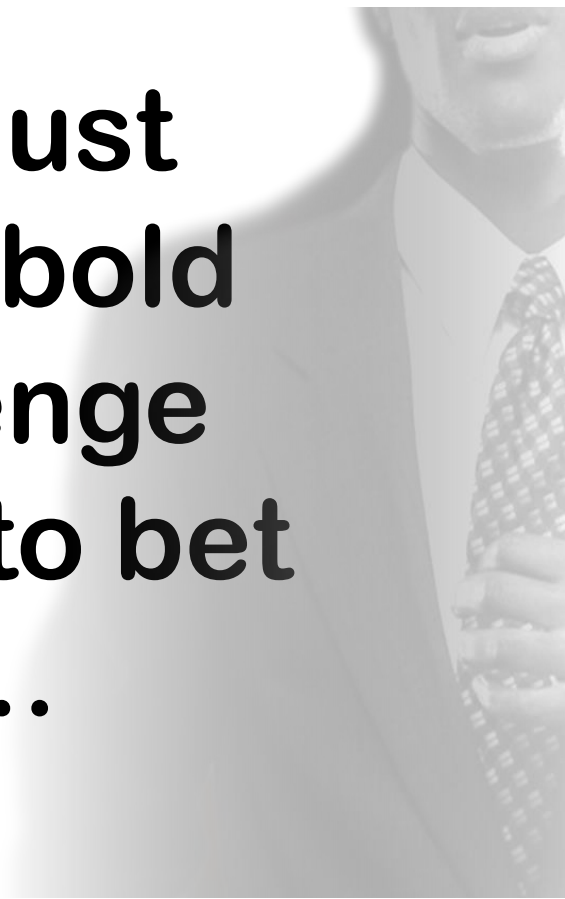
### Taxability. Investment vs. Revenue Opportunities

Many of the states with the highest IGR/Total revenue ratios are service-led, suggesting that the continued growth of the service sector offered fiscal resilience, and that services are easier sources of revenue than agriculture or industry. Many of the states with the lowest IGR/Total revenue ratios are agriculture-led, suggesting the need to learn how to generate revenue from their agricultural sectors.






**...Edison's electric  
light did not come  
about from the  
continuous  
improvement of the  
candle...**



**Nigeria must  
dare to be bold  
and challenge  
the market to bet  
on her...**

## Prospects for FDI into Nigeria....

- FDI inflows to Africa are expected to increase by about 10% in 2017, to almost \$65 billion, in view of modest oil price rises and a potential increase in non-oil FDI.
- An uptick in oil prices, if sustained, should help stabilize capital spending in 2017 and might revive foreign appetites for oil assets, even as capital expenditure remains muted. Not worth betting on though.
- The launch of a \$3.3bn JV by the Africa Finance Corporation and the infrastructure fund of South Africa's Harith General Partners to create one of the biggest pan-African energy companies will further support energy investments in the continent.
- With an estimated population of 180m and GDP of more than \$500bn, Nigeria offers a large and **growing potential market for digital firms**. Not surprisingly, local e-commerce and technology based businesses are emerging and attracting foreign interest incl such areas as Fintech (Blockchain) which will require regulatory changes.



**We are not going to  
achieve a quantum leap  
by embracing a tunnel  
vision ....**

..we will make mistakes, have false steps but we must recognise that this current state is NOT another crisis... **it is a disruptor in sovereign models...**

We must dare to **RE-IMAGINE!!!**

# But, Is Nigeria ready?

## The Challenges....

- ❶ Nigeria, nay, Africa will need to rely on greater non-oil FDI in 2017, if FDI is to expand amid low commodity prices.
- ❷ The challenge remains putting policies in place to leverage this FDI so as to diversify domestic productive capacity before the next commodity downturn.
- ❸ Absence of concrete inter- and intra-regional integration through the signing of economic partnership agreements with self interest trading blocs by key African regional economic communities could impede competitive global integration and stronger FDI flows.
- ❹ Political risk heightened ahead of new elections, cycle of uncertainty
- ❺ The Lags - Recognition Lag; Decision Lag; Action Lag and Impact Lag

## Taking Advantage of the Access & opportunities ....

### We can start with underlying basics

- ❶ Conclude an investment friendly ERGP with policy changes, programmes & projects that can easily form an investment pitch.
- ❷ Continue to improve the ease of doing business rating by being an ‘enabler’.
- ❸ Offer clarity in communication of “Made in Nigeria” or is it “Make in Nigeria” – policy(?)
- ❹ Create an investment and trade unit in our foreign embassy(ies), which needs attention.
- ❺ Do a better job of selling Nigeria better – PR/Positioning and use of locals/media.

Country	Projects 2016	% change
UAE	245	-18%
South Africa	105	-19%
Morocco	80	13%
Egypt	69	15%
Saudi Arabia	69	-12%
Iran	59	556%
Nigeria	49	-4%
Kenya	38	-55%
Côte d'Ivoire	33	27%
Israel	32	7%
Other	352	-18%
Total	1131	-11%

Source: World Bank

Country	Remittances (\$'bn)
India	65.5
China	65.2
Philippines	29.1
Mexico	28.1
Pakistan	20.3
Nigeria	20.0
Egypt	18.4
Bangladesh	14.9
Vietnam	13.4
Indonesia	9.8

## Taking advantage of the Access & opportunities .... /2

- ❶ Encourage inter-regional and cross border trade.
- ❷ Embark on a roadshow/expo to showcase the commercial potentials of Nigeria to foreign investors – T&I/Export.
- ❸ Determine a Trade policy that goes beyond signing bilateral agreement between nations. Rather our trade policy should aggressively target transnational corporatios like LOreal, Apple, Dow chemical, Ferro. This has worked effectively in countries like Costa- Rica, Ireland and Singapore.
- ❹ There must be proper and consistent dialogue with domestic investors, so as to allay fears of possible crowding out by foreign investors, supported by policy.
- ❺ Our economic policy must be so bold that it creates targets for FDI's with projects. For instance, **Morocco's** policy of setting targets for FDI has improved the country's project investment. *On the other hand target such as producing pencil by 2020 will negate the signaling quality of our FDI drive.*

Country	Land Administration (1-30)	Registering property (1-100)	Ease of Doing Business
Morocco	14.0	63.94	68
Ethiopia	6.1	51	159
Kenya	16	54.4	92
Chile	14	70.89	57
Ghana	8.0	65.9	108
Nigeria	6.3	31.44	127

Source: World Bank (Ease of Doing business)

Factors	Number
Country	11 million
Male	66%
Female	44%
Below 25	5.6 million
Above 25	5.4 million
Popular private brands	MTN, GTB
Popular individuals	Pastor Adegboye President Buhari

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- ❺ *Research Work done by Wasiu Adekola, Temitope Babalola, Grace Jare-Ajuwon and Proshare Research Unit.*
- ❻ *Thoughts & Comments from CBN, NBS, PEDEC, World Bank, OECD, Reuters, Min of Planning & Budget, Dr. Biodun Adedipe*

# Thank You

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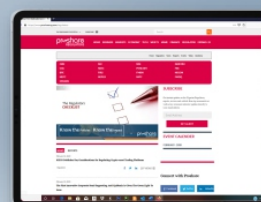
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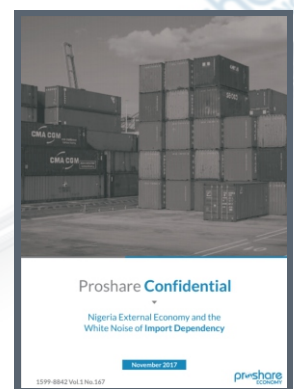
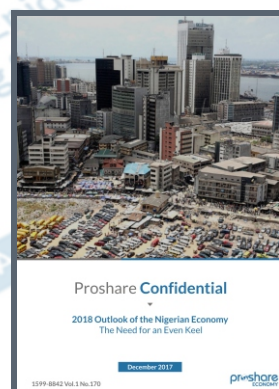
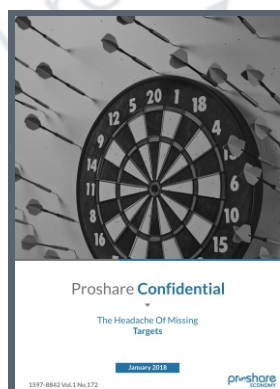
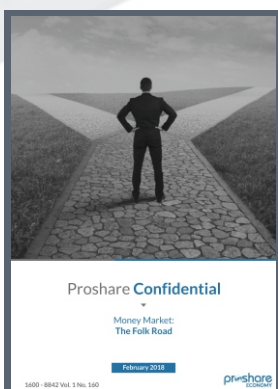
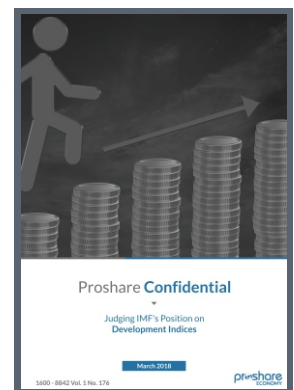
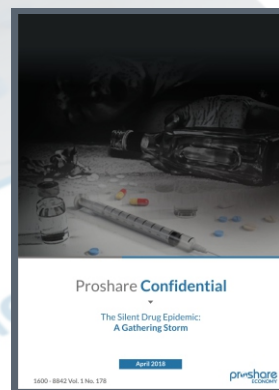
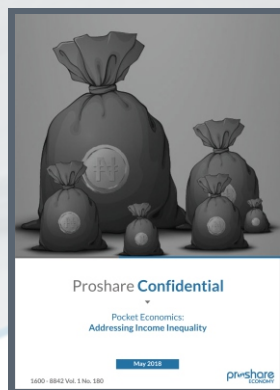
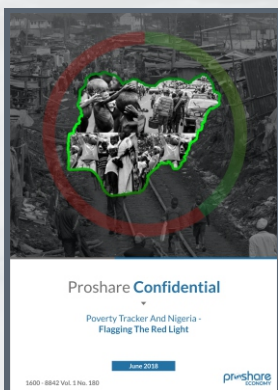
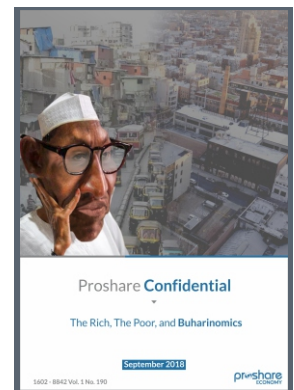
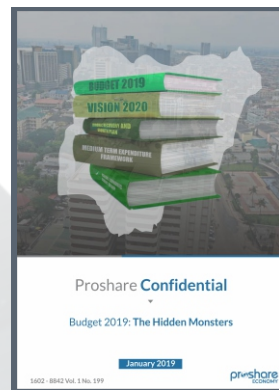
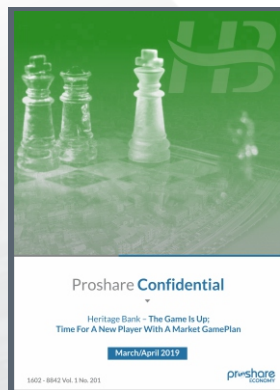
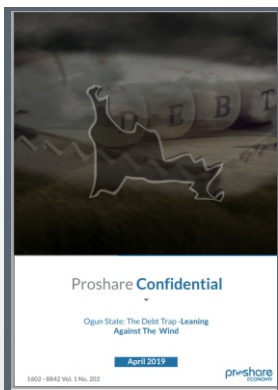
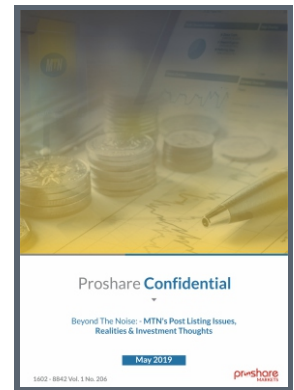
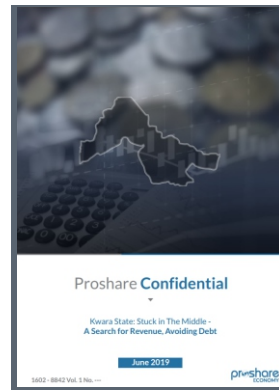
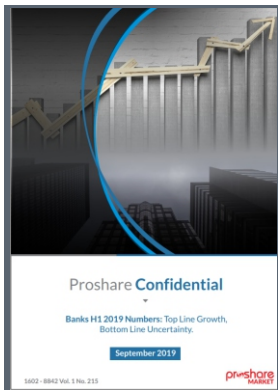
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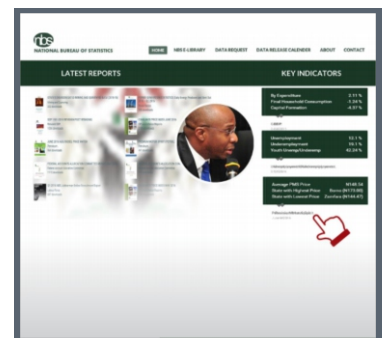


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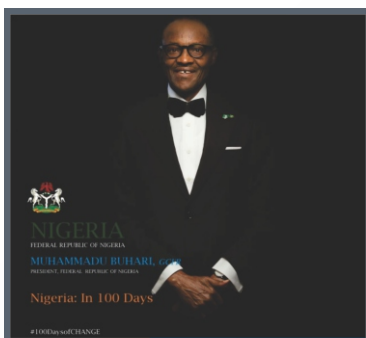
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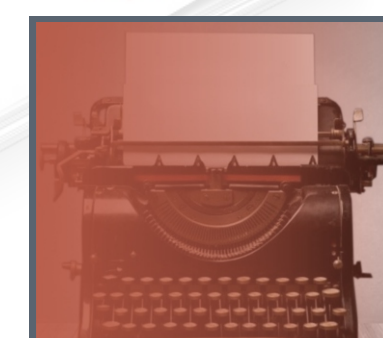


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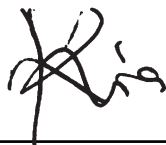
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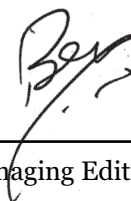
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Head, Research



Managing Editor

## Contacts

This report was put together by Teslim Shitta-Bey, Managing Editor, Proshare Content, under approval from Proshare Research.

### Editorial Team:


Olufemi [info@proshareng.com](mailto:info@proshareng.com)


Grace [market@proshareng.com](mailto:market@proshareng.com)

Teslim [content@proshareng.com](mailto:content@proshareng.com)


Reshu [coo@proshareng.com](mailto:coo@proshareng.com)


Saheed [research@proshareng.com](mailto:research@proshareng.com)


 PROSHARE NIGERIA: The Upper Room Plot 590b,  
Lekan Asuni Close Omole  
Phase II, Isheri LGA P.O.Box 18782, Ikeja,  
Lagos, Nigeria.

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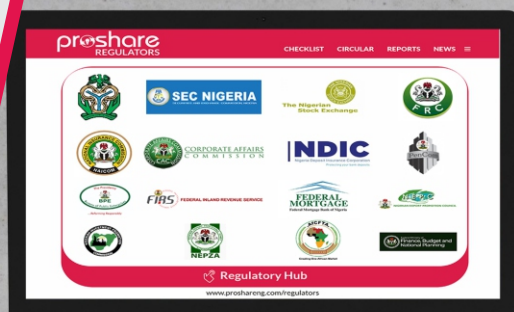
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