Growing pains

2018 East Africa CEO Outlook

May 2018

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#CEOoutlook

Foreword

KPMG's fourth annual Global CEO Outlook survey engaged 1,300 CEOs of large companies around the world from 11 core markets that include Australia, China, France, Germany, India, Italy, Japan, the Netherlands, Spain, UK and US. The survey focused on the CEO's perspectives on the drivers of business success in their respective countries and regions, the barriers to growth that they have encountered, and their most pressing priorities for 2018. A further 39 member firms interviewed CEOs in their country or region to compare with the global results. Of these 39 countries, five are within East Africa and include Ethiopia, Kenya, Uganda, Tanzania and Rwanda. The views of the sample of East Africa CEO's from those five countries are included in this report.

The survey indicates that the East Africa region is freeing itself of the political turbulence and uncertainty that characterised the region over the last three years, and there is now a shared and almost universal optimism amongst all CEOs about the growth prospects of their own businesses. This optimism however, is a cautious one. Projected growth is modest and grounded in the reality that it will not be realised without challenges and will be accompanied by "growing pains".

East Africa's CEOs see disruption as an opportunity rather than a threat, and are harnessing technology to be at the forefront of this disruption rather than be disrupted. Technology nevertheless, is a double-edged sword.

The threat of cyber attacks is a key concern for CEOs, the majority of whom feel more could be done to enhance their readiness to counter them. There is also the added responsibility of ensuring data privacy and safeguarding customer data. Without the commitment and capacity to honour this assurance, businesses will fail to secure and maintain customer trust and loyalty.

The survey's findings speak to the formidable task shouldered by today's East African CEOs, and the strategic priorities they are pursuing for growth in 2018. Businesses will have to transform and adapt, and make key investments that allow them to strengthen their offering and solidify their position in the market, remaining agile as they do so.

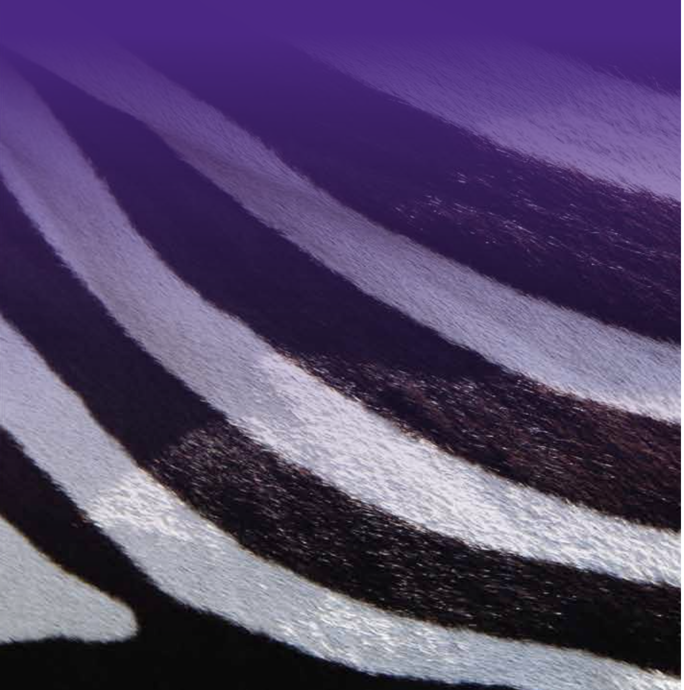
KPMG East Africa would like to thank all the CEOs who offered us their insights in this survey. We hope that as you read this report, you will identify where your strategies converge as well as diverge, and ultimately find it valuable in assessing your business priorities. Most of all, the survey provides an opportunity for internal reflection and generating new energy and enthusiasm for growth.

We will engage directly with you as you go through this process, to add insight to your own views of the challenges and opportunities that your business faces, and add clarity and focus to your growth or transformation agenda.

Josphat Mwaura

Senior Partner & CEO
KPMG East Africa

"This year, the survey included a representative sample of East African CEOs from Kenya, Uganda, Tanzania, Rwanda and Ethiopia, whose views are presented in this report."



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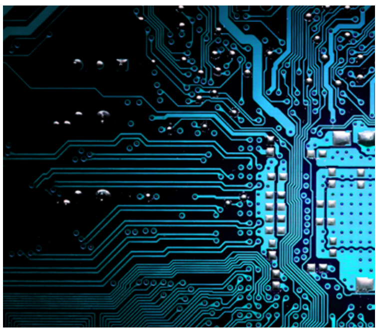
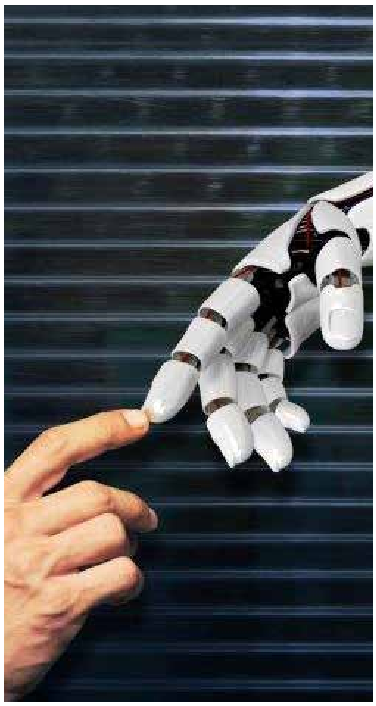




Key findings

Technological disruption: a double-edged sword

Organisations are embracing disruption
- Nine in 10 see it as more of an opportunity than a threat.
- Seven in 10 are actively disrupting the sector in which they operate.
- Only a third (35 percent) feel that they are struggling to keep pace with the rate of technological innovation.

Emerging technology and operational risk are the biggest threats to growth
- East African CEOs identify the top threats to their organisation's growth as emerging technology risk (43 percent), and operational risk (43 percent).

Organisations are not fully prepared for cyber attacks
- 49 percent say that becoming a victim of a cyber-attack is a case of "when", not "if".
- Only a third of East African CEOs believe that their organisations are either 'very well' or 'well' prepared for a future cyber-attack, while just over half (55 percent) say they have the ability to contain the impact of an attack on strategic operations.

Realistic growth - *Optimism tempered by pragmatism*

Optimistic macroeconomic outlook
- East African CEOs are very confident about their own businesses: nine in 10 are confident in the company's growth prospects for the next 3 years.
- 70 percent are confident in the growth prospects for the global economy.

A healthy dose of pragmatism
- A large majority of East African CEOs anticipate moderate increases in both revenue and headcount over the next 3 years.
- Three-quarters anticipate top-line revenue growth for their organisation of 2 percent or less, while the same proportion expect headcount to increase by less than 5 percent.

Rethinking growth
- 78 percent of East African CEOs report a low to moderate appetite for M&A.
- East African CEOs are looking primarily at strategic alliances with third parties (27 percent) and organic growth (25 percent) to achieve their organisation's growth objectives.

> Artificial Intelligence, machine learning, robotics and block chain are technologies that any company worth its name will need to adopt as early adopters or fast followers. No company can afford to be left behind as the 4th Industrial Revolution sets in across the world.

Dr. James Mwangi
Group Managing Director & Group CEO
Equity Group Holdings Limited

Digital gets personal - ***CEOs take personal ownership of driving digital transformation and trust***

Owning transformation
- 69 percent of CEOs agree that they are personally prepared to lead the organisation through radical transformation.

CEO as data protector
- 73 percent see protecting customer data as a critical, personal responsibility.

Robots manufacture jobs
- 82 percent expect AI to create more jobs than it eliminates.

Technological disruption: A double-edged sword

Organisations are embracing disruption

East African CEOs are embracing disruption, and like their global counterparts, are optimistic about the growth potential that it affords them.

Nine in 10 (92 percent) see it as more of an opportunity than a threat, and seven in 10 (73 percent) are leveraging it as a competitive advantage to actively disrupt the sector in which they operate. Only a third (35 percent) feel that they are struggling to keep pace with the rate of technological innovation.

- Kenyan and Ugandan CEOs in the survey are largely consistent with the regional view.
- Tanzanian CEOs in the survey are somewhat less positive. Seven in 10 are actively engaged in disruption, but six in 10 say they are struggling to keep pace with the rate of technological innovation.
- Rwandan CEOs in the survey are less positive: two in four are actively engaged in disruption, but three in four say they are struggling to keep pace with the rate of technological innovation.
- All Ethiopian CEOs in the survey see disruption as an opportunity, and are actively engaged in it. They are less likely than East African and global CEOs to be experiencing a range of challenges related to disruption.

While technological advancement is set to fuel disruption and business growth in the region, it brings along with it a new set of challenges for CEOs.

Emerging technology and operational risk are the biggest threats to growth

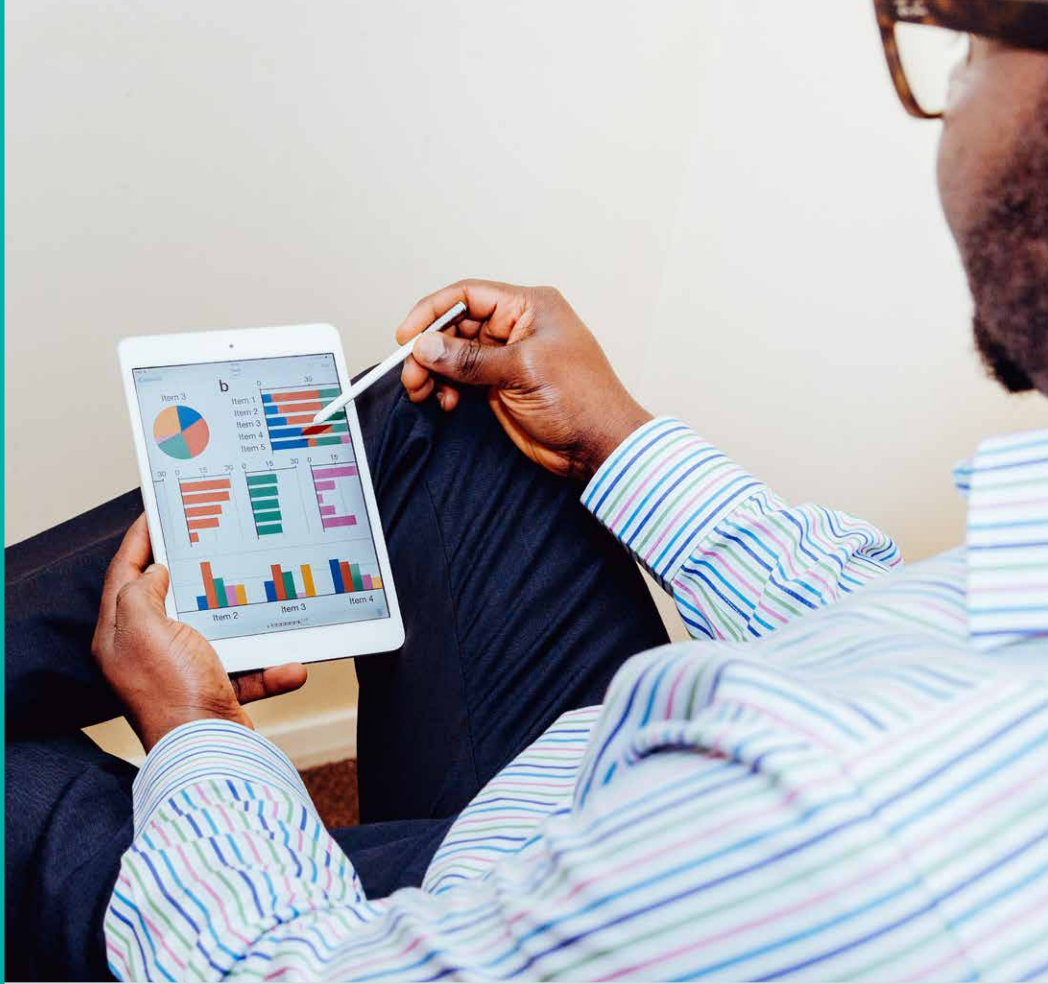
East African CEOs identify the top threats to their organisation's growth as emerging technology risk (43 percent), and operational risk (43 percent). They are less concerned about a return to territorialism than their Western counterparts, whose fears about the rise in economic nationalism have been spurred by Brexit and the proposed application of tariffs by the US and China.

- Kenyan and Ugandan CEOs in the survey also see these as the most critical threats.
- Around half of the Tanzanian CEOs in the survey cite a range of risks as critical: environmental, cyber security, emerging technology, a return to territorialism, and supply chain.
- Two in four Rwandan CEOs in the survey see emerging technology, regulatory risk, and talent risk as the most critical threats.
- Ethiopian CEOs in the survey see operational risk and supply chain risk as the most critical threats.

Organisations are not fully prepared for cyber attacks

Only a third (33 percent) of East African CEOs believe that their organisations are either 'very well' or 'well' prepared for a future cyber attack. In addition, just over half (55 percent) say they have the ability to contain the impact of an attack on strategic operations. This is a worry for CEOs.

- Kenyan CEOs in the survey are somewhat more confident: seven in 10 believe they can contain the impact of an attack on strategic operations.
- Ugandan CEOs in the survey are slightly less confident: only two in 10 ten agree that the organisation is ready for a cyber-attack.
- Only one in 10 Tanzanian CEOs in the survey agrees that the organisation is ready for a cyber-attack, although half believe that they are able to contain the impact of an attack on strategic operations.
- Rwandan CEOs in the survey are less confident: only one in four believes that the organisation is ready for a cyber-attack or is able to contain the impact of an attack on strategic operations.
- Ethiopian CEOs in the survey are slightly more confident: two-thirds believe they are prepared overall for a cyber-attack.



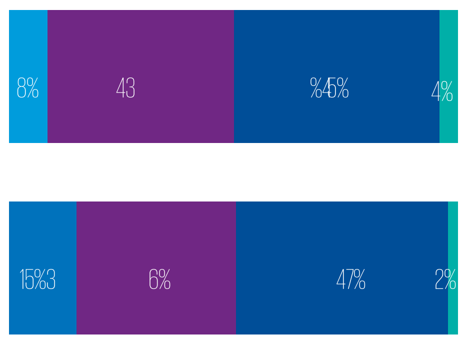
> We see technological disruption as a competitive advantage for us.

Kenrick Cockerill
CEO,
Stanbic Bank, Tanzania

Cyber security is a relatively new focus area in East Africa and awareness of the impact it would have on companies' strategic, operational and reputational risks requires keener attention. Many of the respondents were cautious in their responses often taking the safe 'middle ground' when it came to the impact of cyber security on other organisational risks including the belief that cyber security risk is a cause of emerging technology risk to a significant extent (41 percent), and the perception that cyber security risk is a cause of operational risk to a significant extent (55 percent).

Overall, 49 percent of the respondents agree with the sentiment that becoming a victim of a cyber-attack is now a case of 'when' not 'if'. This is consistent with the perception of CEO's globally. The feeling is stronger in Rwanda and Tanzania at above 70 percent of the CEOs surveyed there.

Extent to which CEOs agree or disagree that their organisation becoming a victim of a cyber-attack is now a case of 'when', not 'if



Strongly disagree
Disagree
Neither agree nor disagree
Agree
Strongly Agree

Source: *2018 Global CEO Outlook, KPMG International*

Turning cyber and information risk into a real business advantage

By Nancy Mosa, Partner, Risk Consulting KPMG East Africa

The survey results for East Africa highlight the fact that CEOs are more confident in their firms' cyber security posture, however there remains a concern on the overall cyber security maturity in the region.

Some of the responses point to a potential gap in having a clear assessment of cyber security maturity, and areas for improvement in the face of emerging technology and its disruption of traditional business models. Companies need to undertake cyber security maturity assessments to provide confidence that their people, processes and technology remain fit for purpose to address potential threats. Cyber security maturity that is not measured and tracked does not grow.

Cyber security threats are evolving on a daily basis with perpetrators finding new ways to disrupt companies.

Firms need to stay on top of these emerging threats. Placing reliance on early cyber solutions may give them a false sense of hope. Increased cyber security awareness is required across the organisational hierarchy if firms are to be successful in maintaining the balance between protecting the firm and generating revenue. From the results of the survey, East African CEOs will need to focus on the following areas in order to turn cyber and information risk into a real business advantage:

- Boards should integrate cyber into the enterprise and operational risk register;
- To take ownership over the risk, the business first needs to genuinely understand it;
- Though setting the right tone from the top is crucial, it is more about making sure employees live and breathe cyber in their daily activities;
- In order to realise a return on investments, it is important for CEOs to devise ways to monitor both the investments and the risks;
- CEOs should look across the entire security ecosystem and try to identify opportunities to improve performance and increase alignment of cyber capabilities across the enterprise. Where necessary, they should leverage service providers and advisors with unique skills and capabilities in the right way, to allow for internal teams to focus; and
- Finding and retaining the right cyber talent will become increasingly difficult as organisations across business sectors start to improve their cyber response. More than just good cyber talent, however, organisations will need to find (or develop) individuals that are able to not only stay ahead of the threat, but also bridge the gap between cyber and the business.

> "Increased cyber security awareness is required across the organisational hierarchy if firms are to be successful in maintaining the balance between protecting the firm and generating revenue."

Nancy Mosa
Partner, Risk Consulting
KPMG East Africa

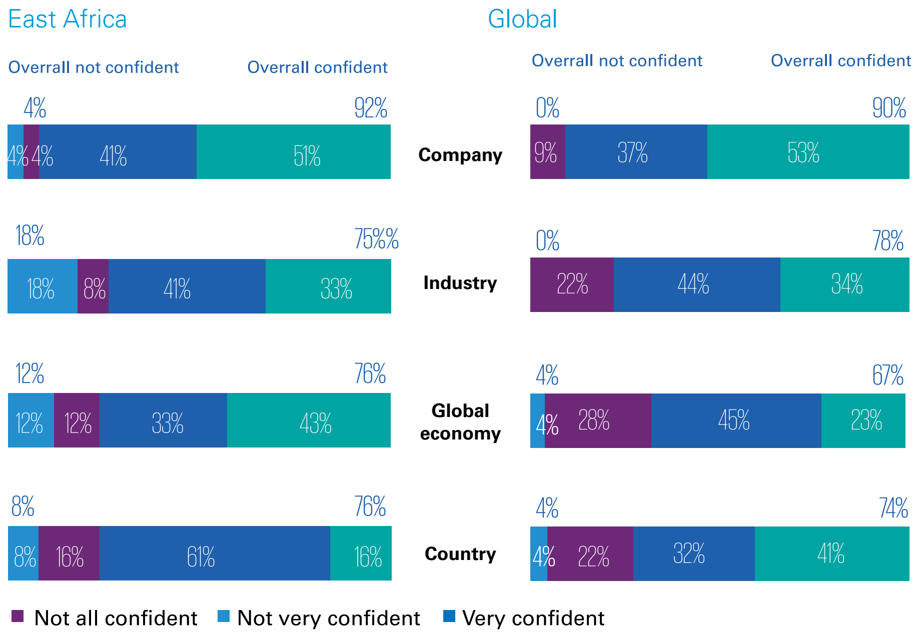
Realistic growth: Optimism tempered by pragmatism

Optimistic macroeconomic outlook

East African CEOs are very confident about their own businesses: nine in 10 (92 percent) are confident in the company's growth prospects for the next 3 years. Largely consistent with the views of global CEOs, three-quarters have overall confidence in growth at the industry, global, and country levels.

- All Kenyan and Ethiopian CEOs in the survey are confident in the growth prospects for their company, compared with nine in 10 Ugandan CEOs, eight in 10 Tanzanian CEOs and three in four Rwandan CEOs.

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



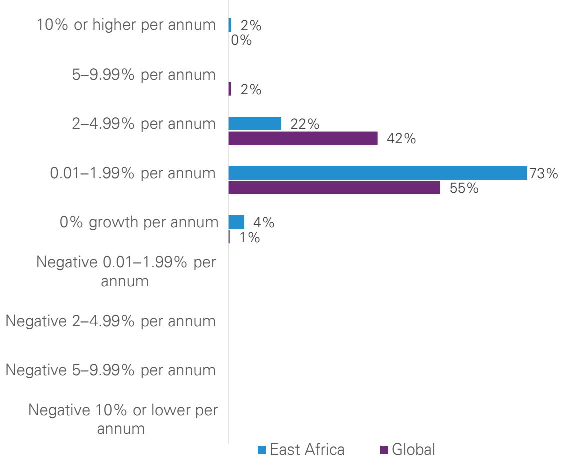
Source: *2018 Global CEO Outlook, KPMG International*

A healthy dose of pragmatism

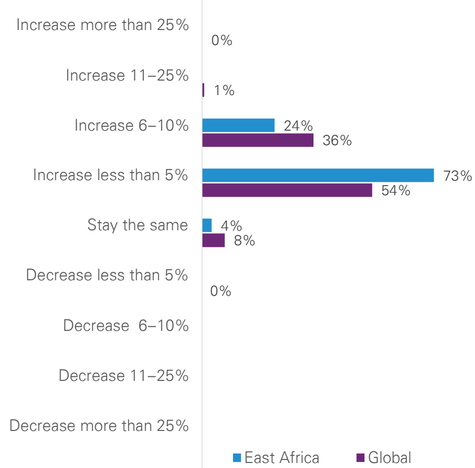
The majority of East African CEOs anticipate moderate increases in both revenue and headcount over the next 3 years. This is consistent across all five countries and presents a slightly more cautious outlook on growth rates than that of global CEOs.

Three-quarters of East African CEOs anticipate topline revenue growth for their organisation of 2 percent or less, while the same proportion expect headcount to increase by less than 5 percent.

Outlook for topline revenue growth over the next 3 years



Expected headcount change over the next 3 years



Source: *2018 Global CEO Outlook, KPMG International*

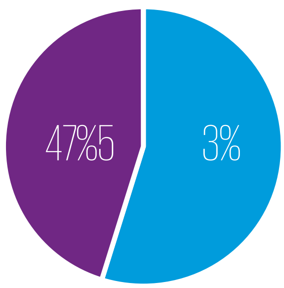
Investing in talent today for success tomorrow

By **David Mbatha**, Director Management Consulting KPMG

The East African CEOs' hiring plans reflect the overall pragmatism displayed by CEOs globally. The majority surveyed indicated that they are waiting to achieve certain growth targets before hiring new skills (53 percent), as opposed to 47 percent who are hiring new skills regardless of future growth targets.

The organisation's approach to recruiting new skill sets into the organisation

East Africa



- We are hiring new skills – regardless of future growth targets
- We are hiring to achieve certain growth targets before hiring new skills.

Source: *2018 Global CEO Outlook, KPMG International*

This conservative approach may however affect an organisation's ability to not only adapt to change, but to lead this change in the future. According to the 2017 KPMG HR Transformation Survey (https://advisory.kpmg.us/content/dam/kpmg-advisory/management-consulting/pdfs/2017/kpmg-hr-transformation-study-2017.pdf), when businesses are forward looking and act proactively to address change, they tend to have stronger returns on investment.

Demographics also come into play here and it is important to pay particular attention to East Africa's young population. Given that this category represents not only a significant portion of the current workforce, but also a majority of the workforce for the coming decades, the need to have one eye on the future when it comes to hiring and talent management, becomes even more apparent.

Should CEOs want to position their companies for success in the future and the long term, there is need to consider hiring skills and talent that will lead the organisation there, as opposed to waiting it out and hiring talent after this anticipated success has been realised.

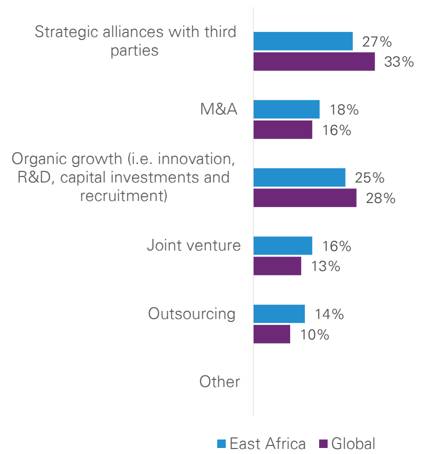
A further consideration is the skills mix of future employees. We anticipate that employees will be more focused on innovation, creativity, value creation and social intelligence. As Artificial Intelligence (AI) continues to grow and be improved, it is estimated that 30 percent of global corporate jobs, particularly the more deterministic tasks, may be performed by robots just ten years from now (KPMG report, Clarity on Digital Labour: Rise of the robots https://assets.kpmg.com/content/dam/kpmg/ch/pdf/clarity-on-digital-labor-en.pdf). For this trend to hold true in the East African region, significant investment in IT and a mind shift will be required.

Rethinking Growth

When asked about the most important strategies to drive growth over the next 3 years, East African CEOs are looking primarily at strategic alliances with third parties (27 percent) and organic growth (25 percent).

- Four in 10 Kenyan CEOs in the survey see strategic alliances as most important.
- Three in 10 Ugandan CEOs in the survey see M&A and organic growth as most important.
- Tanzanian CEOs in the survey have similar priorities: four in 10 see organic growth as most important.
- Rwandan CEOs in the survey are employing a range of strategies, although none identifies strategic alliances as most important.
- Ethiopian CEOs in the survey give equal priority to organic growth, strategic alliances, and outsourcing.

Strategy for growth over the next 3 years (ranked first)



'M&A' remains a boardroom agenda item

By **Sheel Gill,** Partner, Deal Advisory, KPMG East Africa

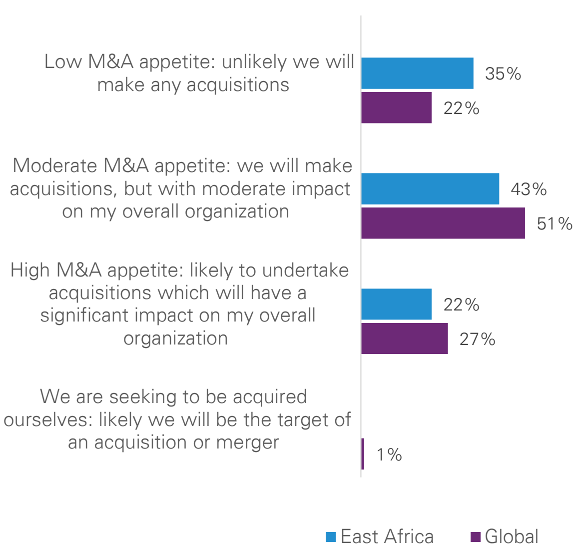
16 percent of global CEOs cite pure M&A as their most important growth strategy against 18 percent in East Africa. However, joint ventures - a form of M&A - are also gathering momentum, with 16 percent of East African CEOs citing them as source of growth, compared to 13 percent of global CEOs.

60 percent of the respondents in Kenya mentioned that they are unlikely to make any acquisition in the next three years. This is likely due to a lack of strong balance sheets given the tough trading environment experienced in 2017. The year was characterised by political uncertainties in the aftermath of the national Kenyan general elections, and a private sector that was crowded out by the government's election spending.

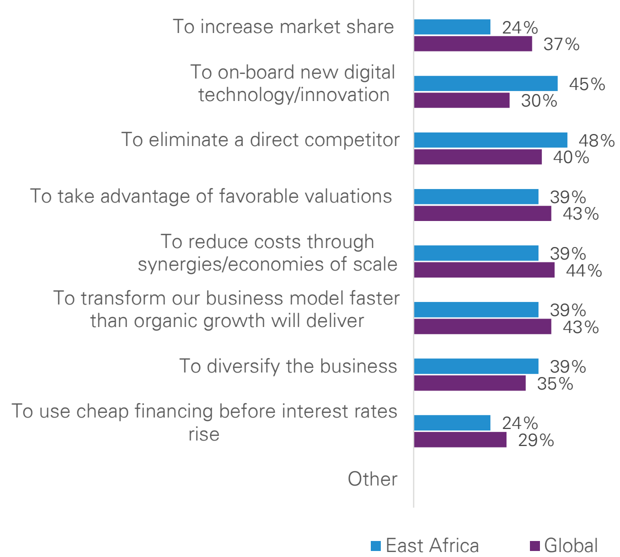
Ethiopian CEOs indicate that they are unlikely to make any acquisitions. M&A is a fairly new arena in Ethiopia, where foreign investment restrictions in sectors such as financial services, logistics, etc. make injection of capital via equity impossible. However, where CEOs expressed an interest in acquisitions, this was driven by their need to gain competitive advantage, business transformation, obtaining favourable financing and valuation or obtaining synergies, which can be realised from joint ventures and strategic alliances as well.

> "I strongly believe in strategic alliances. Gone are the days where organisations can flourish on their own."
>
> **Sanjay Rughani**
> CEO,
> Standard Chartered Tanzania

M&A appetite over the next 3 years



Drivers of M&A appetite over the next 3 years



> As seen in more developed economies, M&A/joint ventures/strategic alliances are and remain a key growth strategy across all sectors.

Sheel Gill
Partner, Deal Advisory
KPMG Advisory Services

48 percent of the CEOs interviewed from East Africa mentioned that the primary driver of any potential M&A activity over the next three years will be to eliminate direct competition. This was dominant for technology driven sectors through early cannibalisation. However, in evaluating their growth strategies, a focus on simply eliminating direct competition should not supersede other considerations such as forward and backward integration and innovation, which may in the longer term yield higher sustainable returns.

East African CEOs are also interested in expanding into emerging markets within and outside of East Africa. This is evidenced by recent strategic investments such as Airtel Rwanda Limited's investment in Tigo Rwanda Limited; Swala Oil and Gas Plc's investment in PanAfrican Energy Tanzania Limited; Kenya's Commercial Bank of Africa Limited's investment in Crane Bank Rwanda Limited to name a few.

We expect this regional expansion trend to continue as CEOs and PE backed companies seek to gain scale as part of their profitability growth strategy.

As seen in more developed economies, M&A/joint ventures/strategic alliances are and remain a key growth strategy across all sectors. This is usually coupled with organic growth initiatives to achieve rapid growth.

Focus on strategic alliances and organic growth to achieve growth objectives

East African CEOs have prioritised strategic alliances with third parties as their primary strategy for growth (27 percent), their next strategic priority is organic growth (25 percent), driven by innovation, R&D and recruitment.

Strategic alliances also come to the fore globally, with 33 percent of global CEOs citing this as their most important strategy to drive growth over the next three years. The global popularity of strategic alliances speaks to the considerable potential that collaboration wields. However, to reap their full benefits, CEOs will have to appreciate and accommodate the intricacies of striking truly mutually beneficial and sustainable partnerships.

Navigating the complexities of strategic alliances to drive business growth

By **David Leahy,** Partner and Head of Markets for East Africa

In today's fast-paced world, businesses that embrace collaboration fully and professionally are likely to get the most out of strategic alliances to help them achieve growth objectives.

Alliances have the potential to offer considerable commercial benefits when entered into with mutually understood strategic ambitions and managed appropriately. Strategic alliances need rigorous planning, execution and nurturing if they are expected to live up to expectations.

Many businesses across all sectors have demonstrated the power of strategic alliances, by bringing together complementary capabilities for mutual commercial benefit. However, even with the considerable potential of these benefits, strategic alliances continue to suffer from fundamental misperceptions, which as a result, reduce their effectiveness. Oftentimes, a lack of agreement over what a real strategic alliance is, leads to some alliances being considered minor partnerships, or worse still, buyer-supplier relationships. The perception that once you have found the appropriate partner fit, alliances are easy to implement and will largely take care of themselves is erroneous; they are in fact extremely difficult to get right. Businesses must appreciate that strategic alliances are in fact major, once-in-a-lifetime transformations that can impact the entire future of an organisation.

For many businesses strategic alliances are becoming a fundamental part of corporate strategy as a means to achieve growth. We are seeing collaboration between businesses from different sectors that open up enticing prospects – but not without their challenges. Two businesses may have entirely different cultures, varying risk and innovation appetites, as well as conflicting ideas about things such as the pace of product development and the best route to market. But this has not stopping business from trying. The next wave of cross-sector alliances is likely to involve a complete rethink of current business models. We are seeing old lines between industries and different players becoming blurred, as collaboration between multiple partners becomes necessary to grow and succeed.

So how do we ensure alliances work? Strategic alliances need to be evaluated thoroughly in advance, set up effectively, and managed tightly to ensure a better chance of achieving mutual goals. There needs to be an alignment of ambitions, as well as business and operating models, all of which must be enabled by a clear guiding blueprint for how the alliance should work in practice. All this will help businesses establish the necessary synergies with prospective partners, as well as allow them to evaluate whether their own alliance teams have what it takes to plan and execute a complex partnership.

> "The perception that once you have found the appropriate partner fit, alliances are easy to implement and will largely take care of themselves is erroneous."

David Leahy
Partner and Head of Markets for East Africa

Digital gets personal

Additional actions to help pursue growth objectives

East African CEOs intend to undertake a number of supplementary actions to achieve their growth objectives over the next 3 years. Just over half plan to set up accelerator or incubator programs for start-ups (57 percent), make products and services available online (53 percent), partner with third-party data providers (53 percent), and collaborate with innovative start-ups.

- Six in 10 Kenyan CEOs plan to collaborate with innovative start-ups and the same proportion intend to partner with third-party cloud technology providers
- Eight in 10 Ugandan CEOs in the survey identify corporate venturing as their main action
- Eight in 10 Tanzanian CEOs in the survey plan to set up accelerator programs for start-ups
- All the Rwandan CEOs in the survey plan to collaborate with innovative start-ups
- Six in eight Ethiopian CEOs in the survey plan to make products and services available online and partner with third-party data providers

Looking at the importance of workforce capabilities to support growth, East African CEOs prioritise emerging technology specialists: two-thirds (67 percent) say this skill set is important overall. Emerging technology specialists are not only considered to be the most important to support growth, but are also cited as being among the most effective areas in the CEOs' workforce: around four in 10 see specialists in emerging technology (45 percent), cyber security (43 percent), data science (43 percent), and sustainability (43 percent) as effective overall.

Owning Transformation

Consistent with global CEOs, East African CEOs are confident about their transformation abilities at the personal and management levels. Seven in 10 (69 percent) agree that they are personally prepared to lead the organisation through radical transformation, while only one in five (20 percent), is not confident that the existing leadership team is fully equipped to do this.

- Eight in 10 Kenyan CEOs in the survey feel personally prepared to transform the organisation. Six in 10 Ugandan CEOs in the survey share this view.
- Tanzanian CEOs in the survey are less positive: only four in 10 feel personally prepared to lead the organisation through radical transformation.
- Rwandan CEOs in the survey are less positive: only one in four feels personally prepared, while two in four are not confident that the leadership team is capable of transforming the organisation.
- Ethiopian CEOs are the most positive: all those in the survey feel personally prepared, and none lacks confidence that the leadership team is capable of transforming the organisation.

Be that as it may, seven in 10 East African CEOs (71 percent) are struggling to run parallel processes to transform the digital and non-digital aspects of the business, to a greater extent than global CEOs (30 percent).

- Eight in 10 Kenyan CEOs in the survey agree they are struggling with this issue. East African and Kenyan CEOs are less likely than global CEOs to see technology investment as tactical rather than strategic or to agree that the board has an unreasonable expectation for return on investment related to digital transformation.
- None of the Ugandan CEOs in the survey sees their technology investment as tactical rather than strategic.
- Eight in 10 Tanzanian CEOs in the survey agree that the board has an unreasonable expectation for returns on this investment.
- Two in four Rwandan CEOs in the survey agree that technology investment is tactical and that the board has an unreasonable expectation for returns on this investment.
- Ethiopian CEOs are less likely than global CEOs to see technology investment as tactical rather than strategic, or to agree that the board has an unreasonable expectation for return on investment.

Digital transformation

An East African imperative

By **Brian DeSouza,** Partner, Head of Consulting
KPMG East Africa

During KPMG's recent forums with board members in East Africa, it was noted that technology and data are transforming the way businesses are run. Ten years ago, the most valuable public companies in the world were in the oil industry, today, it is the technology driven companies.

Gartner predicts that 20 percent of all market leaders will lose their number one position by 2018 to a company started after the year 2000, due to the lack of a digital business model.

Locally, companies such as Uber and Airbnb have radically changed the transport and hotel industry. Investment in technology and data should be considered a strategic priority for the continuity of businesses into the future. Digital disruption will have an impact on entire business models from customers, products, markets, governance, as well as talent acquisition and retention.

To lead the organisation through radical transformation CEOs should consider and invest in new Chief Data and Chief Digital roles. Both will enable the organisation to realise returns on investments in technology and enhance data governance which are critical to the success of enterprises in the future. Some East African CEOs have rightly prepared themselves to lead their teams through transformation. As is the case globally, transformation will not be an option, it will be a fundamental prerequisite for survival.

CEO as data protector

Although no legal framework for data protection exists across East Africa, 73 percent of East African CEOs feel that protecting customer data is one of the most important responsibilities of the CEO, in order to grow the customer base in the future.

27% A strong strategy is critical to engender trust with our key stakeholders

Protecting customers' data is one of my most important responsibilities as CEO to enable my organisation to grow its customer base in the future 73%

29%

Our organisation is in danger of losing existing customers because disproportionate resources are spent on attracting new resources

14% To date, the investments we have made in trying to personalise the customer experience have not delivered the growth benefits we are hoping for

Data is everywhere. You do not have to look far to find it. Every organisation is creating data and collecting and using it in some way or form. The variety of available data is countless and it is also infinite. It is constantly being created and will continue to be. Data is being created and captured with increasing velocity. The volumes of data are also mounting.

According to computer giant IBM in their 2013 Annual report, more than 2.5 billion gigabytes (GB) of data are generated every day.

Data is an imperative for business. The exponential increase in customer and market data has created enormous opportunities for generating insights that drive top and bottom line growth. In the current economic and regulatory environment, organisations need confidence in data quality and accuracy to better control risks and enhance compliance.

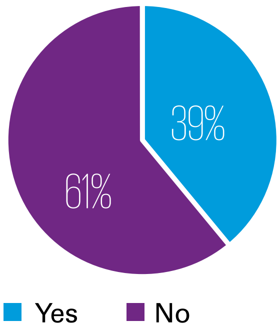
Cutting costs, improving operating performance and enhancing customer experience is an area where data and analytics triggers the greatest business transformations.

Be that as it may, the survey findings revealed that global CEOs have a degree of reluctance in making solely data-driven decisions. They are still heavily reliant on their intuition and experience as the ultimate determinant of the strategies they employ to drive growth.

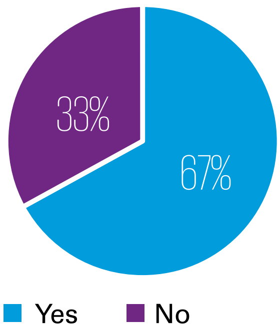
East African CEOs however, more readily consider and rely on data and analytics.

Whether in the past 3 years, CEOs have overlooked the insights provided by data analysis models or computer-driven models because they were contrary to their own experience or intuition.

East Africa



Global



Analytics should be used by organisations to improve the quality of their products and services. Whereas quality has moved beyond quality control, into better decision making through new collaborations between humans and algorithms, all that is in vain if the data is not accurate, complete or available. With so much now riding on the output of data and analytics, significant questions are starting to emerge about the trust that we place in data, and the analytics and controls that underwrite this new way of making decisions.

As reflected in the survey findings, the proliferation of data and analytics has been somewhat constrained by growing concerns around data such as:

- What do I do with it?
- What data is relevant for me?
- Is the data I am collecting aligned to my business strategy?
- When do I need it?
- How do I get it?
- Where do I get it?
- Is it the right one?
- Who owns it?

The General Data Protection Regulation (GDPR) has prescribed rules governing data protection, to prevent abuse of customer data. It seeks to ensure data is collected transparently, usage is disclosed upfront, kept current, protected to guard the customer's privacy and that it is deleted upon the customer's request. The CEO as the data protector must therefore put in place and ensure enterprise-wide governance over the various elements of data management including: data strategy, data modelling, metadata, master data management, data quality, data integration, data privacy, content management, business intelligence and analytics.

To effectively protect customer data, CEOs must therefore have clarity along the following considerations:

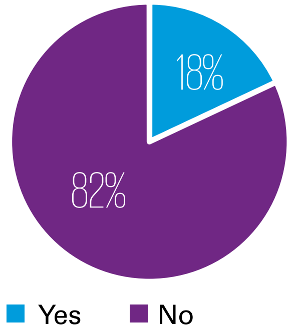
- Who is in charge of privacy compliance?
- Are the right accountability and governance structures in place?
- How do I know whether employees are taking an ethical stance towards privacy?
- What actions are we taking to nurture a privacy-aware culture to earn and retain our customers' trust?
- Do we view the GDPR as a one-off initiative? Or is it part of a proactive risk management approach, enabling us to put our customers at the centre of everything we do?

Robots manufacture jobs

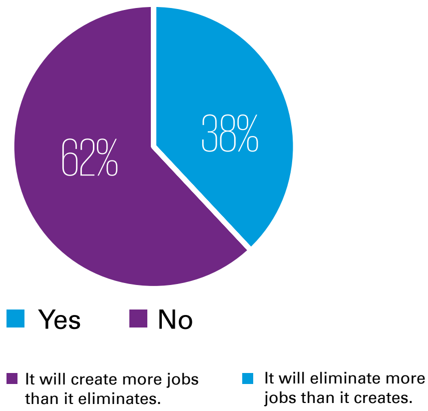
As well as driving digital transformation and protecting customer data, broadly speaking, CEOs are reconfiguring their workforces for a future where smart machines and talented people work together. Understandably, the advent of AI and automation raises concerns around job security amongst employees. Nevertheless on the whole, CEOs are convinced that AI will create more jobs than it eliminates. 82 percent of East African and 62 percent of global CEOs believe that AI will have a positive impact on jobs.

Most likely impact of artificial intelligence and robotics technologies on the organization over the next 3 years.

East Africa



Global



In East Africa, most organisations are at the foundation level of analytics and are able to explain what happened and the root cause ("why it happened"). As their analytics capabilities evolve and they start to use machine learning (ML) and artificial intelligence (AI), the value of analytics be significantly enhanced to offer predictive ("what will happen") and prescriptive analytics ("what should be done about it").

The opportunity to automate all the processes within an organisation exists, from reconciliations (banks, suspense accounts), continuous monitoring and auditing, fraud detection, management reporting, KPI tracking and predictive sourcing just to name a few. The impetus for driving the usage of ML and AI is the promise of improved business insightfulness and the ability to focus work activities toward more value-added and strategic activities.

Nevertheless, while technology continues to influence how we do business, human oversight and direction will always prevail.

Conclusions

> We prioritize organic growth owing to our huge potential to grow with internal resources, building on our existing strengths and the sustained long-term growth we recorded for over two decades.

Tsehay Shiferaw
CEO Awash Bank, Ethiopia

Technological disruption: A double-edged sword

Digital opens up numerous opportunities for growth, and CEOs are optimistic about this. Today, customer experience is fast overtaking price and product as the number-one brand differentiator, and in an effort to enhance the customer experience, many companies are increasing their investments in IT systems and data. But with digital advancement and 'big data' comes responsibility and risk, both of which CEOs have expressed both an appreciation for as well as concern. Companies need to establish cyber frameworks that safeguard their IT systems and data, whilst not compromising on customer experience. Business leaders will need to be at the forefront of these initiatives, putting in place controls and measures to safeguard customer data as a means to preserving trust and facilitating future growth.

Driving realistic growth

CEOs feel good about the macroeconomic environment; they are confident about global and industry growth prospects. However, that does not mean they are setting aggressive revenue targets. In fact, they are playing a patient game, predicting pragmatic rather than bullish topline revenue growth. CEOs recognise that in a digital age their organisations still depend on traditional revenue streams. As they look to replace them with new growth engines, they recognise that traditional sources will decline and need to be replaced. CEOs play a critical role in driving business model innovation and growth by challenging the status quo in their organisations to stimulate new thinking and shift the innovation equation.

Making digital a personal crusade

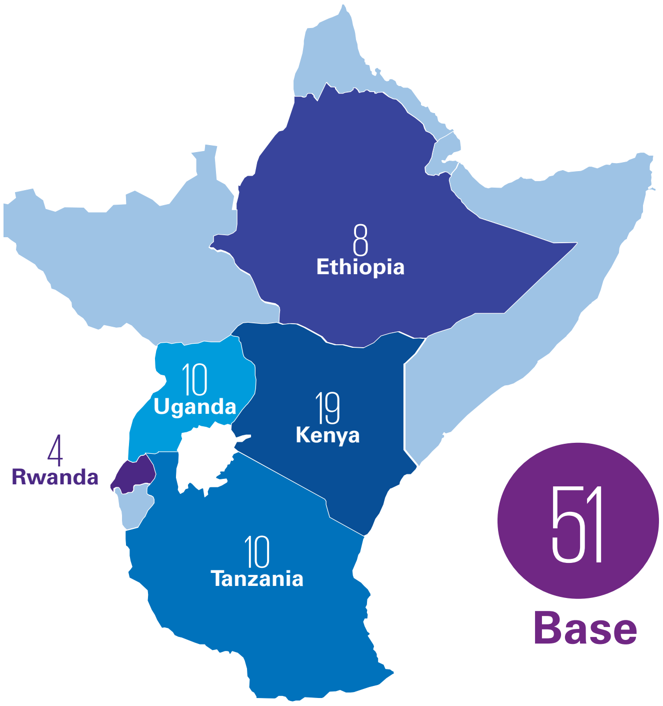
As they look to drive growth in a digital age, CEOs are leading the transformation agenda. But to ensure their long-term digital strategy does not get derailed by pressure to deliver short-term results, they must manage the expectations of key stakeholders. Working with boards and other stakeholders, they can map different scenarios for the future of the business and set new KPIs. Making the most of their customer data will be a critical element of their growth strategies, and with the public's trust in institutions waning, CEOs are taking personal responsibility for safeguarding data. Their employees will also be looking to CEOs for guidance in a world where AI and automation will replace both manual and more specialised roles. CEOs need to lead the workforce transition, and create a compelling and candid narrative for their employees about what the future holds.

In summary:

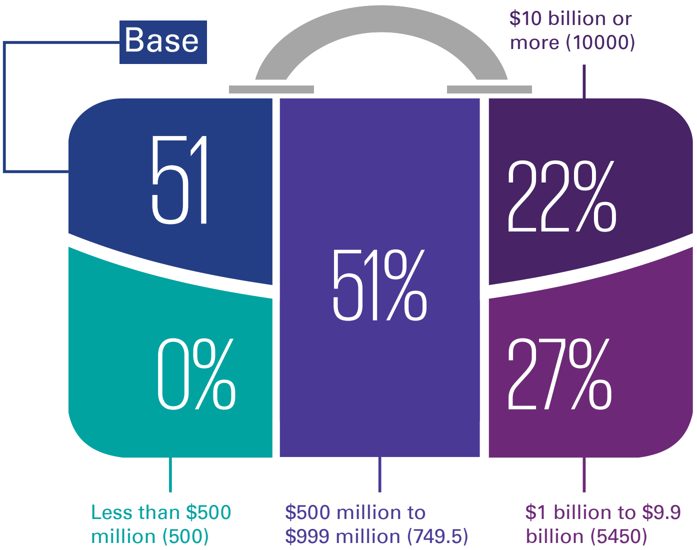
The 2018 Global CEO Outlook finds chief executives optimistic about the economy and excited by the growth opportunities offered by disruption. At the same time, CEOs are managing their exposure to a range of headwinds. Driving growth will require CEOs to combine equal amounts of resourcefulness and realism.

CEO respondent profiles

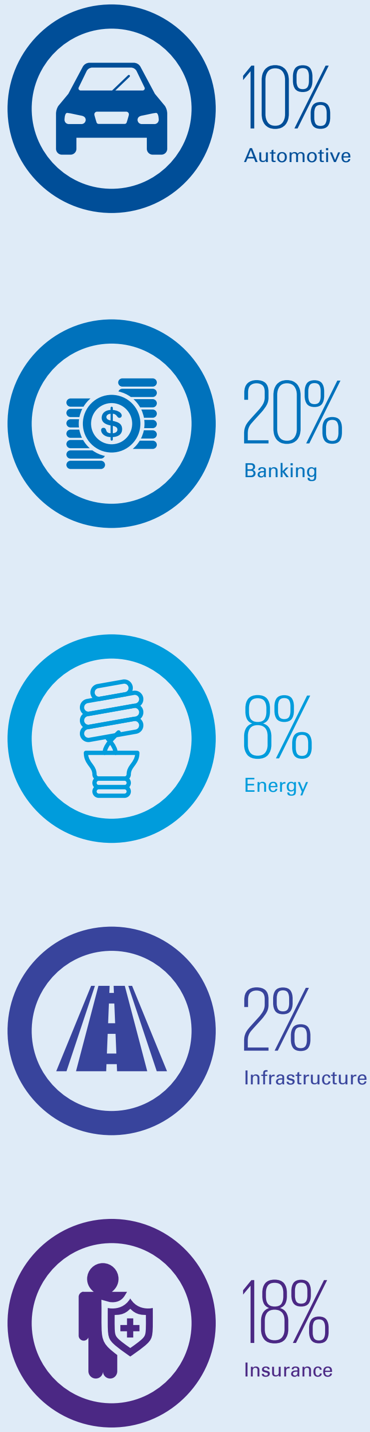
CEOs by country



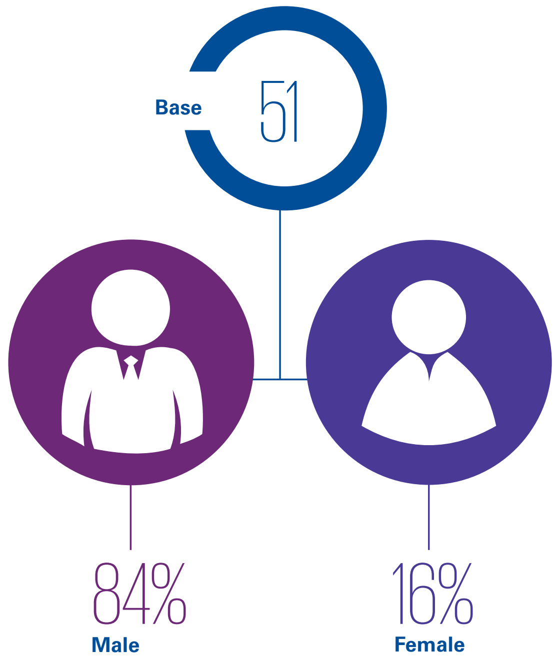
Company revenue profile



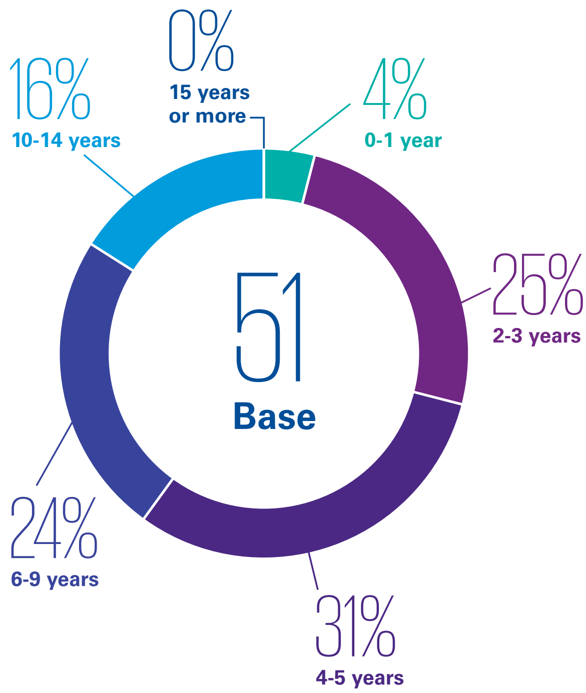
Industries represented



CEO gender



Level of experience



Methodology and acknowledgements

KPMG's global research surveyed 1,300 CEOs of many of the world's largest and most complex businesses in order to understand the challenges and opportunities they face and their vision for the business of tomorrow. The research was conducted by Longitude on behalf of KPMG. Respondents were split across the Americas, Asia-Pacific, Europe, the Middle East, the Nordics and Africa.

For the East African Research:

22 percent of the CEOs interviewed lead organisations that have in excess of US$ 10 billion in a year in revenues, 27 percent have between US$1 billion and US$9.9 billion a year in revenues, and 51 percent have between US$500 million and US$999 million a year in revenues.

Eleven main sectors were covered - asset management, automotive, banking, consumer and retail, energy, infrastructure, insurance, life sciences, manufacturing, technology, and telecommunications.

KPMG East Africa would like to thank the CEOs that gave their time and contributions.

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