Agile or irrelevant

Redefining resilience

2019 East Africa CEO Outlook

May 2019

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Foreword

KPMG is proud to unveil the 2019 edition of the East Africa CEO Outlook report. Once again, we have engaged CEOs from Kenya, Uganda, Rwanda, Tanzania and Ethiopia, to gain an understanding of their perspectives on doing business in the region. The findings unearth their challenges and anxieties, as well as their sources of confidence and their priorities for growth. The report also draws comparisons between these, and the findings of KPMG's global CEO Outlook report of 1,300 CEOs, in 11 of the world's largest economies.

In 2019 we find that in some areas of doing business in East Africa, much has changed. Operational risk has emerged as a primary concern for CEOs in the region, having been a distant third on the agenda in 2018. Similarly, while last year only 20 percent of CEOs appreciated the importance of improving their innovation processes, this has now more than tripled to 62 percent in just twelve months. Even still, in the face of disruption, the proportion of East African CEOs confirming that they have in place structures to adjust their business model in order to maintain competitiveness, has plummeted from 69 percent in 2018 to 48 percent in 2019. These and other drastic shifts are telling of the dynamic landscape in which East African businesses operate. CEOs in the region will need to exercise agility and adaptability in order to respond to, or better still, get ahead of change.

The report also points to some constants over the last two years. As organizations take bolder strides in their digital transformation journeys, each step is matched by an increase in their vulnerability to cyber attacks. Be that as it may, technological disruption continues to be viewed more as an opportunity than a threat, by the vast majority of East African CEOs in 2019, as was the case in 2018.

Also unchanged is their assertion that these technological advancements will in fact create more jobs than they will eliminate. It nevertheless goes without saying that in this digital age, cyber security will continue to be a key determinant of the overall resilience of any organization.

In this year's findings we see that to be a CEO today is not what it was yesterday. There have been significant changes in the breadth of their responsibilities, the skills they therefore need, as well as those of the teams they surround themselves with. These changes also come at a time when CEOs have significantly less time in office, with a tenure now averaging five years. As all these variables come into play, it is clear that when building the resilience of their organizations, CEOs must first build their own.

This report delves into the strategies that CEOs in East Africa have prioritized to win, in what is clearly a challenging and unpredictable environment. In order to build resilient and sustainable businesses, they must successfully navigate these complexities. I would like to thank all the CEOs who offered us their insights through participation in the survey. It is my hope that as you engage with the findings, they will provide you with sufficient insight to either validate your own perspectives and priorities, or challenge you to think differently.

Josphat Mwaura
CEO & Senior Partner
KPMG East Africa

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Confidence in the global economy falling – and disruption is mounting

— **Dynamic risk landscape**
Operational risk concerns top the East African CEOs' risk agenda in 2019, up from third place in 2018.

— **Conflicting global outlook**
80 percent of East African CEOs are confident in the growth prospects of the global economy in 2019, while global CEOs are less confident at 63 percent, down from 68 percent in 2018.

— **New competitive age**
East African CEOs increasingly report that rather than waiting to be disrupted, their organization is actively disrupting its sector. This rose from 72 percent in 2018 to 76 percent in 2019.

Leading in uncertain times

To be resilient, CEOs must apply constant pressure to change and adapt

— **Innovation disconnect**
58 percent of East African CEOs say they want a culture where failure in pursuit of innovation is tolerated, though it is in place in less than a third of their organizations.

— **Agility or irrelevance**
67 percent of global CEOs agree that acting with agility is the new currency of business and being too slow risks bankruptcy. East African CEOs are less inclined to agree at 46 percent.

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70 percent of East African CEOs are actively transforming their leadership team to build resilience.

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In 2019, only 46 percent of East African CEOs report being prepared for a cyber attack, however this is up from 34 percent in 2018.

— **Workforce 4.0**
Only 4 percent of East African CEOs compared with 44 percent of global CEOs plan to upskill more than half of their entire workforce in digital capabilities.

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— **A new playbook**
CEOs both globally (67 percent) and in East Africa (58 percent), agree that with an average CEO tenure of 5 years, the need to act with agility has increased.

— **Evolving mindsets**
Almost a third of CEOs in East Africa (32 percent) strongly agree that they had a significant misstep early in their careers that they were able to overcome.

Uncharted waters

Many of the concerns that plagued CEOs in 2018 persist today. The undeniable necessity and potential of digital disruption, contrasted by the risk it carries, continues to be a source of anxiety for CEOs globally in 2019, nonetheless, being at the forefront of disruption is where they want to see their organizations. In East Africa, the business risks perceived lie more internally than externally. The shared and almost universal optimism amongst all CEOs about the growth prospects of their own businesses that we saw in 2018, is now rooted in the need to build organizational resilience as the key to growth, and therefore survival. Building resilience will require CEOs to take their organizations to unfamiliar places as they navigate an increasingly complex landscape.

Dynamic Risk Landscape

In 2019, while environmental and climate change risks top the agenda for CEOs globally, it is overshadowed by operational risk concerns in East Africa (26 percent), alongside concerns around cyber security (20 percent) and regulatory risks (16 percent). Climate change as a threat to business growth concerns only 6 percent of East African CEOs. Furthermore, emerging/disruptive technology risk and the return to territorialism that feature in the global top three, at 19 percent and 16 percent respectively, are priorities for less than 10 percent of East African CEOs.

It is worth noting however, that there has been a significant shift in perspectives on risk in East Africa, with emerging/disruptive technology risk dropping from 27 percent in 2018 to 10 percent in 2019, environmental and climate change risk more than halving over the same period from 18 percent to 6 percent, and operational risk jumping from third place in 2018 at 12 percent to become the primary concern in 2019 at 27 percent.

Despite climate change appearing to be less of a growth concern in East Africa there is a shared appreciation both globally (76 percent) and in the region (62 percent), that growth will be determined by a business' ability to anticipate and navigate the global shift to a low-carbon, clean technology economy. As a result, more East African CEOs report having sustainability expertise within their workforce, defined as the ability to lead the integration of sustainable thinking into business strategy. 28 percent of CEOs in the region rate their workforce as highly effective in this area in 2019, as compared with 18 percent the previous year.

> "Only 20 percent of CEOs in East Africa agree that their organizations must look beyond profit to achieve long term sustainable success."

David Leahy,
Partner & Head of Markets
KPMG East Africa

The Sustainability Imperative

Sustainability has gone mainstream. Gone are the days when an organization's performance was assessed only on financial performance. Stakeholders, varying from regulators and customers to investors, are now looking at non-financial indicators such as diversity, reputation and environmental performance in their assessment of business performance.

According to the World Economic Forum 2019 Global Risks Report, environment and social risks account for three of the top five (60 percent) risks by likelihood and four (80 percent) by impact. CEOs in East Africa are also beginning to appreciate the importance of sustainability issues and their role in the financial success of their businesses. More than 60 percent of CEOs in East Africa acknowledge that a shift to a low carbon economy is necessary to be able to achieve and maintain their growth objectives in the local and international space.

The thinking around sustainable business in East Africa has come a long way. Environmental and social management was primarily driven by regulations which, were mostly enforced at project level in order to obtain construction permits from the government. Over the last five years, corporate sustainability has been largely shaped by three factors: regulations, investor scrutiny and risk management.

Various regulations and guidelines have come into force that are shaping how organizations manage environmental and social risk. For instance, in Kenya, The Capital Markets Authority in 2015 issued The Code of Corporate Governance Practices for issuers of securities to the public. The code contains disclosure requirements for listed companies on the management of environmental, social and governance issues. Although the requirements are still in the early stages of implementation, we are seeing more and more companies across the region adopt integrated reporting. The objective is to communicate a holistic view to stakeholders on how the organization is creating value and managing material aspects of the business, including environmental, social and governance risks and opportunities.

East Africa is a prime investment destination for venture capital and private equity investments. A key aspect in the valuation of a business by a private equity fund is how the organization manages environmental, social and governance risks and opportunities. Through the analysis of potential valuation risks along these parameters, private equity is also contributing positively towards environmental and social stewardship in East Africa. In addition to this, the recently launched Green Bond Framework by the Nairobi Securities Exchange, provides companies with opportunities to raise capital from environmentally conscious investors. Typically, Green Bonds are issued to raise capital for financing environmental and social projects for sustainable development (e.g. renewable energy and social infrastructure).

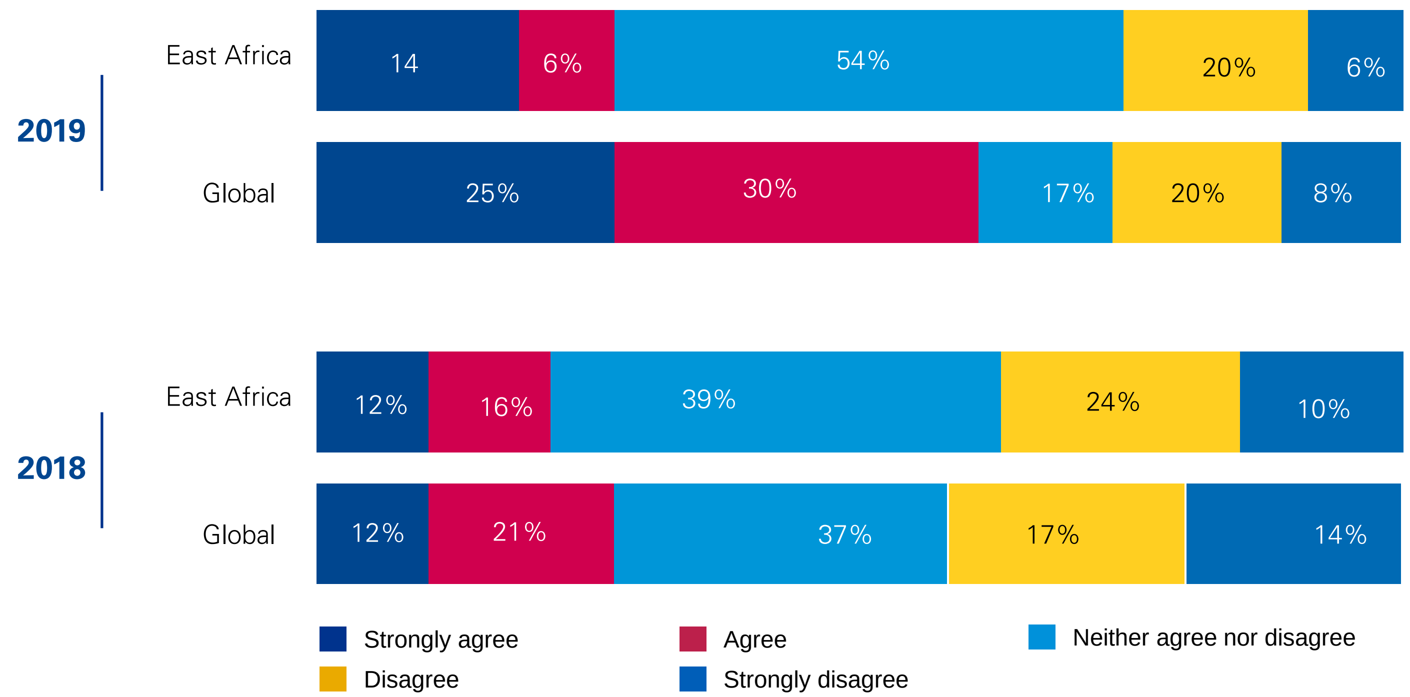
We are also seeing greater emphasis placed by multilateral agencies and development finance institutions on embedding environmental and social performance management in loan agreements and grants issued to companies and the public sector. Recognizing its importance, various investor stakeholder groups are actively championing sustainable business. For example, the Kenya Bankers Association in 2015 launched the Sustainable Finance Principles and Guidelines that provide guidance to the financial sector on sustainable business.

Increasing awareness means there is a greater appreciation of environmental and social risks as being a critical business risks. From our experience working with organizations in implementing enterprise risk management across the region, organizations are starting to integrate environmental and social risk management into the organization's wider risk management process. Environmental and social risk is seen as critical to the reputation of an organization and in some instances, affects the ability to raise capital from debt and equity markets.

Despite these developments, only 20 percent of CEOs in East Africa agree that their organizations must look beyond profit to achieve long term sustainable success. This is an 8 percent drop from 2018. A number of studies have however documented that companies with strong ESG performance tend to have a more stable and loyal investor base, lower cost of capital, and better access to financing. Studies also show benefits in terms of employee engagement and customer purchasing behavior, which are vital to competitive advantage and long-term performance. It is because of this that investors continue to emphasize the link between ESG issues and long-term corporate performance.

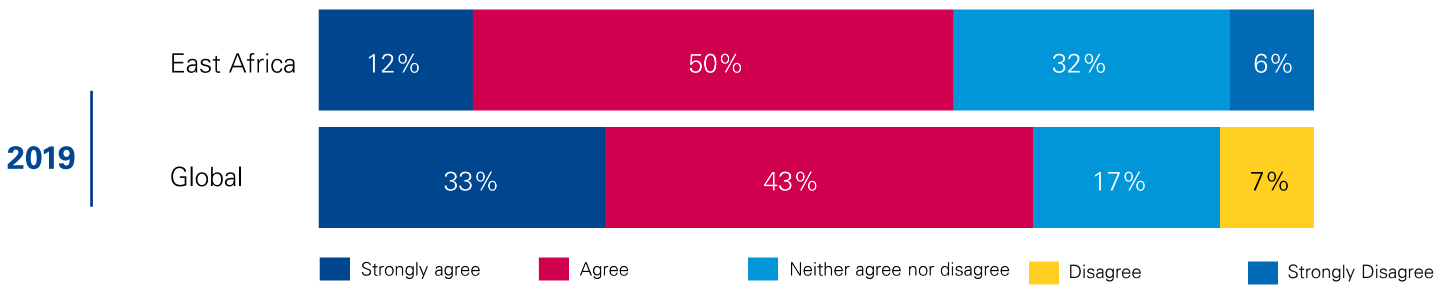
Achieving global parity in East Africa with regards to the perception of sustainability issues will come with its challenges. It is however clear that the emphasis on sustainability and the transition to a low carbon society is a global trend that is growing. CEOs in East Africa therefore have a pivotal role to play, in taking their organizations forward with regards to sustainable business.

Extent to which CEOs believe that they must look beyond purely financial growth if they are to achieve long-term sustainable success.



Source: KPMG 2019 Global CEO Outlook Survey

Extent to which CEOs agree that their organization's growth will be determined by their ability to anticipate and navigate the global shift to a low-carbon, clean technology economy.



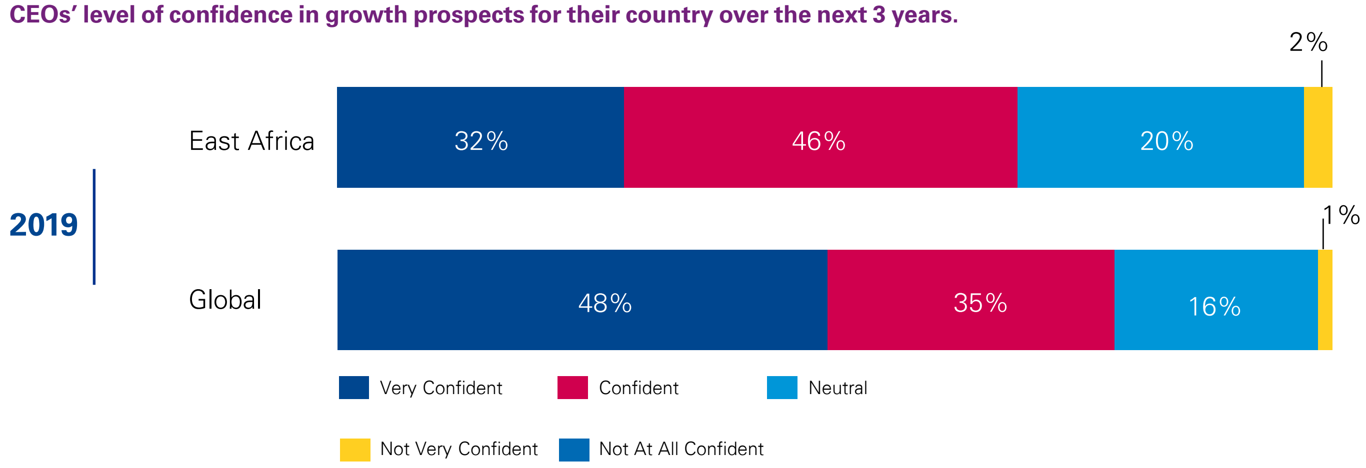
Source: KPMG 2019 Global CEO Outlook Survey

> Climate change presents a serious challenge both globally and locally. There is increasing desertification, the rains have failed locally and this has significant macro-economic impact. Corporate leaders and CEOs must take interest and work towards finding solutions if they are to sustain their businesses and organizations in the long-term.
>
> **Bob Collymore**
> CEO
> Safaricom

Conflicting Global Outlook

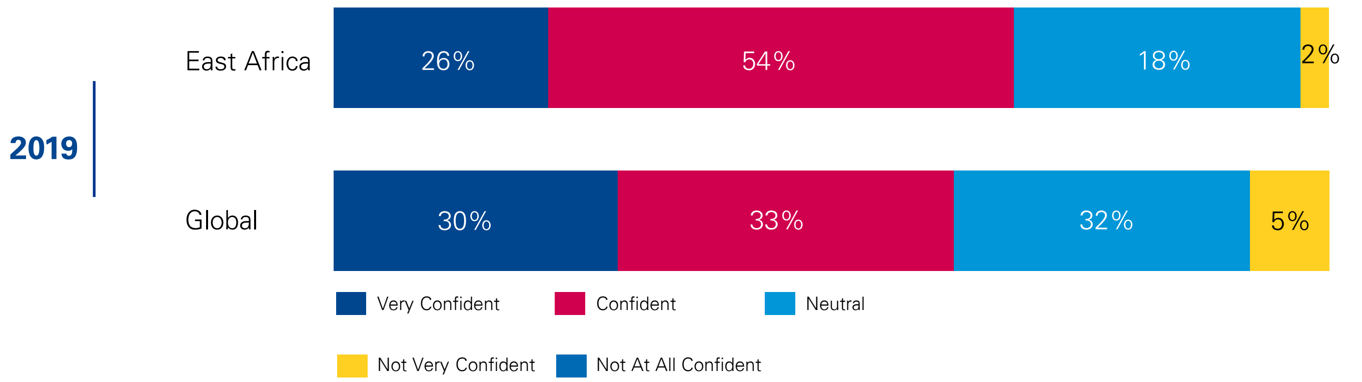
Globally, the majority of CEOs are confident in the growth prospects of their country of operation (83 percent). The same is true in East Africa, where 78 percent of CEOs share the same confidence. When considering the growth prospects of the global economy however, East African CEOs are considerably more confident than their global counterparts, at 80 percent compared with 63 percent respectively.

CEOs' level of confidence in growth prospects for their country over the next 3 years.



Source: 2019 KPMG Global CEO Outlook Survey

CEOs' level of confidence in growth prospects for the global economy over the next 3 years.



Source: 2019 KPMG Global CEO Outlook Survey

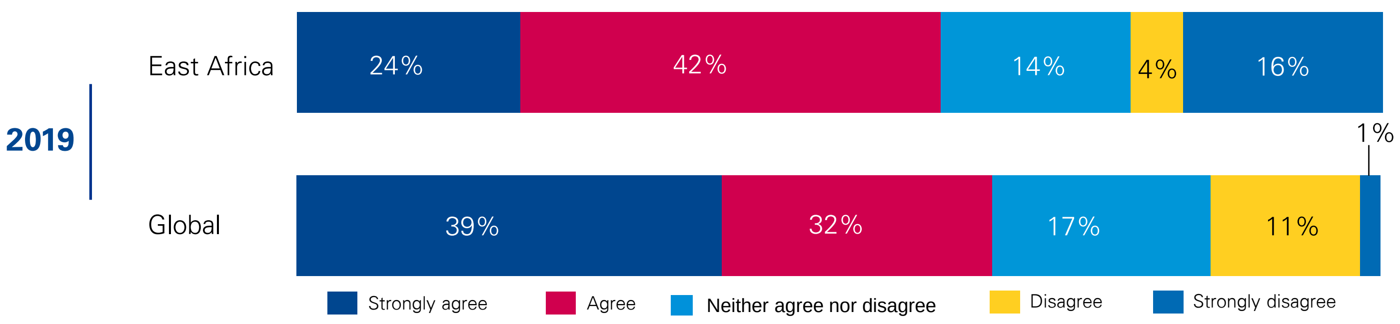
A look at the country-level findings reveals that Rwandan CEOs display the biggest confidence in the growth prospects of the country, with a universal confidence at 100 percent, half of whom are very confident. Uganda and Kenya have similar levels of confidence at 80 percent and 83 percent respectively, while Tanzanian and Ethiopian CEOs are somewhat less confident in their countries' economies. 70 percent of Tanzanian CEOs and 63 percent of Ethiopian CEOs report having confidence in their country's growth prospects.

When comparing confidence in their own country's growth and in that of the global economy, we see that CEOs from Rwanda and Kenya display less confidence in prospects for the global economy at 75 percent and 61 percent respectively. Conversely, the CEOs from Ethiopia and Tanzania have a shared, universal faith in the global growth prospects (100 percent), than they do in their own countries'. Ugandan CEOs report equal levels of confidence both locally and globally (80 percent).

When CEOs consider their companies' growth, the perspectives are as equally divergent. In Rwanda, confidence in country growth exceeds that of company growth (100 percent vs 75 percent). In Uganda, CEOs are certain of their companies' growth at 100 percent, as compared with 80 percent confidence in their country's growth. Tanzanian CEOs have less confidence in their country's growth (70 percent) than in their company's growth (80 percent), whereas Kenyan CEOs are more confident in the country's growth prospects (83 percent) than in their company's (72 percent).

CEOs in Ethiopia report the lowest levels of confidence in their companies' growth prospects at 38 percent. This is in stark contrast with their confidence in global growth prospects (100 percent), and the country's growth at 63 percent.

To what extent do you agree or disagree that your organization's growth relies on its ability to challenge and disrupt any business norm.



Source: KPMG 2019 Global CEO Outlook Survey

New Competitive Age

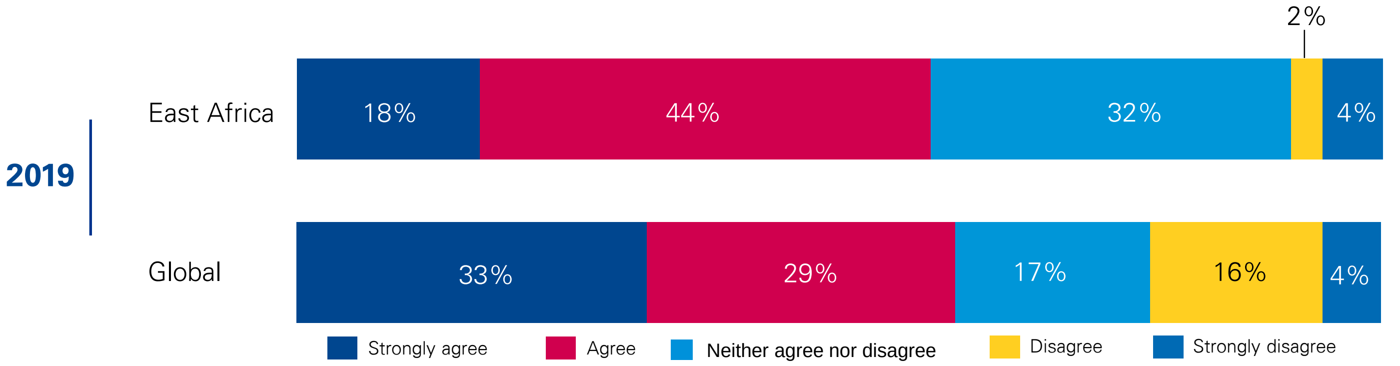
Long-established business models can no longer be relied upon to deliver growth in the era of disruption, even if they have brought great success in the past. The competition has changed. Smaller entities offering cutting-edge, customer-centric, digital offerings are giving traditionally dominant larger organizations a run for their money.

Disruption is indeed key to survival in East Africa, with 86 percent of CEOs affirming that their company's growth relies on their ability to challenge and disrupt any business norm. This is a view held globally, where 71 percent of CEOs acknowledge the same.

As they did in 2018, East African CEOs state that rather than waiting to be disrupted, their organization is actively disrupting its sector. 76 percent of CEOs in the region agree with this statement this year, up from 72 percent in 2018. Globally, 62 percent of CEOs agree in 2019.

The increasing focus on disruption as a priority in East Africa, is further demonstrated by the significant growth in numbers of CEOs in the region who agree that improving their innovation processes and execution over the next three years, would be key to their organization's growth. While only 20 percent agreed with this statement in 2018, 71 percent are in agreement today.

Extent to which CEOs agree that they need to improve their innovation processes and execution.



Source: KPMG 2019 Global CEO Outlook Survey

"Most CEOs think of innovation in the domain of technology, but people are more important. I really do hope that the greatest innovation will come from the professional services sector – they deal with people."

Dr. Patrick Njoroge
Governor
Central Bank of Kenya

Bob Collymore

CEO
Safaricom

Safaricom is undoubtedly one of the most profitable companies in East and Central Africa. KPMG's Gerald Kasimu spoke with Bob Collymore to find out what are the concerns and opportunities for his company and industry including how the CEO role is evolving.

Excerpts from interview below.

Insight Theme 1: Dynamic Risk Landscape

Finding: Operational, cyber security and regulatory risks dominate the top 3 risk agenda for East African CEOs

Question 1: Thinking about the risks facing your business today, do these resonate with you?

Question 2: What is driving your perception of these risks?

Cyber security is my number one challenge. The threats come from many sources such as terrorist threats, criminal activity, hacktivists, insiders, nation states, amongst others. We are investing a lot of resources to detect, prevent and secure our environment.

Operational risk would be our second challenge.

Regulatory risk poses uncertainty; and I would include Tax regime under this category.

Other key risks that must be on the front page include:

Corruption: this is a key risk in the East Africa environment and must be on the front page. We see corruption at various levels, including at national government, county government and private sector. Some work is being done and some progress is being made in the fight against corruption, but more needs to be done. At a macro level there is disconnect between demographic growth and opportunities available. Africa's population is growing at 30 million people per year. The local economy is creating 70 thousand jobs when 3 million jobs are required. This is a societal challenge and has serious implications on social norms.

Lastly climate change presents a serious challenge both globally and locally. There is increasing desertification, the rains have failed locally and this has significant macro-economic impact. Corporate leaders and CEOs must take interest and work towards finding solutions if they are to sustain their businesses and organizations in the long-term.

Insight Theme 2: New Competitive Age

Finding: The proportion of East African CEOs who stated that "improving their innovation processes and execution over the next 3 years would be key to their organization's growth", has tripled since 2018

Question 1: Has innovation become increasingly critical to your business as an imperative? Why?

Is there any organization that says innovation is not key to organization's growth? "Innovation is like brushing your teeth – it is not an option, it is a must". I therefore would not single it out.

In our market you see innovation happen in pockets. You see it in the Fintech space. In my organization I do not think we are great at it, in fact we are laggards. Note this is in comparison to global leaders – at Safaricom we look to the likes of Facebook, Google, Ali Baba and innovative companies in Silicon Valley.

The challenge we face in Africa is one of scale. We need ambition to go out and conquer the world.

Insight Theme 3: Innovation Disconnect

Finding: The majority of East African CEOs say they want a culture where failure in pursuit of innovation is tolerated, yet less than a third say it's in place.

Question 1: How important is it that employees feel they can innovate without worrying about the implications if an innovation fails?

We have a cultural problem locally – "face saving". Our culture in Africa does not allow us to say we have failed. It is a question of language and I would like to see it more as "Learn Fast" rather than "Fail Fast". I celebrate those who are fast to say we failed, and quick to learn.

Insight Theme 4: Agility or Bankruptcy

Finding: Globally, two thirds of the CEOs interviewed say that acting with agility is the new currency of business and that if they are too slow they will be bankrupt. This perception isn't shared as widely in East Africa, with less than half of the East African CEOs in agreement with the statement.

Question 1: What would you prioritize over agility for business growth and sustainability?

If you snooze you lose for sure. We have adopted an agile way of working at our organization. We have some 20 squads working today. We are learning. We have not reached our destination – we do not have an agile team, we have an agile approach. I am pleased we got on the path, and our language is changing.

Insight Theme 5: C-Suite Reboot

Finding: The vast majority of CEOs in East Africa are transforming their leadership teams to build resilience

Question 1: What is your approach to building a leadership team that is equipped to lead your organization through the complexities of doing business today?

We have done reasonably well in this area. When the CEO is away for nine months, with no interim CEO and the team has delivered the results we have posted in the past year... we have a resilient team. It is the team that has taken us through the past two elections in 2017 quick succession.

The most important job for a CEO is recruiting the right people. Secondly learn to deal with people issues quicker. When you make a mistake, do not live with it – deal with it. As CEO you have got to have a strong team, fit for purpose and right people in the bus.

In my organization, all our top leadership team is properly accredited as leadership coach. This is crucial to nurture and develop leadership potential and talent.

Insight Theme 6: Cyber Resilience

Finding: The proportion of East African CEOs who believe that a strong cyber strategy is critical to building trust with key stakeholders (and therefore a source of competitive advantage), has increased significantly since 2018

Question 1: How much emphasis are you putting on cyber resilience as part of your growth strategy?

We are putting a lot of emphasis on cyber resilience. As East Africa's largest communications network, with up to $800 million of people's money on any one day, cyber resilience is a top priority. There are two types of CIOs – those that know they have been hacked, and those who do not know they have been hacked. We face hundreds of hacking attempts every hour from all manner of sources – we have to have strong detection and prevention measures.

Insight Theme 7: Workforce 4.0

Finding: To build resilience, organizations are investing in new technologies and also developing their people's digital capabilities.

Question 1: How challenging is it to find the right balance between investments in people and investments in technology?

Question 2: Which of the two areas receives the most capital investment in your organization? Why?

Our company needs to become more digital. We are in kindergarten when you consider what a truly digital company should do.

We have embarked on a digital academy, in partnership with Strathmore, and have put 60 people through the programme. We are exploring how we develop digital skills in partnership with others. This requires a big mindset shift.

Due to the nature of our business, investment in technology is a lot higher than our investment in developing people's digital capabilities. We started our investment in digital skills in the IT and Networks functions, and we hope to realize this across the entire business. We are at the start of the journey.

Insight Theme 8: Technology 4.0

Finding: Less than 10 percent of East African CEOs report that they have already integrated AI into the automation of some of their processes

Question 1: What role do you see AI playing in your business or sector?

Question 2: How soon do you expect to leverage it if you haven't done so already?

Someone said AI is the new fad just as gluten free food. We need smart technology.

I as CEO, have a good vision of what AI can do. We started by establishing a Data & Analytics team, and have a good number of data scientists in the company. I realize some of our products e.g. Tunukiwa still have a lot of human interaction, which can be eliminated.

We have a large data lake, and only starting to get a handle of what we can do with it. We see this as the future.

Insight Theme 9: A New Playbook

Finding: CEOs are moving on more quickly than was the case in the past, with an average tenure of 5 years.

Question 1: Do shorter tenures make it more difficult for CEOs to make a long-term impact?

Question 2: What one or two qualities or talents do you believe are critical for CEOs to succeed over the longer term in their role as Chief Executive?

Question 3: What one or two qualities of your own have been critical to your success as leader and CEO?

Yes, shorter tenures make it more difficult for CEOs to make a long term impact. I see it as 3:5:7 – meaning three years minimum, five years optimal and seven year long.

Two qualities or talents that I see as critical for CEOs to succeed are:
i) ability to articulate a vision and;
ii) ability to inspire people.

The two qualities of my own that have been critical for my success are:
i) inclusivity and;
ii) I am told "ability to inspire".

Insight Theme 10: Evolving Mindsets

Question 1: In order to disrupt rather than be disrupted, CEOs must be prepared to take their businesses in entirely new directions.

Question 2: Given the need to drive innovation and avoid group-think, are you turning to different, non-traditional sources to seek new perspectives into critical business issues, beyond sources such as boards or management consultants?

We are not doing enough. For instance we have not made as much progress as we would have liked with the "Masoko product". We used the same people internally – we should have recruited externally.

We are reaching out more to non-telecoms people. We are spending time with disruptive entities such as Netflix and Ali Baba. That is where I am spending my time.

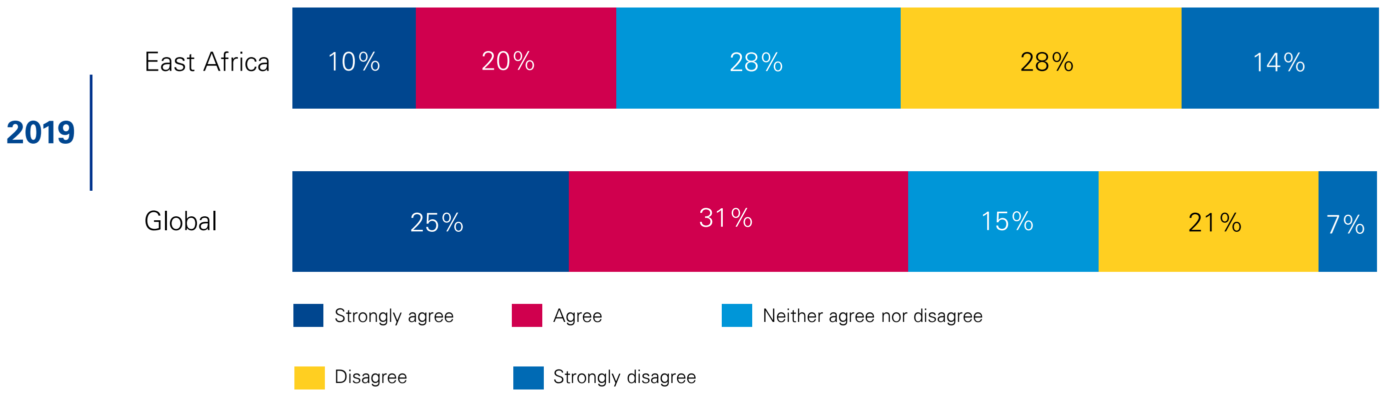
Leading in uncertain times

Resilient organizations today need to be at the forefront of disruption, a feat that demands both adaptability, agility and the confidence to venture into the unknown. To achieve this, significant organizational shifts must occur, not only in the way businesses operate, but in the nature of those who lead them and in the underlying culture they ascribe to.

The Innovation Disconnect

Today, the celebration of failure as part and parcel of the innovation process, is an organizational culture that is gaining traction across sectors and industries, and already embedded in some more so than others. In East Africa, 58 percent of CEOs say they want a culture where failure in pursuit of innovation is tolerated. This is in comparison to 84 percent of CEOs globally who cite the same. Be that as it may, significantly fewer CEOs state that this culture is currently in place at 30 percent of East African CEOs, and 56 percent of CEOs globally.

Extent to which CEOs agree that their organization has a culture in which "fast-failing" unsuccessful innovation initiatives are celebrated.



Source: 2019 KPMG Global CEO Outlook Survey

> "The race to form strategic alliances globally and locally is already on. The focus is on a clear, mutually understood strategic and commercial ambition, a specific alliance business model, and a flexible operating model."
>
> **Sheel Gill**
> Partner & Head of Strategy and Deal Advisory
> KPMG East Africa

Agility or Irrelevance?

The rules of competition have traditionally favored larger businesses and put the smaller enterprise at a competitive disadvantage. But today, those who have enjoyed historical dominance as a result of their size and scale, are finding that nimble enterprises who have the ability to quickly adapt and respond to consumer needs, now wield the competitive edge in an increasingly fast-paced world, with agility being the name of the game.

The need to focus on and cultivate agility is widely appreciated globally with 67 percent of CEOs agreeing that acting with agility is the new currency of business, and if they are too slow, they will become irrelevant. The belief in agility as key to maintaining business relevance is not as keenly perceived in East Africa. Here, only 46 percent agree, with almost a third undecided and neither agreeing nor disagreeing (32 percent), while 22 percent disagree outright. The 2019 findings on perceptions around agility do not differ from the previous year. The difference in views between the global and East African CEOs have also remained just as stark. In 2018, 37 percent of East African CEOs disagreed that agility is the new currency of business, 10 percent of them strongly, while only 38 percent agreed. Globally in 2018, 59 percent agreed, 28 percent of them strongly.

Business models will undoubtedly have to shift to support the agile business. The majority of East African CEOs increasingly believe that the only way for their organization to achieve the agility it needs, is to increase the use of third-party partnerships. The proportion of CEOs in agreement has grown significantly, from 35 percent in 2018, to 62 percent 2019.

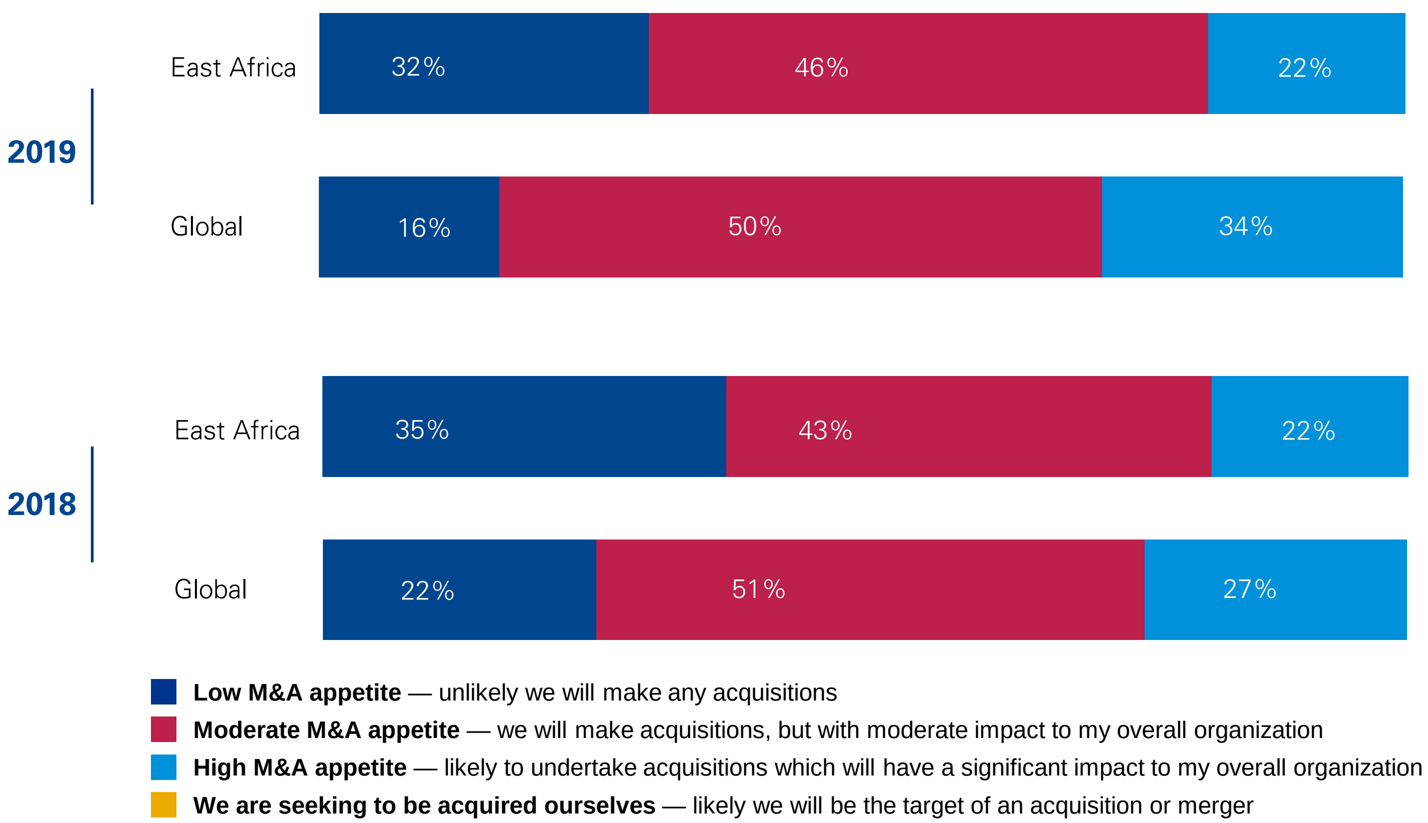
Mergers and Acquisitions too provide an opportunity for organizations to respond to disruption and build capabilities typically not part of their core, an example of which is digital capacity. Globally, 84 percent of CEOs have a moderate-to-high M&A appetite for the next 3 years. This includes over one-third (34 percent) with a high appetite, up from 27 percent in 2018. The primary driver cited for an enthusiasm for M&A, is to transform business models faster than organic growth will deliver.

In East Africa, 68 percent of CEOs have a moderate to high M&A appetite over the next 3 years up from 65 percent in 2018. The primary rationale cited for the M&A appetite for CEOs in the region is to take advantage of favorable valuations (74 percent), the next is to eliminate a direct competitor (50 percent) and the third, to transform the organization's business model faster than organic growth will deliver (41 percent).

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 (32 percent) and organic growth (30 percent).

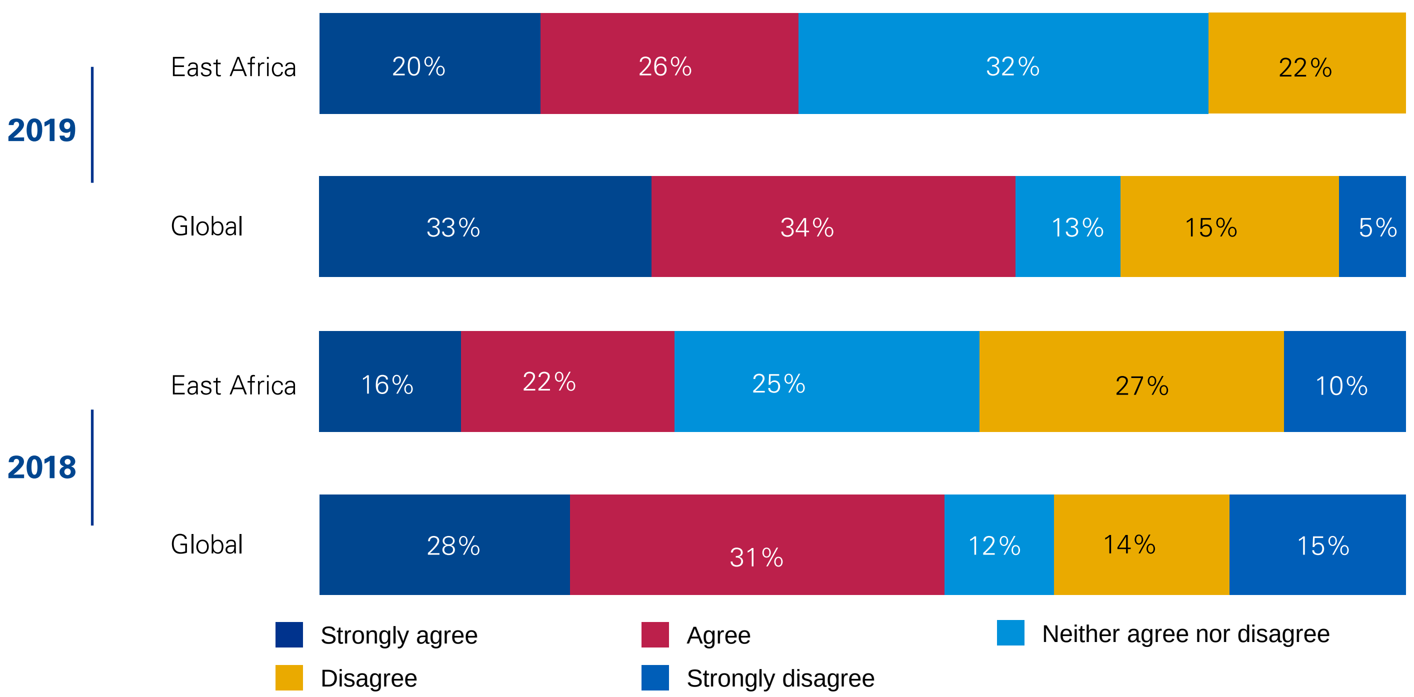
> "Business models will undoubtedly have to shift to support the agile business."
>
> **Sheel Gill**
> Partner & Head of Strategy and Deal Advisory
> KPMG East Africa

Extent to which CEOs describe their organization's M&A appetite over the next 3 years.



Source: KPMG 2019 Global CEO Outlook Survey

Extent to which CEOs say acting with agility is the new currency of business and that if they are too slow, they will be bankrupt.



Source: 2019 KPMG Global CEO Outlook Survey

Rationalizing M&A in a Disruptive Environment

In 2019, there was a moderate increase in appetite for M&A, albeit in different forms. Almost a third of East African CEOs (32 percent) believe that strategic alliances will be the most important factor in achieving their growth objectives over the next 3 years, compared to a quarter (25 percent) the previous year. This increase stems from CEOs in the region considering M&A driven by valuation. In our view, this is the single most irrational reason for M&A. M&A has to be value accretive for all parties, otherwise it fails in the long term. The primary driver for M&A in East Africa should be to on-board innovation with the ultimate aim of attaining excellent customer service and a leading market position.

Global M&A trends

Remaining relevant and delivering value to shareholders in a disruptive environment continues to be critical for the future competitiveness of many organizations. According to various 2018 publications, the value of global M&A transactions grew by 11.6 percent (year on year) to US$ 3.53 trillion in 2018, with the largest growth in Europe (17.1 percent), North America (15.7 percent) and MEA (4.7 percent).

However, a key driver of M&A transactions has been the need to build platforms to compete against disruption, and meet businesses' strategic objectives of growth. As an example, global banks have been on an acquisition spree for fintechs and start-ups. JPMorgan Chase agreed to buy payments start-up WePay, an online payments provider for technology platforms; BNP Paribas bought French digital bank Compte-Nickel; while ING acquired a 75 percent stake in Payvision, an independent international card acquirer and payments platform.

Consumer and retail markets saw several high-profile defensive consolidation transactions in response to the competitive on-line market and the continuing trend toward omni-channel transformation. For example, Amazon Go has disrupted the concept of self-service convenience stores to remain resilient against increased competition, Walmart (who see Amazon as their key competitor), has purchased jet.com to advance its e-commerce offering and has partnered with several firms including Alphabet's Waymo for rides to and from stores, and Uber and Lyft for grocery deliveries.

Looking ahead, economic uncertainty, trade tensions, regulatory pressures and geopolitical tensions are expected to impact investor confidence and M&A activity across the globe. However, innovative companies will continue to outperform established players and investors are preferring such innovative companies when scouting for assets.

Rise in cross sector M&A across East Africa

We anticipate a continued upward trend in cross-sector M&A transactions given the challenging operating environment. These investment strategies will help CEOs and their organizations to lower costs, embrace disruption and pursue growth.

Portfolio optimization (i.e. creating the right product mix) remains a key theme as investors continue to focus on growth and capital redeployment. Digital transformation will also be front and center, as investors pursue alliances and partnerships in addition to M&A deals, to get closer to the competitors and customers.

Strategic Partnerships (a real alternative to M&A)

M&A has long been considered one of the most important pursuits CEOs will ever be involved in, and more importantly the success of the transaction. But the pace and diversity of disruption is turning the spotlight onto alliances as a critical strategic tool to rapidly address four objectives: (1) scale (2) co-access (new markets, channels or distribution platforms) or (3) co-specialization (pooling complementary skills to create an entirely new product/service) and/or (4) competitive threats.

The M&A appetite amongst East African CEOs has reduced in favor of strategic alliances, this in our view is the right way to move forward given the significant investment requirements for innovative solutions. It is important for CEOs to recognize the advantages and challenges that strategic partnerships present before entering into these alliances. In the table below, we highlight some of the advantages and challenges of partnerships.

Advantages	Challenges
A lower risk option to achieve scale or access complementary capabilities. Investment must be proven.	Uncertain power balance which hinders speed and clear direction.
Flexibility and speed to respond to disruption.	Lower upfront financial investment leading to a lesser priority on the C-Level agenda.
Access to strategically important partners which cannot be acquired.	Mismatched strategic ambitions and time horizons.
Ability to create an ecosystem of strategic relationships.	Lesser commitment through a present exit option.

Source: KPMG International

C-Suite Reboot

Changes in leadership structure and make up have become inevitable, reflecting the demands of the market and the nature of doing business in today's competitive environment. There is more breadth in today's C-Suite with the CFO and COO now being joined by Chief Innovation Officers and Chief Digital Officers amongst others. 70 percent of East African CEOs are actively transforming their leadership teams to build resilience. This figure stands at 84 percent globally.

Transforming leadership teams to build resilience: Safaricom case study.

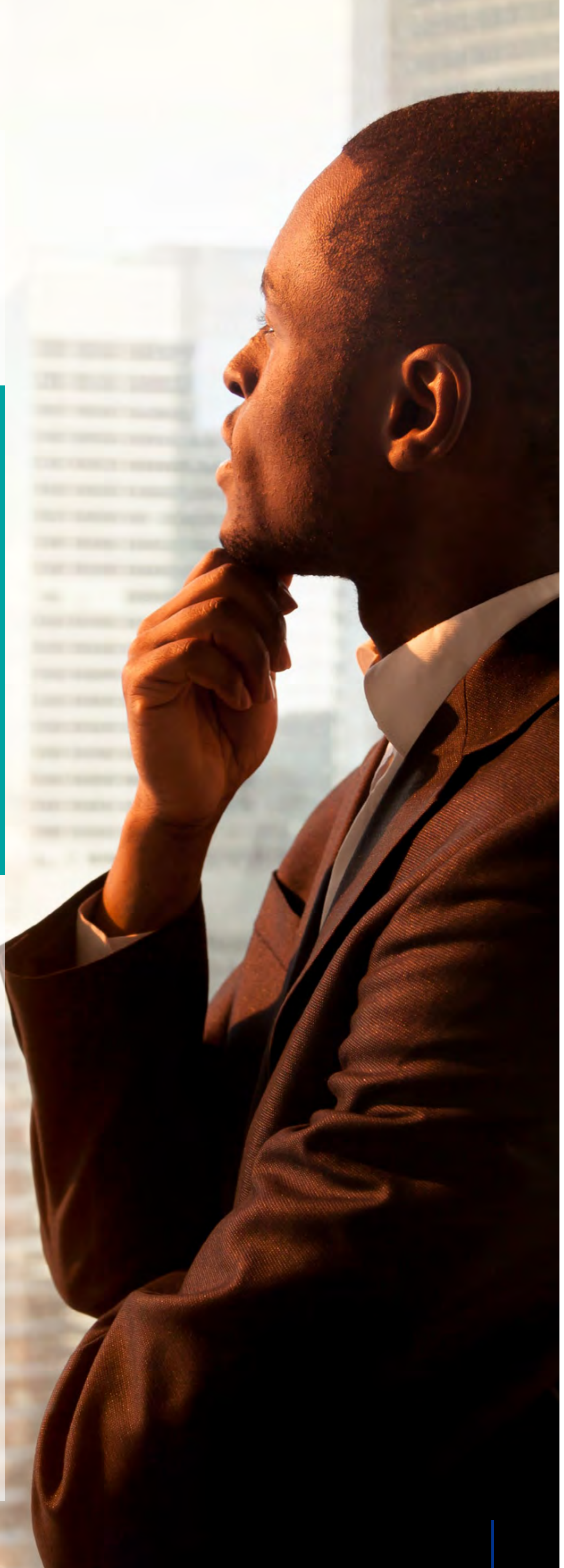
Bob Collymore, Safaricom's CEO, strongly believes that his organization has done reasonably well in this area citing his own experience when he took extended leave from the beginning of the last quarter of 2017 to more than half of 2018 to attend to a personal matter. Notably, 2017 is also the year Kenya had two elections and the prolonged election period had implications on most businesses. Attributing his organization's good financial performance to a resilient team, he notes,

"When the CEO is away for nine months, with no interim CEO and the team has delivered the results we have posted in the past year, it is an indication that we have a resilient team. It is the team that has taken us through the past two elections in quick succession in one year".

He adds that Safaricom's top leadership team is properly accredited as leadership coach emphasizing this as crucial in nurturing and developing leadership potential and talent.

The CEO role itself now demands leadership and involvement in areas that typically weren't the focus of CEOs in the past. In East Africa, 66 percent of CEOs state that they are responsible for connecting the front, middle and back offices in a way that their predecessors were not. 79 percent of CEOs agree globally. According to 78 percent of East African CEOs and 77 percent of CEOs globally, the significance of this seamless connection, lies in its role in creating a stronger customer and brand experience.

Clarity and focus in defining organizational priorities in what is an increasingly dynamic environment, is what CEOs will be looked to in order to not only build and motivate their evolving leadership teams, but to establish resilient organizations overall.



"Today's leaders are called upon to make critical business decisions based on insufficient information about a future that could be vastly different from what we envisage today."

Benson Ndung'u
Partner & Head of Tax
CEO-elect, KPMG East Africa

Building Resilience in a Time of Rapid Change

The banking industry in Kenya has recently undergone a number of changes, the latest being the wave of consolidation which is likely to upend the industry in Kenya and the wider East Africa region. Traditional banking is changing as it comes under pressure from fintechs, global players such as Apple, Google and Amazon, new digital technologies, and changing regulatory and accounting requirements such as interest rate capping and changes driven by International Financial Reporting Standards.

The changes in the banking industry are not isolated. Many industries including retail, manufacturing, logistics, financial services, social services and even professional services are facing disruptions brought about by the digitization of products and business processes, at a rate and scale that is unprecedented. Today's leaders are called upon to make critical business decisions based on insufficient information about a future that could be vastly different from what we envisage today. It is therefore of little surprise that the challenges CEOs in the region face are similar to those faced by their counterparts globally.

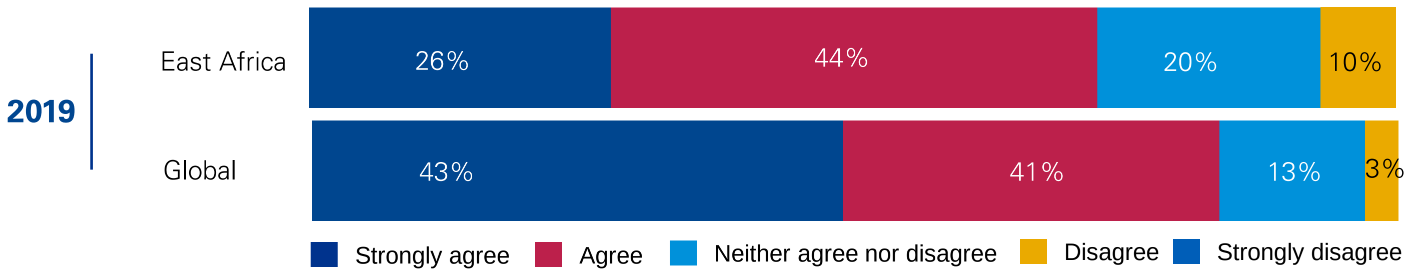
With the reported reduction in the average length of CEO tenure to five years, today's leaders are under increased pressure to act with agility in not only transforming their businesses, but in nurturing future leaders and leaving a legacy. A reduced timeline for impact also highlights the need to deploy additional skills best matched to delivering results in high pressure, rapidly-changing business environments. The skills of yesterday are seldom enough for today's realities.

Understanding business dynamics and quickly adapting to change are important for business growth. 70 percent of East African CEOs are actively working to transform their leadership teams, a demonstration of the clear understanding that unlocking and harnessing the leadership potential of their teams, is one of the most critical roles of a successful business leader. Understanding the customer is of equal importance, and can be neither assumed nor taken for granted, most especially in Africa; home to the youngest population in the world. Businesses must adapt to meet the needs of a growing millennial and centennial population, if they are to grow their customer base.

Today's customer wants the businesses that they transact with to reflect their own values. East African CEOs are cognizant of this, with 74 percent now considering it their personal responsibility to align their environmental, governance and social policies, with the values of their customers. Alongside this, businesses must secure and retain customer trust in a world where business and social transactions are increasingly being carried out online. Data is king, and a breach of data privacy will not only irreparably damage customer confidence, it will also attract a large legal penalty. As a result, 56 percent of CEOs in East Africa believe protecting customer data is one if their most important responsibilities.

East Africa and the wider African continent remains one of the most exciting regions for business. As global organizations continue to explore the region as the premier frontier for expansion, local CEOs must seize the opportunity, and provide leadership that will build resilient businesses that transcend generations, in their pursuit of growth and sustainability.

Extent to which CEOs are actively transforming their leadership team to strengthen their resilience.



Source: 2019 KPMG Global CEO Outlook Survey

Dr. Patrick Njoroge

Governor
Central Bank of Kenya

At the helm of the Central Bank of Kenya (CBK) is Dr Patrick Njoroge. As the Governor of the institution that regulates banks in Kenya, Patrick is cognisant of the implications that the banking sector has on all other sectors in the country and the need for sound governance across all sectors. KPMG's Gerald Kasimu and Brian De Souza spoke with Patrick Njoroge on how CBK is responding to the increasingly dynamic business environment.

Excerpts from interview below.

Insight Theme 1: Dynamic Risk Landscape

Finding: Operational, cyber security and regulatory risks dominate the top 3 risk agenda for East African CEOs

Question 1: Thinking about the risks facing your business today, do these resonate with you?

Question 2: What is driving your perception of these risks?

These are standard risks any CEO should be dealing with. I do not see these as the big issues facing our business environment today.

In my view, there are three big issues or problems:

Governance: this is an issue that affects all sectors, and Financial Services is no different. The Board and Management lose control of the firm and take decisions and actions that are not aligned to the best interests of the firm.

Lack of clarity of vision: what makes a CEO a CEO? In my view "the CEO is the carrier of fire" - he or she carries the vision of the organization forward, and communicates it to the team. He need not necessarily be the creator of the vision.

Disconnect with the realities in the environment – "missing out on context": context that a CEO has social responsibility. For example, during the violence in a number of flash spots in Nairobi during the 2017 election in Kenya, the banks kept their branches in these flash spots open. If this had not happened, it would have send the wrong signal that the country was not open for business due to election violence.

Insight Theme 2: New Competitive Age

Finding: The proportion of East African CEOs who stated that "improving their innovation processes and execution over the next 3 years would be key to their organization's growth", has tripled since 2018

Question 1: Has innovation become increasingly critical to your business as an imperative? Why?

Kenya is one of the most open economies in the world, with competition coming from everywhere in the world.

While innovation is an imperative, CEOs forget that they need to validate their products / solutions in the market.

Most CEOs think of innovation in the domain of technology, but people are more important. I really do hope that the greatest innovation will come from the professional services sector – they deal with people.

Yes technology drives innovation, but technology needs to be considered based on the problems to be solved.

Insight Theme 3: Innovation Disconnect

Finding: The majority of East African CEOs say they want a culture where failure in pursuit of innovation is tolerated, yet less than a third say it's in place.

Question 1: How important is it that employees feel they can innovate without worrying about the implications if an innovation fails?

It is very important that employees feel they can innovate without worrying about the implications on them if the innovation fails. The question to consider is "do we learn from failure?

A culture that encourages employees to innovate in teams is encouraged. Individual employees should not be innovating by themselves in isolation – failure is therefore not personalized but credit is attributable to the team both in failure and in success.

Insight Theme 4: Agility or Bankruptcy

Finding: Globally, two thirds of the CEOs interviewed say that acting with agility is the new currency of business and that if they are too slow they will be bankrupt. This perception isn't shared as widely in East Africa, with less than half of the East African CEOs in agreement with the statement.

Question 1: What would you prioritize over agility for business growth and sustainability?

Most of our current crop of CEOs in the market have not been tested as CEOs in tough times. In my view there is too much slack (or fat) and our CEOs are still complaining. I would characterize the environment in which our CEOs operate as "an ocean that is as flat as a pan cake". Many do not know how to act with agility. "They are shepherds who will run away when the wolves come". This is why we need a new crop of CEOs.

Insight Theme 5: C-Suite Reboot

Finding: The vast majority of CEOs in East Africa are transforming their leadership teams to build resilience

Question 1: What is your approach to building a leadership team that is equipped to lead your organization through the complexities of doing business today?

Functional leaders must be very good leaders. To build resilience the bar must be much higher – most CEOs are not holding themselves to the same bar.

Insight Theme 6: Cyber Resilience

Finding: The proportion of East African CEOs who believe that a strong cyber strategy is critical to building trust with key stakeholders (and therefore a source of competitive advantage), has increased significantly since 2018

Question 1: How much emphasis are you putting on cyber resilience as part of your growth strategy?

The world is now very dangerous and vulnerable to cyber-attacks. Cyber has moved up the list of priorities – if you do not have robust cyber resilience, you die. I compare this to the analogy of being inoculated against measles, if you are not inoculated and get infected you die; what is different though with cyber resilience is that security is as strong as the weakest link. We must recognize that we cannot do it alone, and seek appropriate alliances and partnerships.

Insight Theme 7: Workforce 4.0

Finding: To build resilience, organizations are investing in new technologies and also developing their people's digital capabilities.

Question 1: How challenging is it to find the right balance between investments in people and investments in technology?

Question 2: Which of the two areas receives the most capital investment in your organization? Why?

To build resilience both technology and people are important based on the vision of the organization. However most investment in dollar terms is going into technology. Focus should be on vision.

Insight Theme 8: Technology 4.0

Finding: Less than 10 percent of East African CEOs report that they have already integrated AI into the automation of some of their processes

Question 1: What role do you see AI playing in your business or sector?
Question 2: How soon do you expect to leverage it if you haven't done so already?

To me 10 percent in East Africa appears to be an over exaggeration.

Insight Theme 9: A New Playbook

Finding: CEOs are moving on more quickly than was the case in the past, with an average tenure of 5 years.

Question 1: Do shorter tenures make it more difficult for CEOs to make a long-term impact?

Question 2: What one or two qualities or talents do you believe are critical for CEOs to succeed over the longer term in their role as Chief Executive?

Question 3: What one or two qualities of your own have been critical to your success as leader and CEO?

If a CEO is focused on short term results, he should not be CEO.

Insight Theme 10: Evolving Mindsets

Question 1: In order to disrupt rather than be disrupted, CEOs must be prepared to take their businesses in entirely new directions.

Question 2: Given the need to drive innovation and avoid group-think, are you turning to different, non-traditional sources to seek new perspectives into critical business issues, beyond sources such as boards or management consultants?

To disrupt and take the business in entirely new directions depends on the vision of the CEO. Innovation is about providing relevant solutions. Key issue is what are you doing for the customer?

Changing from within

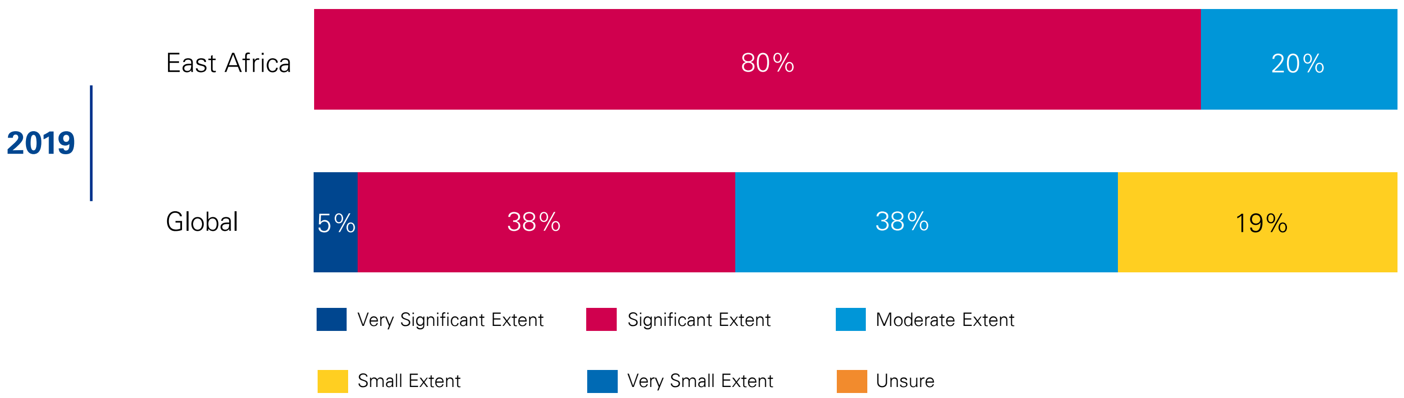
The world is facing change at an unprecedented rate: the big data revolution, climate change, population growth and shifts, the rise of territorialism, digitization of products, artificial intelligence, the declining importance of commodities such as petroleum, and changing geopolitical dynamics, are upending the current and future business environment.

When considering the fundamentals of building a truly resilient business in an uncertain business climate, globally, CEOs prioritize protecting the core business (36 percent). For East African CEOs however, the view is that not one strategy alone will build resilience, but a combination of a number of approaches. These include protecting the core business, adapting quickly to the changing environment and disrupting the market (32 percent).

Cyber Resilience

Digital disruption and the growth potential it yields for the disruptors, is undeniable. But as was also recognized in the 2018 KPMG East Africa CEO Outlook Report, it can be a double-edged sword. In order to successfully reap the gains of digital innovation, businesses must build and maintain cyber resilience alongside it. Of the East African CEOs who mentioned emerging/disruptive technology as the greatest threat to their organization's growth, 4 out of 5 cited cyber security risk as the primary source of this threat, compared to the CEOs globally, where 2 out of 5 CEOs agreed.

Extent to which cyber risk is the primary factor amongst CEOs citing emerging/disruptive technology risk as the greatest threat to their organization.



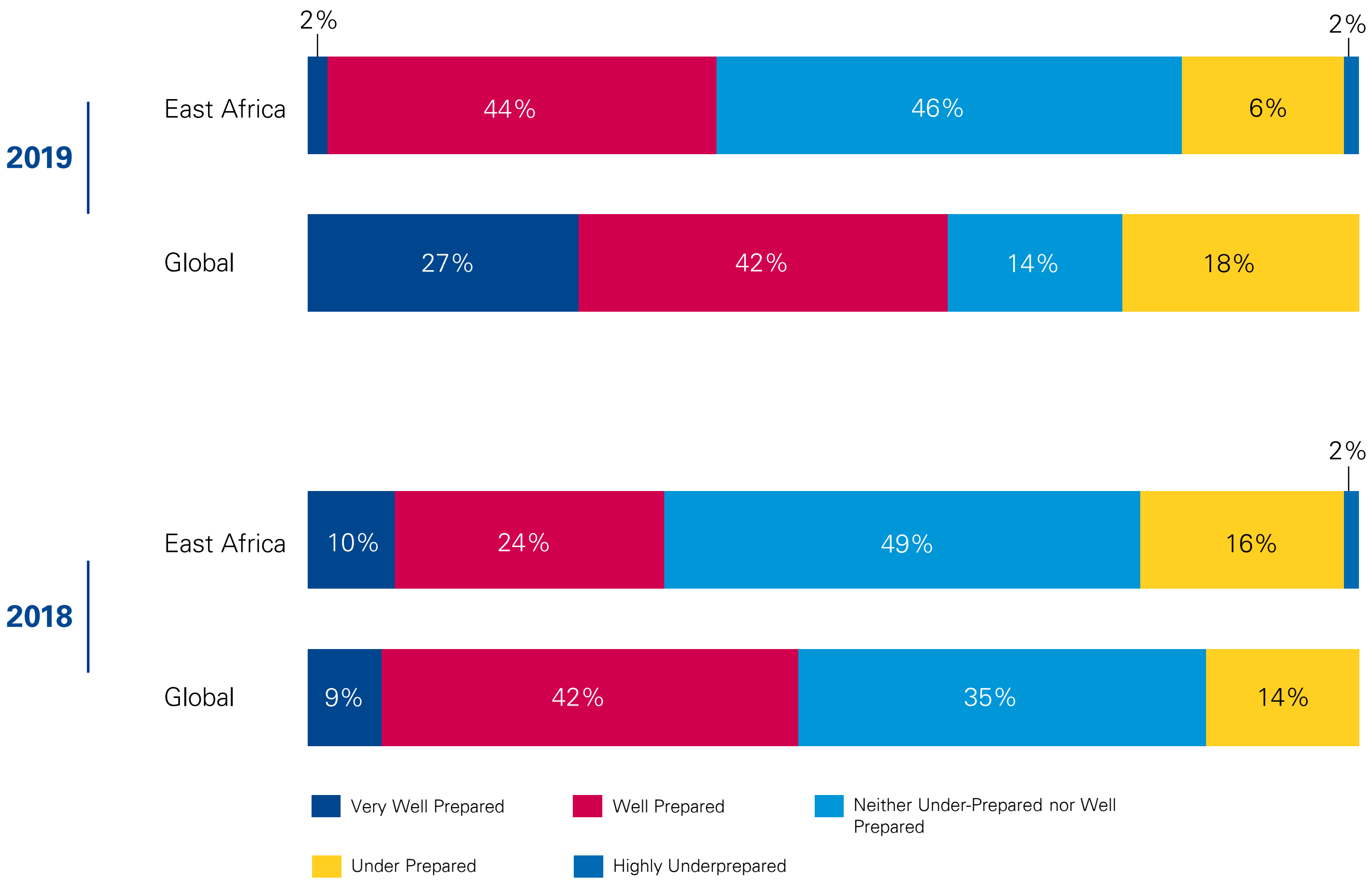
Source: KPMG 2019 Global CEO Outlook Survey

In the digital age, information security is increasingly viewed as a strategic function and source of competitive advantage. In 2019, 71 percent of CEOs globally and 72 percent of East African CEOs agreed. Furthermore, the proportion of East African CEOs who recognize that a strong cyber strategy is critical to building trust with key stakeholders has risen significantly from only 28 percent in 2018, to 72 percent in 2019. This reflects the sense of vulnerability CEOs in the region are now feeling to cyber attacks. 49 percent up from 34 percent of East African CEOs state that becoming a victim of a cyber attack is a matter 'when' and not 'if'. Those who strongly believe this has more than doubled from 4 percent in 2018 to 10 percent in 2019. Globally, 52 percent agree with this statement in 2019.

Despite the heightened sense of vulnerability, only 46 percent of East African CEOs report being prepared for a cyber attack in 2019, with only 2 percent very well prepared. This is however an increase from the previous year, where only 34 percent felt prepared. Globally, CEOs are more confident in their cyber resilience at 69 percent in 2019, as well as in 2018 where 51 percent reported that they were prepared.

> "To survive in the current reality, leaders and businesses must be agile and resilient or they will be counted among the historical business giants that fell foul of change."
>
> **Benson Ndung'u**
> Partner & Head of Tax
> CEO-elect, KPMG East Africa

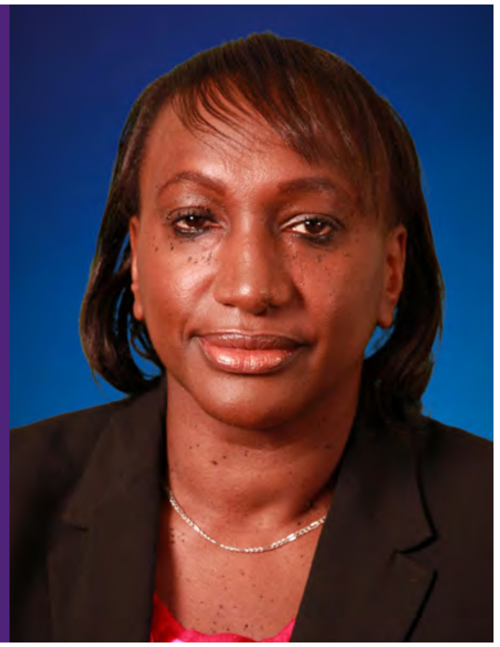
Extent to which organizations are prepared for a cyber attack.



Source: 2019 KPMG Global CEO Outlook Survey

> "Half of the CEO's time in our Group is spent thinking about cyber risk and security."
>
> **Joshua Oigara**
> Group CEO and Managing Director
> KCB Group PLC

> To get ahead of potential attacks, cyber maturity assessments can determine the cyber health of an institution, and an organization-specific cyber risk framework developed as result.
>
> **Nancy Mosa**
> Partner, Risk Consulting
> KPMG East Africa



The Ubiquity of Cyber

Cyber remains a constant on the East Africa CEO agenda, featuring as one of the top risks alongside operational, regulatory and emerging/disruptive technology risks. It is not out of the ordinary nowadays for Boards of Directors to separate cyber risk from other enterprise risks, in emphasis of the severity of the threat posed by cyber attacks.

Organizations are increasingly deploying disruptive technologies to heighten connectedness with customers, vendors and other stakeholders, an unavoidable consequence of which is increased cyber risk. An expanded surface of attack carries with it more points of vulnerability for an organization.

As part of their cyber strategy, CEOs should place increased emphasis on building cyber resilience from within. Specifically, this can be achieved through turning employees into a powerful first line of defense, doubling as firewalls and contributing to the establishment of a resilient business. The CEO's priority from a cyber-perspective, should be to have a cultural revolution where staff, at all levels, consider cyber in their strategic and operational undertakings. This would then extend to their dealings with customers, suppliers and other stakeholders.

In 2019, the proportion of East African CEOs who cited cyber security as a key business risk doubled from 10 percent in 2018 to 20 percent in 2019. This can be attributed to increased regulatory directives on cyber risk across East Africa. While globally, CEOs did not rank cyber risk as highly at 14 percent, more cyber incidents have been witnessed the world over. To get ahead of potential attacks, cyber maturity assessments can determine the cyber health of an institution, and an organization-specific cyber risk framework developed as result.

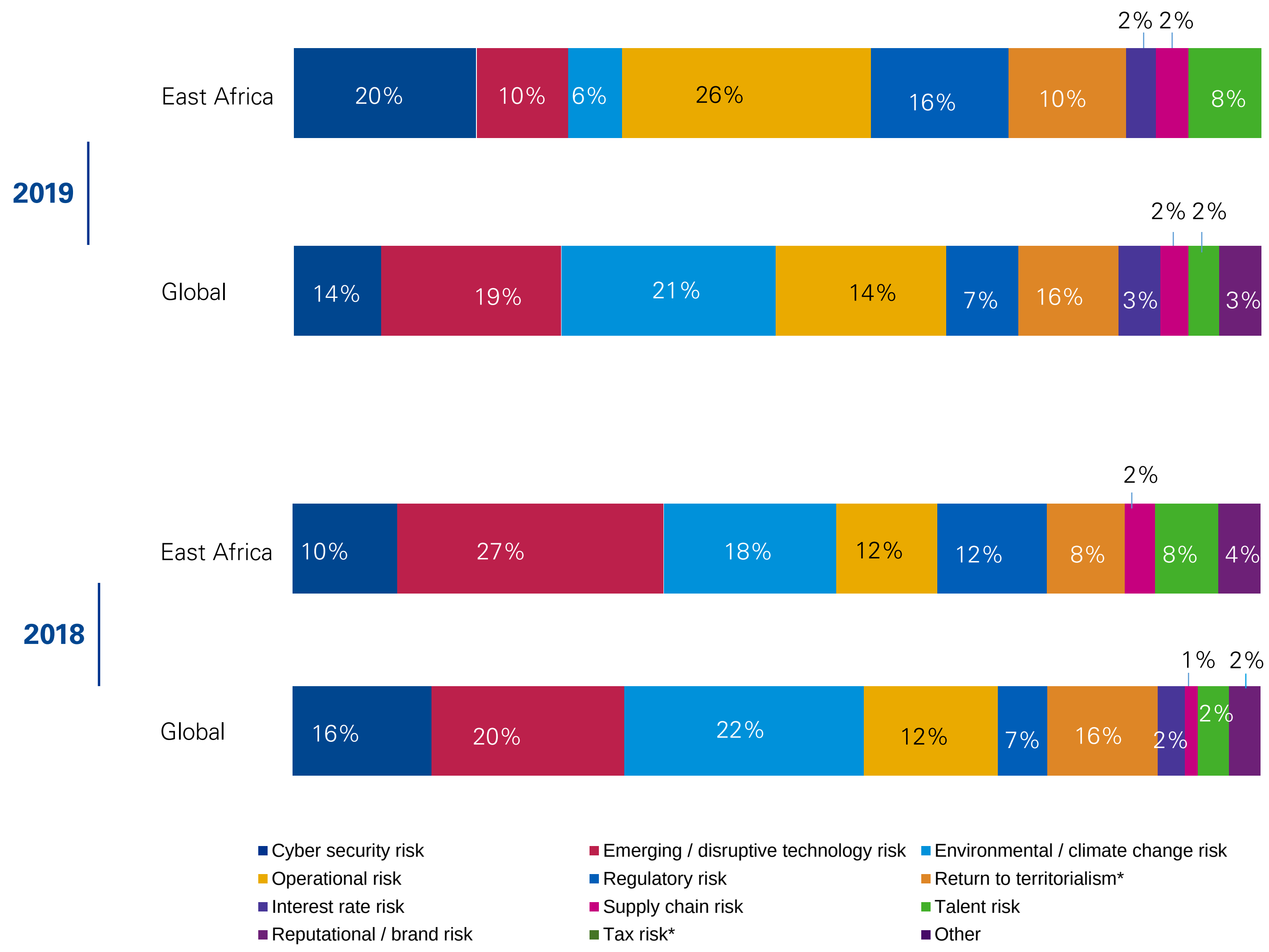
Experience tells us that most cyber strategies fail due to improper execution. A cyber strategy should be closely evaluated during execution to ensure that it remains relevant, especially considering the high pace of change that we see in the East African market. In the age of digital disruption, CEOs are getting numerous requests to deploy solutions that promise to leapfrog the competition and stay ahead. Taking a moment to reflect on "what can go wrong" has proved to be wise advice, and among the critical questions to ask about any digital investment. In addition, adopting cyber-investment criteria to support digital and innovation teams, has been an essential toolkit that has made a difference between 'accelerating enterprise value' and 'introducing far-reaching liabilities'.

In East Africa, the integration of digital solutions and mobile applications for the improvement of business processes, products and services has been delivered mainly through partnerships with fintechs. Nevertheless, a growing concern has been observed amongst CEOs in the region, that fintechs and third parties introduce business risks, particularly when they do not uphold the same level of security standards maintained within the organization.

As a preventive measure, CEOs should regularly carry out third party assessments when on-boarding a new partner, and sufficient due diligence should be done during the procuring process. On the other hand, vendors too should seek cyber attestation on their solutions which then gives comfort to the clients that they serve.

> As part of their cyber strategy, CEOs should place increased emphasis on building cyber resilience from within.
>
> **Nancy Mosa**
> Partner, Risk Consulting
> KPMG East Africa

Extent to which CEOs rank the greatest threat to their organization's growth.



Source: 2019 KPMG Global CEO Outlook Survey

> To build cyber resilience from within, organizations can turn employees into a powerful first line of defense, doubling as firewalls and contributing to the establishment of a resilient business.
>
> **Nancy Mosa**
> Partner, Risk Consulting
> KPMG East Africa

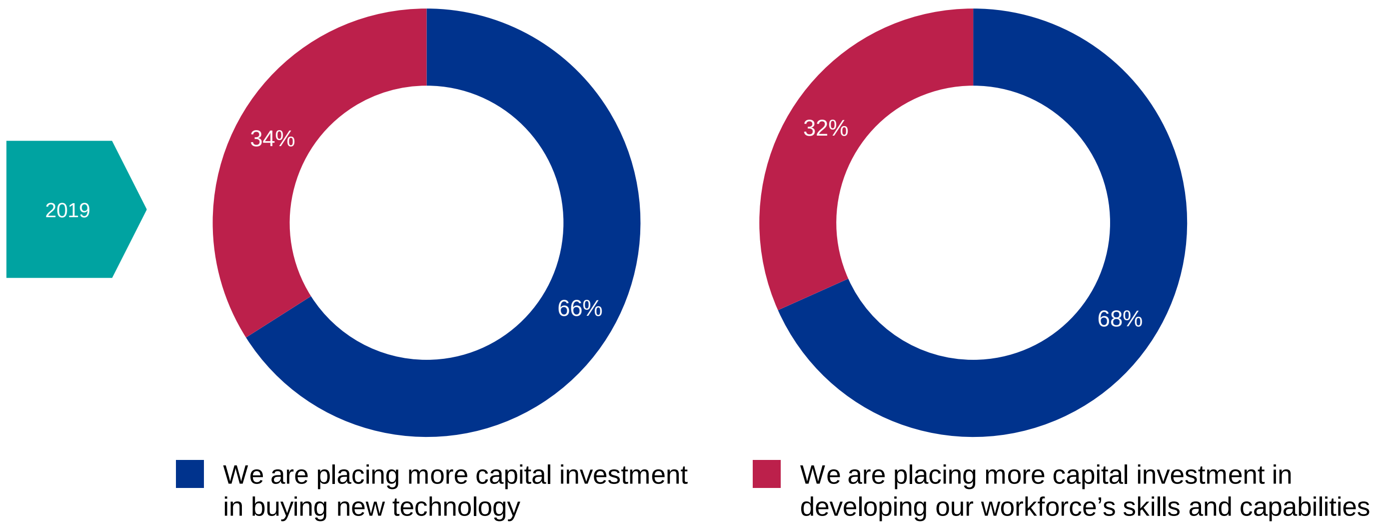
> Our findings show that across East Africa and globally, leaders are less confident this year than they were in 2018 regarding their digital transformation capabilities.
>
> **Brian DeSouza**
> Partner & Head of Consulting
> KPMG East Africa

Workforce 4.0

Digital transformation demands changes in the nature of work and the skillsets and capabilities required to fully harness its potential. Traditional organizational structures, roles and even paths to career progression will need to be redefined as a consequence. While there are fears that automation and other digital capabilities may have implications for job security at various levels, CEOs continue to assert their view that they will create more jobs than they eliminate. In 2019, 76 percent of East African CEO's agreed with this, while 82 percent agreed in 2018.

Nevertheless, the need to both increase technological capabilities as well as to up-skill the workforce will need to be considered. There are distinct similarities in where both global and regional CEOs have placed their emphasis, reflected in where they are making their capital investments. In 2019, 66 percent of East African CEOs and 68 percent of global CEOs prioritized investments in buying new technology over developing their workforce's capabilities (34 percent and 32 percent respectively).

Investment priorities for CEOs in improving organizational resilience.



Source: KPMG 2019 Global CEO Outlook Survey

CEOs were asked what proportion of their organization's current workforce they plan to up-skill in new digital capabilities such as data visualization and the ability to code, over the next 3 years. In East Africa, the majority (40 percent) will target up-skilling between 31 – 40 percent of their workforce. 26 percent will up-skill between 41 – 50 percent, and an equal proportion will up-skill 21 – 30 percent. Interesting to note however, is that globally, 44 percent of CEOs plan to up-skill over 50 percent of their workforce. The proportion of East African CEOs considering a similar level of investment in up-skilling, is only 4 percent.

Optimizing today's workforce: the questions all CEOs should have answers to

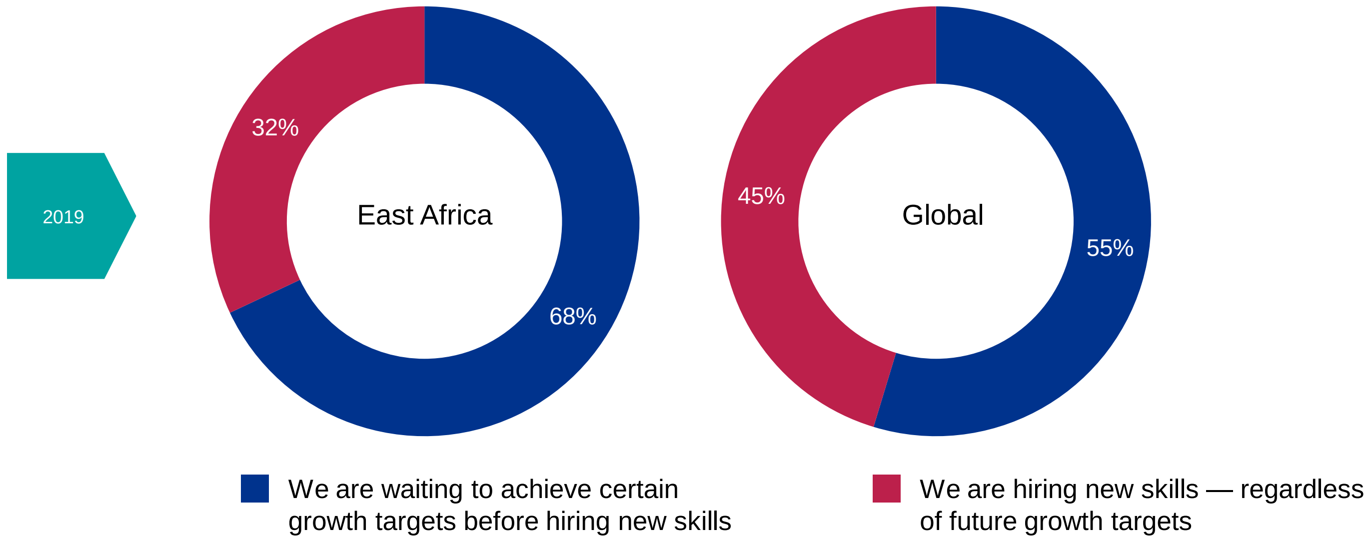
By now, the fact that "people make the numbers" is almost a clichéd concept. Business leaders have come to the realization that execution of strategy is largely dependent on people. The need to ensure alignment between all aspects of the workforce (numbers, skill mix, collective capability, etc.) is critical for achievement of growth aspirations, and even more so in an increasingly complex environment. As far as the workforce is concerned, there is a very strong focus on 'optimization' which speaks to improving people productivity and achieving more with less, etc.

Simply put - workforce optimization deals with the strategies and tools to ensure that as a business grows and the operating environment becomes more complex, the workforce is also scalable to respond to these pressures, becomes more effective and efficient, and possesses the repertoire of new thinking, skills and capabilities required.

This speaks to the type of talent acquired, when they are acquired, how they are deployed and how their capacity is continuously enhanced (for example specialists versus generalists). It also has implications for workforce costs and per-worker productivity.

Findings from this year's CEO survey show that globally and in East Africa, there is a "wait and see" approach to hiring. CEOs seem more comfortable acquiring talent only when growth targets have been achieved. This cautious outlook seems to have become more pronounced in East Africa over the last year. While this looks prudent, there is a chicken and egg consideration that needs to happen at a strategic level. Key questions to be answered include – **Are we more likely to achieve our growth aspirations by hiring more strategically in terms of timing and skills? Do we believe that the right skills will be readily available when we need them?**

Approach to recruiting new skill sets into the organization.



Source: KPMG 2019 Global CEO Outlook Survey

In this year's survey, the skills identified globally to be a truly scalable organization, include but are not limited to those focusing on cyber risk awareness; data and analytics, including decision support; knowledge of emerging technologies (such as AI); digital transformation; sustainability; knowledge of the dynamics of frontiers beyond own local market; governance and ethics; as well as strategic risk modelling and management.

An analysis of this year's responses on the level of confidence that CEOs have in the effectiveness or preparedness of their organizations with regards to these skills reveals the following:

Cyber security, data and decision-support

36 percent (up from 10 percent last year), appear to be very confident in the cyber security expertise within their organization. This area showed much more improvement than amongst CEOs globally, possibly due to the fact that the pace of disruption in their markets is much faster and much more diverse than is the case across East Africa.

Looking at the effectiveness of data capability over the same time period, the reverse is true. Globally, CEOs showed increased confidence (55 percent in 2018 to 83 percent in 2019), while East African CEOs showed dwindling faith (43 percent in 2018 to 40 percent in 2019). This could imply significant room for improvement with regards to decision-support mechanisms in East Africa. We need to do better and champion more data-driven decision making rather than rely predominantly on gut, or institutional memory and 'know-how', warehoused in the heads of a few individuals. The ability to embed data across all areas of operations, identify trends, drivers and benchmarks in past and current data, and to use this to tailor internal solutions for employees, as well as solutions for customers, is critical. We need to pay more attention to building data capability organization-wide and also embedding this mind-set into our people.

The mesh between AI and the 'I'

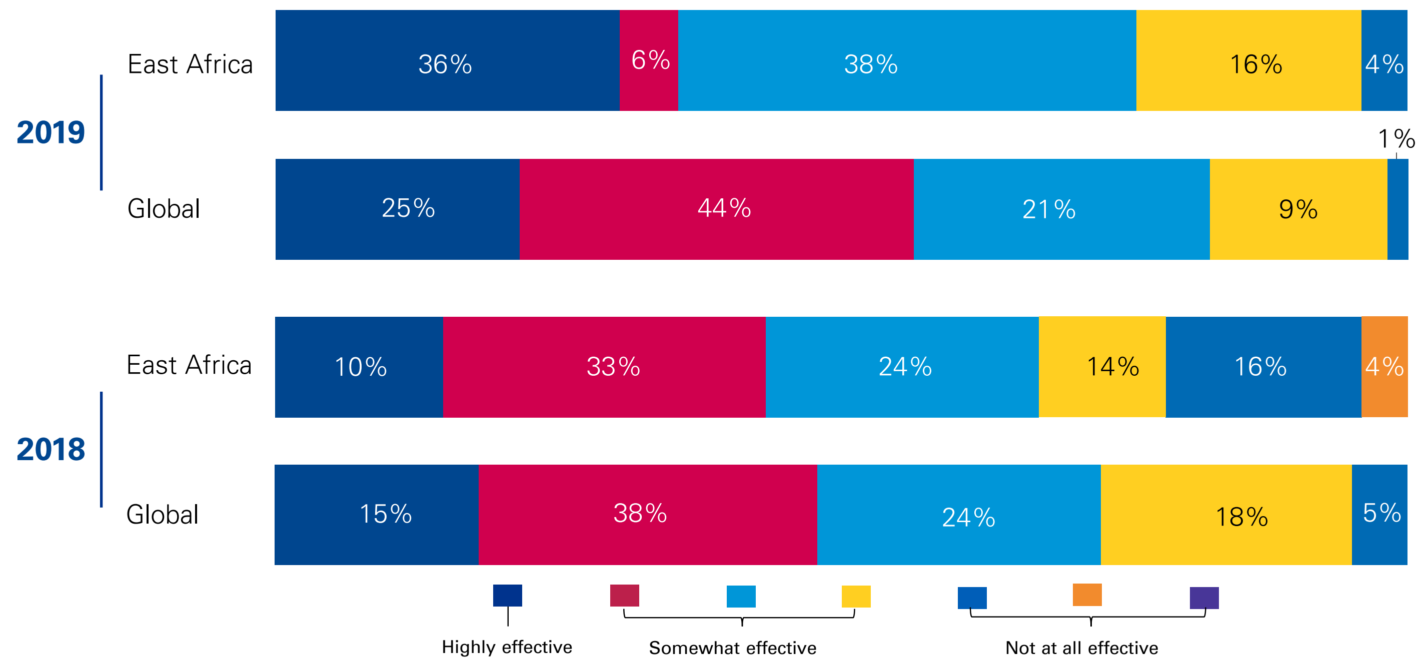
On familiarity with and deployment of emerging technologies, the needle has been pushed slightly over the past year in East Africa, but significantly globally. This bears testament to the fact that CEOs have embraced the reality that doing business is no longer 'business as usual'. As a reflection of this, they are making investments in areas such as artificial intelligence and robotics. To make this work, all aspects of operations need to be critically analysed to determine what areas would benefit most from investment in AI. In our experience, AI can be applied to the standard, predictable and non-judgemental aspects of operations; in particular, those relating to large amounts of data. The human aspect of the workforce can then focus on non-standard business problems, refining the algorithms and data upon which the organization's AI capability is built, anticipating changes, and redefining the organization's strategic focus and how it executes this.

Furthermore, in an increasingly 'nationalist' operating environment, organizations need to have clarity on the regulatory, political and cultural sensitivities across their areas of operation. These are also critical elements of work that humans can focus on for work to become more meaningful and better aligned to the achievement of growth aspirations. This is what we would like to call a resilient and learning organization.

The ability to drive and manage digital transformation

The radical transformation required to facilitate growth aspirations in this era will be tech and data-led. Our findings show that across East Africa and globally, leaders are less confident this year than they were in 2018 regarding their digital transformation capabilities. This has implications for how work will be defined going forward and how the workforce is trained / re-trained. If you look at the collective capabilities (competencies) of your organization– **How have these changed over the years? Is your capability mix as a business aligned to new realities? Do you have the right mix of generalists, specialists and hybrid-skilled people in your workforce? Can your Managers 'manage' a robot workforce segment?**

Extent to which CEOs rate their cyber security specialists' effectiveness.



Future-focused: sustainability, governance, scenario-based risk modelling

Both East African and CEOs globally expressed increasing faith in their expertise around sustainability, ethics and governance as well as their ability to predict and mitigate future business risks. The days of a one-sided description of impact and results in terms of profit are over. CEOs need to ensure that they continue refining their sustainability mechanisms beyond reporting. CEOs can also help the organization by lending their voice to the cry to continuously enhance the governance framework in their business, to ensure that are truly resilient. A key place to start is to ask these questions - **Is the Board focusing on the right things? Is there a structured and dynamic way to develop the capability of the Board in a digital era?**

Based on our on-the-ground conversations with a lot of our clients across East Africa, we see significant room for improvement in managing and organizing the workforce, with many maintaining traditional approaches. The challenges of a generational shift are real, and tend to impede agility, innovation, the extent to which inherent synergies are realized, market responsiveness, as well as the ability to respond to change. The key questions arising from the generational shift challenge are the following: - **Are you willing to disrupt your traditional career progression model to reflect the non-linear career path of certain specializations? Are you willing to redefine the nature of work as more outcome-based rather than process-compliance? Are you ready to re-look at how performance is measured?**

The challenges and pressures of the operating environment are not going away. As such, business leaders need to take a more deliberate and pragmatic look at the composition of their workforce vis-a-vis what is really required to deliver on their growth aspirations. CEOs with the help of their Chief Human Resource Officers, must also need to be able to answer these questions - Do we have a solid workforce plan in place to achieve our aspirations or are we shooting in the dark? **Do we know who we have and how their unique capabilities contribute to our goals? Do we know how to bridge any skill gaps? Do we have a realistic 'build' or buy plan for critical talent? Do we have the right kind of environment and culture that will unleash the productivity of our people?** If the answer to any of these questions is no, then our work as business leaders is cut out for us.

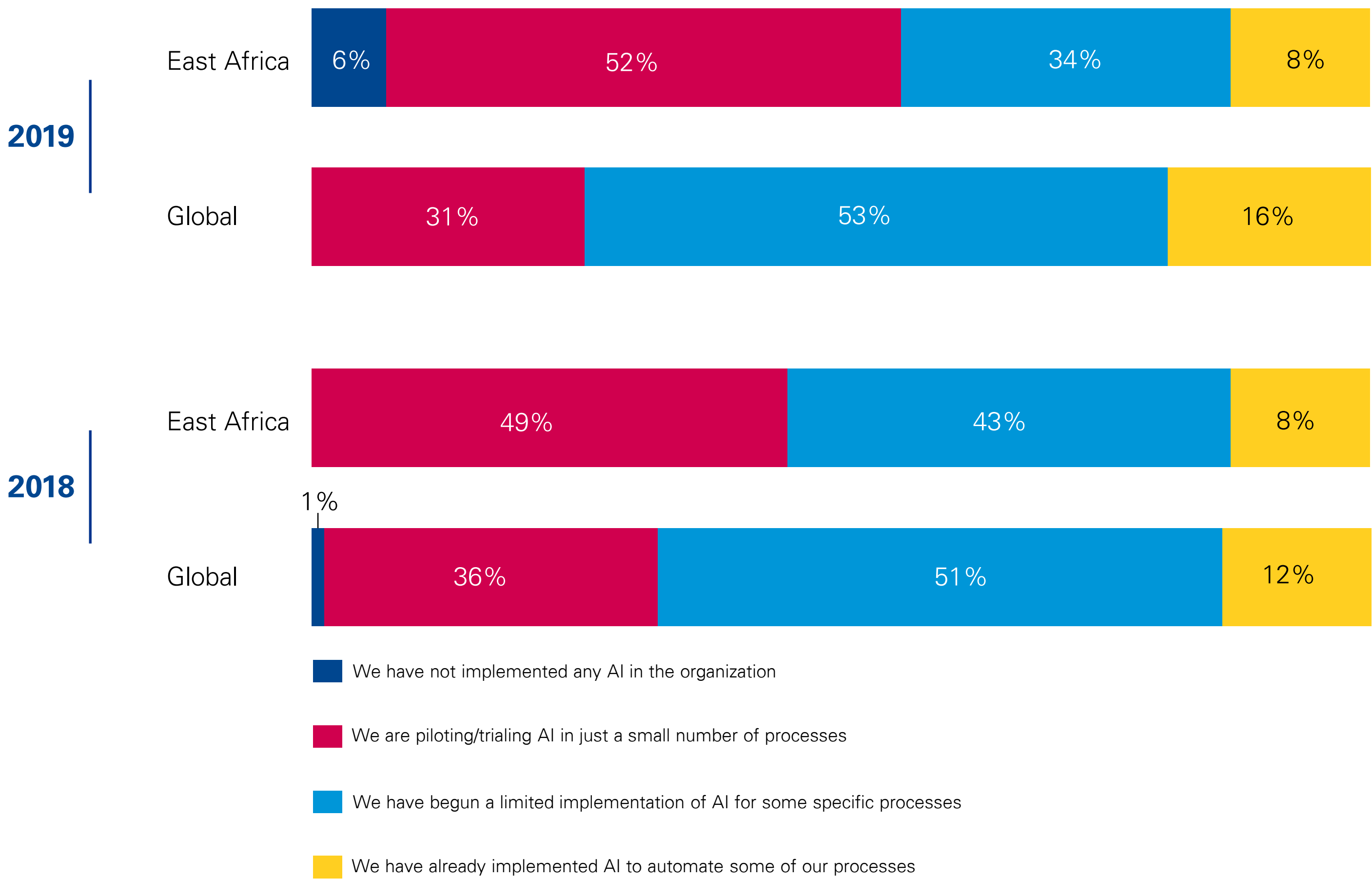
> "An organization must invest in both people and new technologies. However, getting the right skills and talents in the area of new technology is a challenge."
>
> **Joshua Oigara**
> Group CEO and Managing Director
> KCB Group PLC

Technology 4.0

The integration of AI, automation and other technological advancements into business operations, can yield greater efficiencies, support superior decision making and improve productivity. Nevertheless, the application of AI in the automation of business processes, has gotten off to a seemingly slow start the world over.

Globally, only 16 percent of CEOs report that they have already implemented AI to automate their organization's processes, with close to a third, (31 percent), still at pilot stage for a small number of processes. Just over half are currently undertaking limited implementation of AI for some specific processes (53 percent). In East Africa, only 8 percent have already begun implementation, a proportion that has remained unchanged since 2018. 52 percent have piloted AI in a small number of processes, and a further 34 percent have begun limited implementation for a small number of specific processes. The 2019 results show little progress in implementation since 2018, when 49 percent had piloted AI in a small number of projects, and 43 percent had begun limited implementation for a small number of specific processes, pointing to what is in fact, a slight decrease.

Status of the organization's application of AI in the automation of its processes today.



Source: KPMG 2019 Global CEO Outlook Survey

> "We have to face the fact that AI and automation will have a significant impact on the way we work."
>
> **Gerald Kasimu**
> Partner & Head of Advisory
> KPMG East Africa

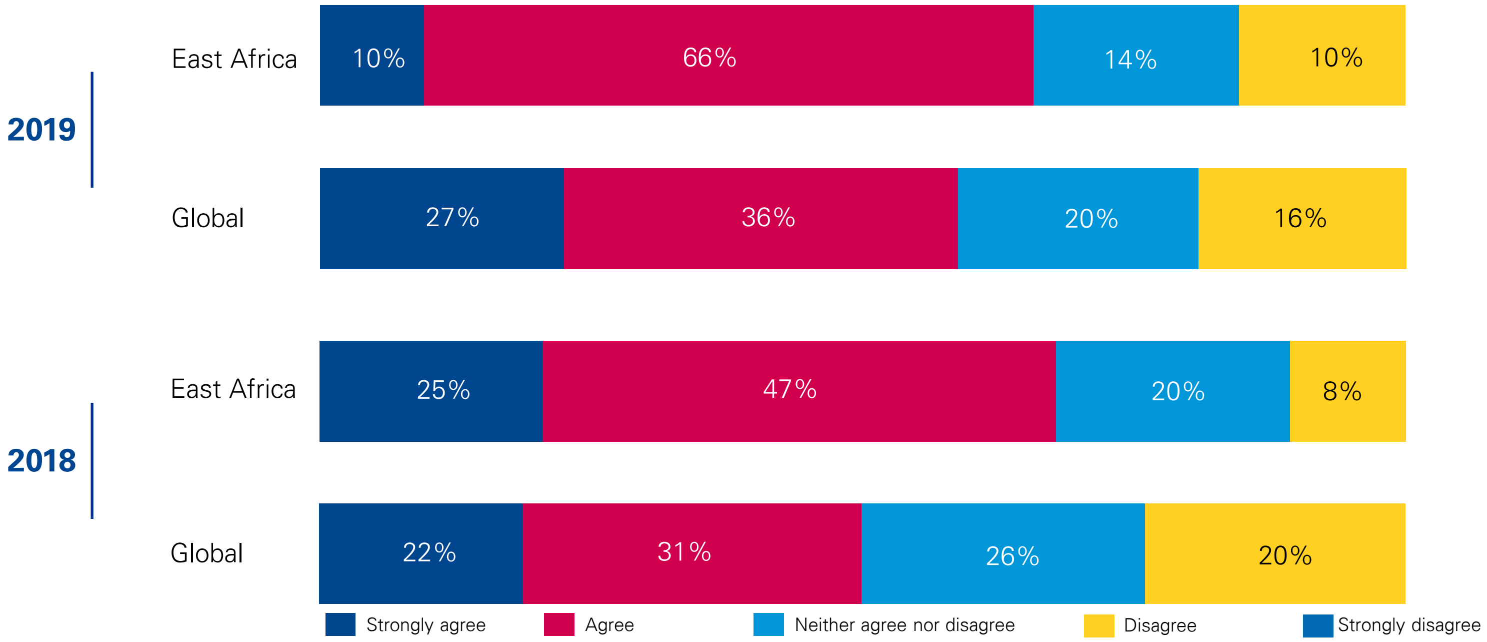
The Ongoing Pressure to Disrupt

Today's leading companies are operating in a new and more complex environment; one in which the fundamental definition of how customers experience and interact with the company is being challenged and redefined. Leading companies are also facing competition from a myriad of non-traditional players who threaten to disintermediate the traditional core business model in many sectors.

Rather than waiting to be disrupted by competitors, in 2019 we find that over three quarters of CEOs in East Africa are actively leading their organizations in disrupting the sector in which they operate. Global results show that six in ten CEOs are doing likewise.

The goal for leading companies is twofold: first, to proactively capitalize on disruption by growing market share and increasing margins; and second, to vigorously protect their existing core business and clients.

The proportion of CEOs who agree that rather than waiting to be disrupted, they are actively disrupting their sector.



Source: 2019 KPMG Global CEO Outlook Survey.

Global results show that seven in ten CEOs have structures in place to review their business model and ensure it stays competitive in the face of disruption; less so in East Africa, where slightly less than half of the business leaders have structures in place. In order to disrupt rather than be disrupted, CEOs must be prepared to take their businesses in an entirely new direction. This requires clarity of vision.

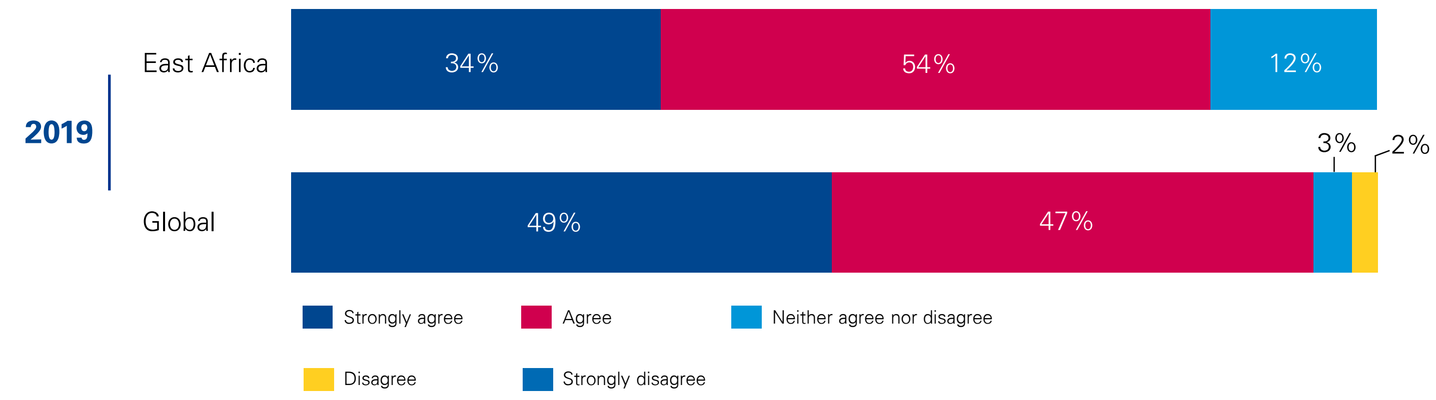
"A CEO is the carrier of fire. He or she carries the vision of the organization forward and communicates it".

Dr. Patrick Njoroge, Governor -- Central Bank of Kenya.

The transition to a digital economy is largely driven by new technologies and changing customer preferences. These factors which are common to most sectors, can have a dramatically different impact on both customers as well as returns. They can present a threat, an opportunity, or in some cases, both.

In 2018, we found CEOs optimistic about the sweeping changes that digital brings. This continues in 2019 where nine in ten CEOs see technological disruption as more of an opportunity than a threat. This is the case for both East Africa and CEOs globally.

Extent to which CEOs agree that technological disruption is more of an opportunity than a threat.



Source: KPMG 2019 Global CEO Outlook Survey

It is worth noting that disruption can be occasioned by other factors besides technology. Over half of the CEOs agree that technology is not the only significant disruptor to their business. To build resilience, organizations are investing in new technologies and also developing their people's digital capabilities.

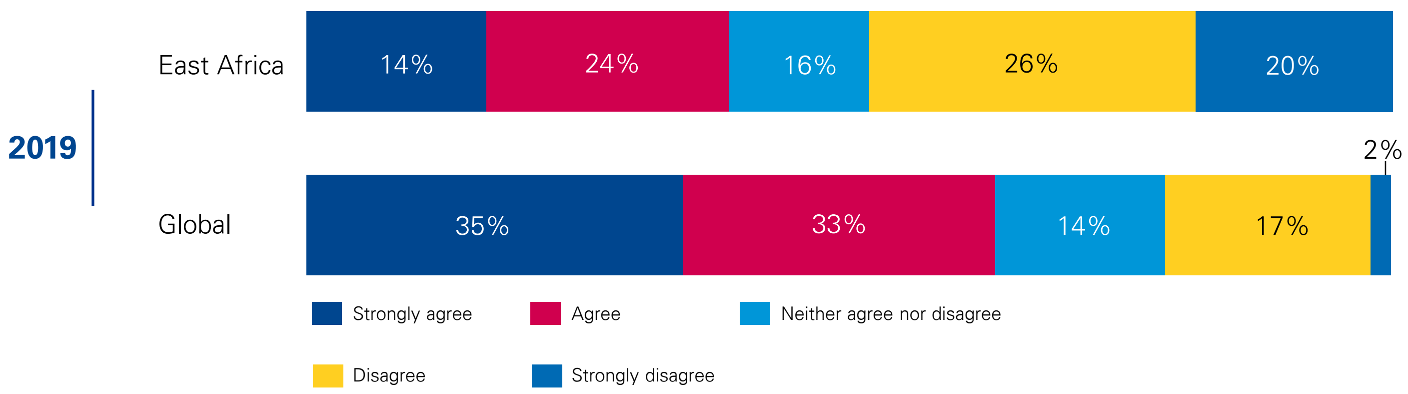
According to Dr. Njoroge, Governor of the Central Bank of Kenya,

"For most people, innovation implies technology-led transformation. Most CEOs think of innovation as technology, but we need innovation on how people respond to problems; and technology needs to be viewed based on the problems to be solved".

To remain resilient and succeed, leading companies need to build and retain new skills sets and expertise. These include among others, specialization in cyber security, data science, emerging technologies (e.g. AI specialists) and digital transformation.

Most CEOs, about 60 percent, expect a significant return on investment from digital transformation, artificial intelligence and robotic process automation, within one to three years. We note that three in ten CEOs globally expect a return in less than 12 months, unlike in East Africa, where only 14 percent of CEOs expect a significant return in 12 months or less. However for the majority of CEOs, the lead times to achieve significant progress on transformation often seem overwhelming.

The extent to which CEOs agree that the lead times to achieve significant progress on transformation often seem overwhelming.



Source: KPMG 2019 Global CEO Outlook Survey

A lot of debate has been raised about whether AI will create or destroy jobs. In 2019, we find that most CEOs in East Africa (75 percent), believe that AI and Robotics technologies will create more jobs than it eliminates. As well as driving digital transformation and protecting customer data, CEOs are reconfiguring their workforces for a future where smart machines and talented people work together. Humans will continue to do jobs in high-touch segments, particularly those driven by human connection for example: selling, marketing, arts, and social enterprise.

In addition to making roles more interesting and driving significant efficiency improvements, new technologies are going to allow people to do more with less. They will be able to focus on the important parts of the business which are serving the customer, analyzing data and making good decisions. Much mundane work will be taken care of by automation, AI and the use of data and digitization.

Positive or negative, AI demands a communications strategy to facilitate a deeper understanding of the implications of new technologies, and the need for personal reinvention and development. Business leaders need to arm the workforce for the new machine age of AI and increasing automation.

We have to face the fact that AI and automation will have a significant impact on the way we work.

Capturing the opportunities presented by disruptive change calls for innovation and agility. The organization needs to create an environment where employees feel empowered to innovate, without worrying about negative consequences if the initiative fails. 84 percent of CEOs globally, recognize the need for creating this enabling environment, compared to 58 percent of East African CEOs.

Organizations need to have a culture in which "fast-failing" unsuccessful innovation initiatives are celebrated. Joshua Oigara, Group CEO and Managing Director, KCB Group PLC, agrees.

"If you want to innovate, you must be prepared to fail. Our approach is Fail Fast Forward. As CEO, I have recognized people who have failed. This culture must be championed by the CEO".

For this culture to sustain results, Dr. Patrick Njoroge advises that "organizations must learn from their failures. Innovation must be undertaken in teams, not by individual employees in isolation; by so doing failure is not personalized, but a responsibility of the team".

Joshua Oigara

Group CEO and Managing Director
KCB Group PLC

As CEO of one of the leading commercials banks in East Africa, Joshua knows all too well how disruption has become the norm in the financial sector, broadening choices for customers. KPMG's Joseph Kariuki and Gerald Kasimu spoke with Joshua to understand how the new normal is influencing his decisions and priorities.

Excerpts from interview below.

Insight Theme 1: Dynamic Risk Landscape

Finding: Operational, cyber security and regulatory risks dominate the top 3 risk agenda for East African CEOs

Question 1: Thinking about the risks facing your business today, do these resonate with you?

Question 2: What is driving your perception of these risks?

Operational, cyber security and regulatory are three key risks that keep CEOs awake not only in East Africa but also globally. Financial services regulators the world over, have mostly focused on the three issues – effective management of these risks grants the organization license to operate. There are also new emerging risks (e.g. blockchain and new types of fraud (identify theft and social engineering) that we must respond to.

Insight Theme 2: New Competitive Age

Finding: The proportion of East African CEOs who stated that "improving their innovation processes and execution over the next 3 years would be key to their organization's growth", has tripled since 2018

Question 1: Has innovation become increasingly critical to your business as an imperative? Why?

We face increasing disruption in the market from non-traditional sources such as fintechs, mobile lenders and others. Customers have more choices, and if you are not innovating business in being taken away.

"We are in a game of speed". The speed of innovation for new businesses is what will bring differentiation to any business in the market.

Going forward businesses are likely to lose revenue or face shrinkage if they do not focus on innovation.

The financial services sector is moving away from traditional brick and motor (branches to serve customers) to a technology driven platform through innovations.

Financial services institutions have to create new products to counter disruptions by fintechs, e-commerce, and mobile lending, and this can only be achieved through innovation.

"If you are not innovating today, five years is too late."

Insight Theme 3: Innovation Disconnect

Finding: The majority of East African CEOs say they want a culture where failure in pursuit of innovation is tolerated, yet less than a third say it's in place.

Question 1: How important is it that employees feel they can innovate without worrying about the implications if an innovation fails?

If you want to innovate, you must be prepared to fail. At our bank we take the approach "Fail Fast Forward". Every year the bank invests $10 million of new money in innovation (R&D), and we can't be sure upfront about what innovation will fail or succeed. We also recognize individuals who tried and failed. To succeed, innovation must be championed by the CEO.

The teams must learn from what works and what doesn't work.

Insight Theme 4: Agility or Bankruptcy

Finding: Globally, two thirds of the CEOs interviewed say that acting with agility is the new currency of business and that if they are too slow they will be bankrupt. This perception isn't shared as widely in East Africa, with less than half of the East African CEOs in agreement with the statement.

Question 1: What would you prioritize over agility for business growth and sustainability?

Organizations succeed not because they are large or small but based on whether they are fast or slow to act. If you are not agile you will be bankrupt – business will be taken away by those who are agile. We have adopted an agile model in our solution development. Success in business is a factor of how one is able to act fast in the face of competition.

Insight Theme 5: C-Suite Reboot

Finding: The vast majority of CEOs in East Africa are transforming their leadership teams to build resilience

Question 1: What is your approach to building a leadership team that is equipped to lead your organization through the complexities of doing business today?

We are investing in the team through global training programs, retraining on new business models, using data analytics to gain more insights, seeing a customer as a customer of any other business, and investing in IT platforms to enhance efficiency.

The senior leadership team have gone through Harvard senior management training program for Africa. Without leadership our business will not succeed.

Insight Theme 6: Cyber Resilience

Finding: The proportion of East African CEOs who believe that a strong cyber strategy is critical to building trust with key stakeholders (and therefore a source of competitive advantage), has increased significantly since 2018

Question 1: How much emphasis are you putting on cyber resilience as part of your growth strategy?

Cyber risk is a dynamic area, cyber threats and attacks continue to evolve. Cyber should be at the core of a bank's strategic priorities.

CEOs should spend time thinking about cyber risk and strategies to counter the risk. There should be a plan on how to respond to cyber risk in the event of an attack. Half of the CEO's time in our Group is spent focusing on how to build strong cyber strategy and resilience in the business. Out of the total technology investment, up-to a third goes towards information security - in prevention, detection, monitoring and response. This is not an issue that can be left to the CIO, this is a strategic imperative. CEOs must learn new terminology around cyber security. At our bank, discussions around cyber risk is a monthly agenda for EXCO and quarterly agenda for BoD and risk committees.

Insight Theme 7: Workforce 4.0

Finding: To build resilience, organizations are investing in new technologies and also developing their people's digital capabilities.

Question 1: How challenging is it to find the right balance between investments in people and investments in technology?

Question 2: Which of the two areas receives the most capital investment in your organization? Why?

An organization must invest in both people and new technologies. However, getting the right skills and talent in new and emerging technology is a challenge. New approaches including co-creation and more collaboration with partners are key to success. Collaborating and co-creating will help us grow. Our aim is to collaborate more to exploit opportunity created by new technologies and create value.

We are investing to build capacity in our people and technology, the ratio of investment in people and technology is 50/50.

Insight Theme 8: Technology 4.0

Finding: Less than 10 percent of East African CEOs report that they have already integrated AI into the automation of some of their processes

Question 1: What role do you see AI playing in your business or sector?

Question 2: How soon do you expect to leverage it if you haven't done so already?

AI is a real disruptor in banking business. Currently 95 percent of our loan applications are processed by robots to 99 percent accuracy. Our digital lending program provides speed to market – we are able to approve 50,000 loans per day, with a limit of $10,000 value per loan. Our ability to obtain customer insights has greatly improved, understanding customer behavior and identification of opportunities to better serve their needs.

The challenge with AI is getting the right skills in the market.

Insight Theme 9: A New Playbook

Finding: CEOs are moving on more quickly than was the case in the past, with an average tenure of 5 years.

Question 1: Do shorter tenures make it more difficult for CEOs to make a long-term impact?

Question 2: What one or two qualities or talents do you believe are critical for CEOs to succeed over the longer term in their role as Chief Executive?

Question 3: What one or two qualities of your own have been critical to your success as leader and CEO?

A CEO must take an interest in the long-term success of the organization. In my view five year tenure is short and disruptive as CEOs are forced to make short term decisions. The CEO must engineer disruption of their business from within and create the billion dollar business today, and should be convicted to mid-wife the transformation. A CEO must learn to manage with contradictions.

Insight Theme 10: Evolving Mindsets

Question 1: In order to disrupt rather than be disrupted, CEOs must be prepared to take their businesses in entirely new directions.

Question 2: Given the need to drive innovation and avoid group-think, are you turning to different, non-traditional sources to seek new perspectives into critical business issues, beyond sources such as boards or management consultants?

Our bank believes in doing both. That is why we have adopted a model entailing sharing revenue with our partners e.g. KCB Mpesa, Mobile Apps – KCB Mobile. In order to disrupt your business from within, you must be prepared to bring in non-traditional partners and work with people who are not your friends. Innovation is never innovation until it is commercialized - we offer a platform to commercialize innovation. To do so, we are working with smaller startup firms and onboarding partners based on competencies to build on strengths.

The biggest challenge to overcome is: leading innovation in our business that disrupts the way business is run traditionally.

In five years, more than half of our revenue should come from new innovation – we are better off disrupting the business from within.

The evolution of the CEO

The demands placed on today's CEO both vary from and in many ways exceed those of their predecessors. The environment in which they make their daily and strategic leadership decisions is dynamic and constantly evolving, requiring them to reflect the same qualities. The challenge in front of them is compounded by a CEO tenure that many perceive to have reduced significantly from what it was at the start of their careers.

A New Playbook

As the person at the helm, CEOs draw their leadership motivation from a number of sources. For the majority of CEOs in East Africa, their motivation is anchored to their quest to make their businesses "shock proof" (22 percent). Globally, this is far less of a motivator for CEOs, with only 5 percent citing this. The focus among CEOs globally, is on delivering short term growth (22 percent). Short term growth is the second most source of motivation for East African CEOs (18 percent).

The emphasis on delivering short term growth is supported by the view CEOs hold globally, that the 5 year tenure of today's CEO is shorter than it was at the beginning of their careers. 40 percent strongly agree with this statement. This perception seems not to align with the experience of CEOs in East Africa, amongst whom only 14 percent are in agreement. Be that as it may, both globally and in East Africa, the current CEO tenure is perceived by the majority, to increase the need for CEOs to act with agility – (58 percent East Africa and 67 percent globally).

Surprisingly, despite 74 percent of East African CEOs and 71 percent of CEOs globally sharing the view that it is their personal responsibility to ensure their organization's environmental, social and governance policies reflect the values of their customers, making environmental and social impact is a motivation for only 6 percent of CEOs in East Africa and 12 percent of CEOs globally.

Evolving mindsets

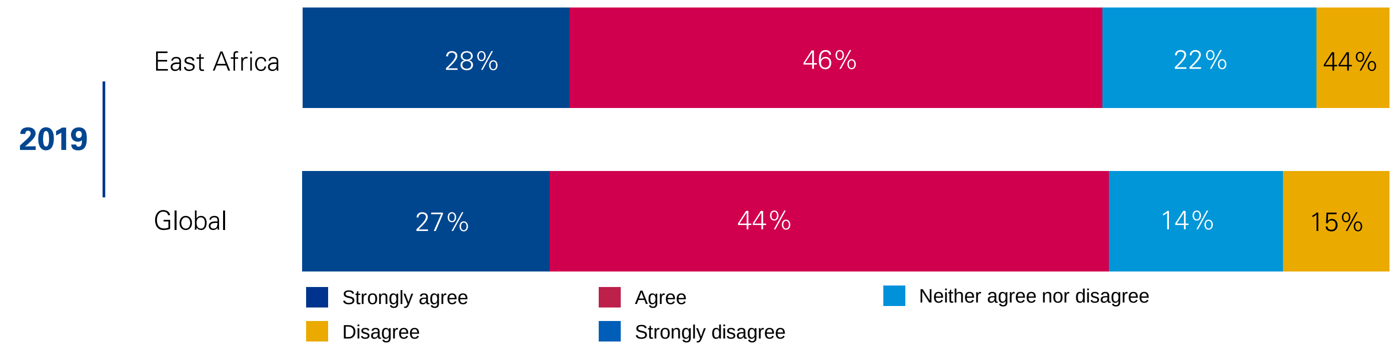
To grow and sustain their businesses, CEOs today must be open to the unknown and confident in forging new and previously unexplored pathways. They must transcend the demands of business as usual, and extend their engagement beyond the traditional core of their organization, making adjustments to long-held business models in order to compete, particularly in the era of disruption.

In their efforts to grow their base, businesses must prioritize constant improvement of the customer experience. For East African CEOs this has paid off as a strategy. 70 percent believe that their investments in personalizing the customer experience yielded the growth benefits they had hoped for. This perception was not as widely held by CEOs globally, with only 41 percent in agreement. This does however, come amidst the broad recognition that businesses could do more to understand their customers better. 64 percent of CEOs in East Africa admit that they could significantly improve their understanding of their customers. This is felt even more strongly globally, with 67 percent of CEOs stating the same.

In a display of personal vulnerability, a number of CEOs admit to having suffered significant knocks during their careers. Almost a third in East Africa (32 percent) and over a third globally (35 percent) strongly agree that they had a significant misstep early in their careers—such as taking on a role or launching a venture that was ultimately unsuccessful. That they bounced back and are nevertheless in their current role, demonstrates the tenacity and resilience demanded of today's CEOs in the face of adversity.

As CEO mindsets evolve and their strategic priorities shift, there is a shared need amongst them to have their new thinking live on beyond their tenure. In East Africa more so than globally, CEOs are putting in place measures to ensure that their personal vision is realized after they have left the role (88 percent), while 79 percent of CEOs globally are doing the same.

Extent to which the CEOs feel it is their personal responsibility to ensure their organization's environmental, social and governance policies reflect the values of my customers.



Source: KPMG 2019 Global CEO Outlook Survey

James Mwangi

CEO
Equity Bank

Equity bank is a household name in Kenya and indeed in East Africa. It's unique business model that allows for financial inclusivity of people who ordinarily wouldn't have access to banking services has won the bank global recognition. KPMG's Joseph Kariuki spoke to James Mwangi to gain an understanding of how Equity is keeping to its brand promise at a time when the banking sector is the most disrupted.

Excerpts from interview below.

Insight Theme 1: Dynamic Risk Landscape

Finding: Operational, cyber security and regulatory risks dominate the top 3 risk agenda for East African CEOs

Question 1: Thinking about the risks facing your business today, do these resonate with you?

Question 2: What is driving your perception of these risks?

The company is increasingly a digital and technology driven business and this has amplified cyber risks as banking sector security shifts from physical security of cash to electronic money and as bank customers embrace smart phones for their mobile banking.

Internal and external fraud, cybercrimes as well as financial crimes like money laundering are key components of operational risk.

Legal / regulatory risk for banks in Kenya rose since September 2016 when interest rate capping was enacted as this impaired the ability of banks to price different risks for different customer segments.

Insight Theme 2: New Competitive Age

Finding: The proportion of East African CEOs who stated that "improving their innovation processes and execution over the next 3 years would be key to their organization's growth", has tripled since 2018

Question 1: Has innovation become increasingly critical to your business as an imperative? Why?

Serial innovation is key to serial entrepreneurship / intrapreneurship and for the best in the field can lead to a company becoming a serial monopoly hinged on differentiating using innovation as a sustainable competitive advantage.

Innovation is key for Kenyan banks due to key forces driving the market i.e;

- *Hyper competition from traditional and nontraditional competitors;*
- *Advent of new technologies like blockchain that may fundamentally change the way banking is done just like telcom / banking convergence via mobile money did or internet transformed retail ecommerce;*
- *Youthful population ''bulge''/ ''dividend'' demographics as GenZ and millennials who are digital natives increasingly form the larger customer base;*

Globalization as the world becomes flat and interconnected increasing the sophistication and standards required by customers as they benchmark their expectations to the global best of breed; and

Legal regulatory changes as policy interventions forces businesses to reengineer their business models to the new ''normal'' .

Insight Theme 3: Innovation Disconnect

Finding: The majority of East African CEOs say they want a culture where failure in pursuit of innovation is tolerated, yet less than a third say it's in place.

Question 1: How important is it that employees feel they can innovate without worrying about the implications if an innovation fails?

It's important for organizations to have a strong innovation culture and so management must take responsibility for failure and shield staff to ensure that the culture of innovation is embedded without fear of repercussions.

Companies need a failing fast culture where lessons from failure are meticulously and quickly documented and widely shared so that the institution doesn't suffer from ignorance of past failures, management takes 100 percent responsibility and the taskforces learns and moves to the next innovation.

Learning from failures helps the company mature much faster in terms of innovations management maturity and increasing return on investment from innovations.

Insight Theme 4: Agility or Bankruptcy

Finding: Globally, two thirds of the CEOs interviewed say that acting with agility is the new currency of business and that if they are too slow they will be bankrupt. This perception isn't shared as widely in East Africa, with less than half of the East African CEOs in agreement with the statement.

Question 1: What would you prioritize over agility for business growth and sustainability?

Agility is key in banking due to the rapid rise of new technologies like block chain / artificial intelligence / augmented reality / virtual reality/ robotics process automation etc; which have the possibility to completely redefine the way banking is done, i.e; banking will always be done but banks may not necessarily be the ones doing banking.

The advent of new non-traditional global competitors for banks like Alibaba / Facebook/ Google / Tencent / Apple / Amazon / Baidu / WhatsApp etc; in USA and China, means they can not only eat breakfast for the banks in East Africa but also lunch and supper, just like Uber did for taxis in East Africa or Mpesa for banks in Kenya.

You either change very fast or change will change you if not make you bankrupt.

Agility is not being short term but it's rather, the key to long term sustainability of any business.

Insight Theme 5: C-Suite Reboot

Finding: The vast majority of CEOs in East Africa are transforming their leadership teams to build resilience

Question 1: What is your approach to building a leadership team that is equipped to lead your organization through the complexities of doing business today?

The bank focusses on a geocentric orientation to human resources that focus on getting the best global talent from anywhere in the world and from any industry, not necessarily banking.

Talent is key as a company can never be greater than its leadership (both Executives and Board Members).

If data is the new oil, then the company needs to have the best global data scientists talent that one can get.

Insight Theme 6: Cyber Resilience

Finding: The proportion of East African CEOs who believe that a strong cyber strategy is critical to building trust with key stakeholders (and therefore a source of competitive advantage), has increased significantly since 2018

Question 1: How much emphasis are you putting on cyber resilience as part of your growth strategy?

The investments in cyber risk management have grown exponentially in recent years as banks have to protect their clients in cyber space while protecting the bank from intrusion - both internal and external.

Frauds, both internal and external, are rising rapidly with adoption of mobile money banking and explosion of adoption of smart phones and hence banks have to match their cyber risk management investments commensurately.

If customers are all over the globe, then cyber risk management must follow the ''follow the sun'' model that is 24x7x365.

Banks have to sensitize and ''educate'' clients on how best to protect themselves in cyber space.

Banks also have to train all staff on cyber risk management to ensure the right level of cyber risk culture is prevalent in the whole bank and for all staff.

Insight Theme 7: Workforce 4.0

Finding: To build resilience, organizations are investing in new technologies and also developing their people's digital capabilities.

Question 1: How challenging is it to find the right balance between investments in people and investments in technology?

Question 2: Which of the two areas receives the most capital investment in your organization? Why?

Both get equal attention.

New technologies require people with the requisite skills; For internal staff, training is paramount and external recruitment is key if there is no internal staff capacity.

Insight Theme 8: Technology 4.0

Finding: Less than 10 percent of East African CEOs report that they have already integrated AI into the automation of some of their processes

Question 1: What role do you see AI playing in your business or sector?

Question 2: How soon do you expect to leverage it if you haven't done so already?

Large scale and pervasive use of AI is key to creating the most intelligent bank in East Africa and the bank is the best of breed in using data as the new oil.

Credit scoring is behind digital/mobile credit and algorithms in the East African Banking and Financial Services Industry and can only become better and more embedded moving forward more so with machine learning .

Insight Theme 9: A New Playbook

Finding: CEOs are moving on more quickly than was the case in the past, with an average tenure of 5 years.

Question 1: Do shorter tenures make it more difficult for CEOs to make a long-term impact?

Question 2: What one or two qualities or talents do you believe are critical for CEOs to succeed over the longer term in their role as Chief Executive?

Question 3: What one or two qualities of your own have been critical to your success as leader and CEO?

5 years is not short term but is rather technically the medium term.

Whatever the tenure of the CEO, it's important for institutions to create a corporate culture that has the right level of balance between short term value creation more so for listed companies with activists shareholders and long term value creation for building a sustainable business.

Companies have to have the right levels of risk reward tolerance and appetite for short term vs long term value creation.

Having socially responsible investors with a long term vision (at least an exit of 7 years) is key to ensure excellent balance between short term and long term value creation.

Insight Theme 10: Evolving Mindsets

Question 1: In order to disrupt rather than be disrupted, CEOs must be prepared to take their businesses in entirely new directions.

Question 2: Given the need to drive innovation and avoid group-think, are you turning to different, non-traditional sources to seek new perspectives into critical business issues, beyond sources such as boards or management consultants?

Yes. One has to use both traditional and nontraditional sources of information to confirm intuition / due diligence deep dive analysis of trends changing one's industry / pilots of innovations and business models etc .

In the world of a borderless organizations, information comes from multiple industries and thus a CEO must seek information from outside the company's sectors.

Information doesn't respect age and so one goes to seek information from those who, have it, including the millennials / Gen Z who may not be in Senior Management and Boards of Directors.

A bank has to be a learning organization that seeks knowledge from anywhere and anyone in the world via site visits to the best of breed companies, sourcing new technologies and staff from any company globally and any country, learning and using business models from all industry etc.

For innovations that come from many part of the company, its critical for companies to have an idea management system.

To learn, one may have to set up an internal Venture Capital / Private Equity Fund, to merge or acquire with companies that are in their own and/or different industries as they bring new staff with new competences that time to market doesn't allow the company to grow organically.

Apple buys 40 to 50 new companies every year (almost a new company every week) just to keep up with competition and adopt new technologies much faster.

Conclusions

Uncharted waters

There have been some significant shifts in priorities for CEOs in East Africa concerning various areas of their business operations over the past 12 months. This bears testament to the dynamic landscape in which they make their decisions in pursuit if growth. Today, CEOs running organizations that have traditionally found their strength in business models designed to stand the test of time, are finding that the challenge now lies in embedding within them, the flexibility to respond to change. CEOs in East Africa are confident that not one, but a number of strategies will be required to build resilience in these fast-paced and disruptive times. Their focus rests on strengthening and maintaining their core, whilst putting in place operational processes that allow them to adapt nimbly to the changing environment.

Leading in uncertain times

CEOs in East Africa still report being at the front end of disruption in their respective industries. They have a thirst for innovation and recognize what nurtures it, but their organizational cultures are still not at a point where failure is embraced as a valid part of the process. To be truly disruptive, CEOs must face uncertainty and tackle it head on, drawing on various sources to best inform their decisions. They now have a widely shared and growing appreciation of the need to get to know their customers better; a key input into making smart investments that will deliver enhanced customer experiences, and in turn realize the best returns for growth. They are also restructuring their leadership teams, bringing a broadened set of skills to the table to inform strategy. Where they are unable to push the boundaries of their own capacity and be truly disruptive, they will seek out partnerships and draw on the capabilities of their strategic allies.

Changing from within

Disruption and risk are inseparable bedfellows. To build a resilient organization, CEOs will need to match their investments in technological enhancements with an equal focus on building cyber resilience. In so doing, CEOs will need to maintain a keen eye on protecting their customers' data, even as they introduce new technology to surpass their expectations. CEOs in East Africa will also need to invest in transforming their businesses from the inside, augmenting their workforce's capabilities to match the demands of the disruptive environment in which they are competing. Nevertheless, if they are to fully harness the power of technology to improve internal efficiency, CEOs in East Africa, as well as globally, are going to have to be bolder, moving beyond limited pilots to full scale implementation.

The evolution of the CEO

The role of the CEO has changed in scope and in depth. Today, East African CEO's are not only expected to, but take it upon themselves to assume personal responsibility for presiding over aspects of the business they were not required to in the past. Data protection, environmental, social and governance policy, and taking the lead on technology strategy are all par for the course for today's CEO. Despite an expanded remit, they must realize impact in less time, with a shortened average CEO tenure overall. While they had more time to do less in the past, today CEOs must deploy a different set of skills to not only instigate transformation and build resilience, but to register results. Only then will they make their mark and leave a legacy.

Methodology and acknowledgments

The global survey data published in this report is based on a survey of 1,300 chief executive officers (CEOs) in 11 of the world's largest economies: Australia, China, France, Germany, India, Italy, Japan, the Netherlands, Spain, the UK and the US. The survey was conducted between 8 January and 20 February 2019.

For the East Africa Research:

50 CEOs were surveyed from Kenya, Tanzania, Uganda, Rwanda and Ethiopia. 22 percent of the CEOs interviewed lead organizations that have in excess of US$ 10 billion in a year in revenues, 28 percent have between US$1 billion and US$9.9 billion a year in revenues, and 50 percent have between US$500 million and US$999 million a year in revenues.

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

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