KPMG

CFO Outlook Survey

March 2019

Nigeria

KPMG CFO FORUM

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Foreword

The KPMG Chief Financial Officers (CFO) Forum is a platform for discussing issues of common interest to CFOs as well as an avenue for CFOs to interact as a group with relevant government regulators and policy makers. The Annual CFO Outlook Survey continues to provide valuable insight into how CFOs and their organisations view the business environment.

Over the last twelve months, the Nigerian economy has experienced some relative stability with a deceleration in the rate of inflation and stable foreign exchange rates. This is largely due to stable oil prices, stability in domestic oil production and improvement in foreign exchange availability. The build up to the 2019 elections however created some level of uncertainty in the business environment and led to decreased foreign capital inflows and declining stock prices.

We obtained the views of CFOs on the outlook for their businesses in 2019, what they believe the Government should prioritize to create an enabling environment and the impact of the finance function in achieving organisational goals. In comparison to 2018, CFOs are much less optimistic about the prospects for growth in the Nigerian Economy. This may be due to the uncertainty that surrounded the 2019 elections and concerns around the perceived unwillingness of the political class to address some of the imbalances in the Nigerian economy.

Our study revealed that the critical 'stay awake' issues for CFOs for 2019 are:

- Profitability & cost management issues (35%),
- Macroeconomic issues (24%),
- Tax & regulatory policy (20%)

In some respects these are the traditional stay awake issues one would expect within the context of a fragile economy.

Government's sustained focus on increasing revenue through taxation remains a key issue. This is consistent with our survey outcome from 2018. CFOs remain concerned about ambiguous tax laws, the perceived aggressive tax collection drive by government and multiplicity of taxes.

The need to broaden the tax base rather than overburdening existing payers also remains a recurring theme.

The need for infrastructure to drive growth cannot be overemphasized. While infrastructure has always been prominent in our surveys, it is even more relevant to the agenda business is expecting government to deliver for economic growth during 2019.

At the organisational level, CFOs identified skills and competencies of finance function personnel as the most important factor required to raise the effectiveness of the finance function. This brings to the fore the need to think differently about the skill sets and training required for finance function personnel of the future. A future many of us would argue is already here.

We hope you find our 2019 CFO Outlook Survey thought provoking and insightful. On behalf of KPMG, I would like to thank all CFOs who participated in the survey and who so willingly gave of their time to be interviewed.

We look forward to engaging with you further on these insights. KPMG's partners and professionals remain committed to providing a platform for articulating issues of concern to CFOs for the improvement of the overall business environment.

Tola Adeyemi
Partner & Head
Audit Services
KPMG in Nigeria

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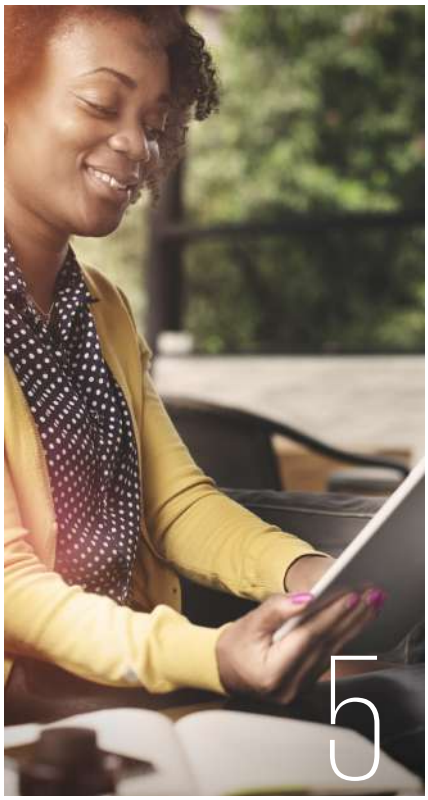


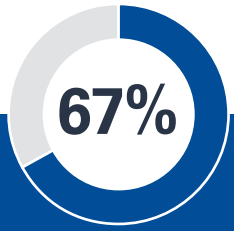
Snapshot

Prospects for Growth in 2019

Our findings revealed that in contrast to 2018, CFOs are less optimistic about the prospects for growth in the Nigerian Economy. Our survey revealed that only about 17% of respondents were confident about the prospects of the Nigerian Economy, representing a 29% decline from last year. Perceived political instability occasioned by the general elections, inconsistent government policies and exchange rates were some of the underlying reasons.

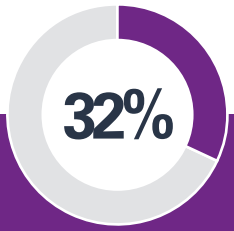
"Stay Awake" Issues

CFOs identified **Profitability & Cost Management** as the most important stay-awake issue. This is closely followed by **Macroeconomic Issues** & **Tax & Regulatory Policy**.



Impediments to Organisational Growth

Regulatory Uncertainties, Fiscal Policy and **Talent** were identified by CFOs as part of the top five impediments to organizational growth. 67% of the respondents consider regulatory uncertainties as the highest impediment to organisational growth.

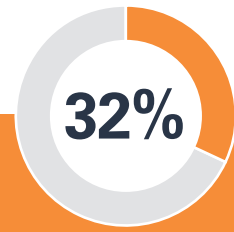


CFOs' Activities

32% of CFOs indicated that they spend most of their time on **Strategy-related Activities**. **Operational Activities** and **Compliance Control/Regulatory Investigations** were among the top three activities carried out by CFOs.

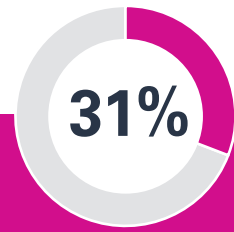
Effectiveness of Finance function

Skills & Competencies of Human Capital were identified by CFOs as the most important factor in the effectiveness of their finance function. This is closely followed by **Data Quality** and **Clearer Strategy**. CFOs have placed emphasis on the availability of skilled and competent personnel at the right levels as being most critical to an effective finance function.



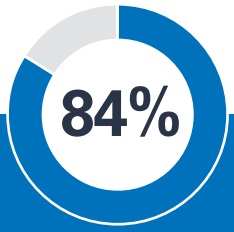
Data & Analytics

This year's survey revealed how organisations have employed analytics for decision making in their operations. **Process Improvement & Cost Efficiency, Regulatory Compliance** and **Fraud Analysis & Prevention** were listed as the potential areas for the application of advanced analytics capabilities.



Infrastructural Challenges

31% of respondents identified **Power Supply** as the key infrastructural challenge faced by their businesses. This is closely followed by **Security** and **Logistics/Distribution**.

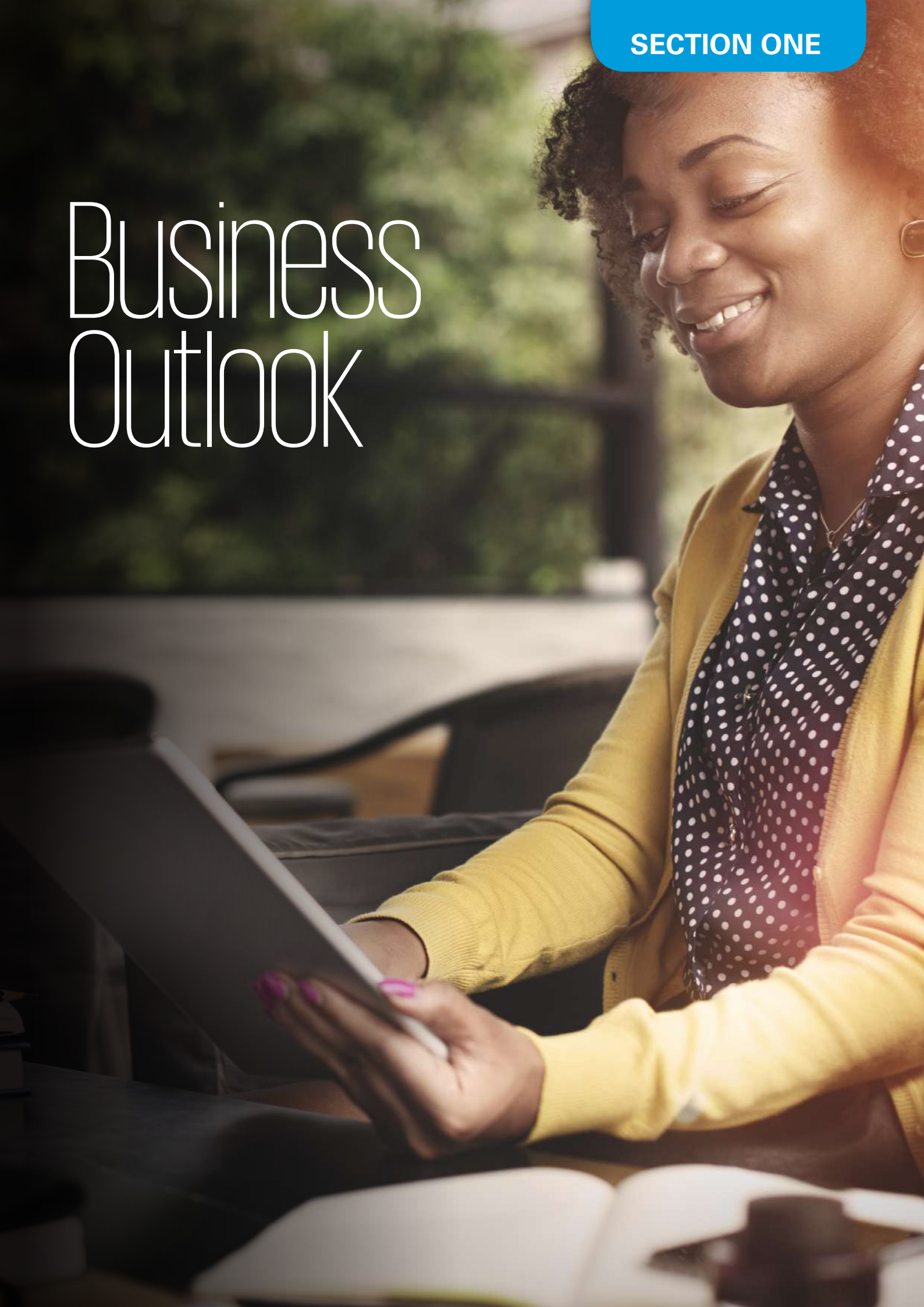


Ease of Doing Business

In this year's survey report, 84% of CFOs agreed that the focus is right, however execution is currently weak and can be improved upon. They are of the opinion that the efforts aimed at the ease of doing business are yet to have an appreciable impact on the majority of businesses.

SECTION ONE

Business Outlook



Q1 & Q2

How confident are you about the prospects for growth in the following areas for 2019?

This year's CFO survey revealed that in contrast to 2018, CFOs are less optimistic about the prospects for growth in the Nigerian Economy. As against last year, where CFOs felt more confident about the prospects of the economy, this year's survey reflected a much less optimistic view.

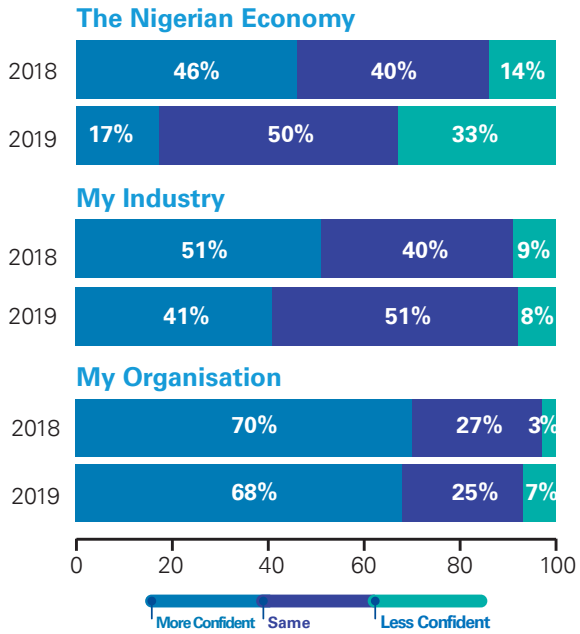
Our survey revealed that only about 17% of respondents were confident about the prospects of the Nigerian economy, representing a 29% decline year-on-year. Some of the underlying reasons adduced for the much less confident view were:

- Level of uncertainity occasioned by the general elections;
- Inconsistent government policies;
- Exchange rates.

At the industry level, there was a 10% decline in the proportion of CFOs confident about the prospects for their industry. A significant proportion of the CFOs in this category were from the Financial Services Industry. Similarly, concerns around political uncertainty, regulatory inconsistency and ineffective implementation of policies related to industry challenges were some of the reasons adduced for the less optimistic views.

A significant number of our respondents from the Financial Services industry are also worried about the implications of possible change in the leadership of the Central Bank of Nigeria and the potential impact on the direction of monetary policy

At the organisational level, CFOs are more confident about the prospects for their organisation in 2019. Although there was a slight decline in optimism compared to 2018. Our respondents expect strategies deployed in the areas of technology improvement, digitisation and cost performance, will impact positively on their company's performance in 2019.



"Given the priorities of the government, there will be a push to keep interest rates low and exchange rate stable, although market forces may force them up a bit. A lot will be driven by our crude oil production/prices"

Patrick Iyamabo
CFO, First Bank of Nigeria

Q3

As the CFO of your organisation, what are your top three 'stay-awake' (most important) issues?

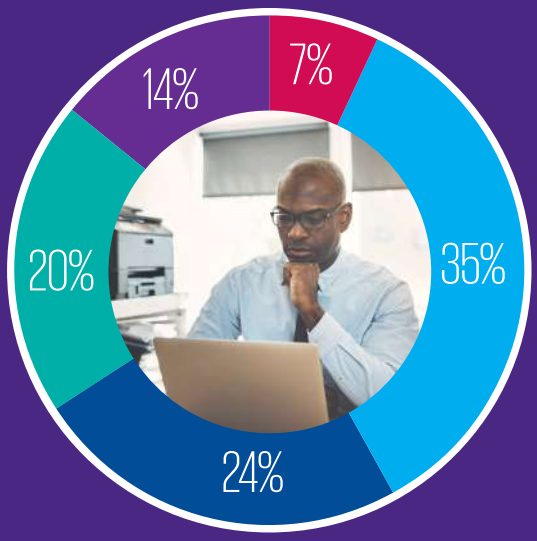
The top three stay-awake issues for CFOs highlighted in our survey report for 2019 are:

1. Profitability & Cost management issues (35%),
2. Macroeconomic Issues (24%),
3. Tax & Regulatory policy (20%)

This is in contrast to our 2018 survey report – in which Tax Regulatory & Government Policy concerns emerged as the primary 'stay-awake' issue, indicating a returning focus to the traditional CFO stay awake issues.

Similarly, macroeconomic issues have moved from 3rd place (in our 2018 survey) to 2nd place.

Also in contrast to last year's survey, availability of foreign exchange is no longer a top three stay awake issue. Other issues of concern raised by CFOs in this year's survey were associated with risk & strategy implementation themes.



- Profitability/Cost management
- Macro-economics
- Tax & Regulatory policy
- Risk/Strategy
- Foreign Exchange issues

Q4

To what extent are the following factors a likely impediment to your organisation's growth and profitability in the next year?

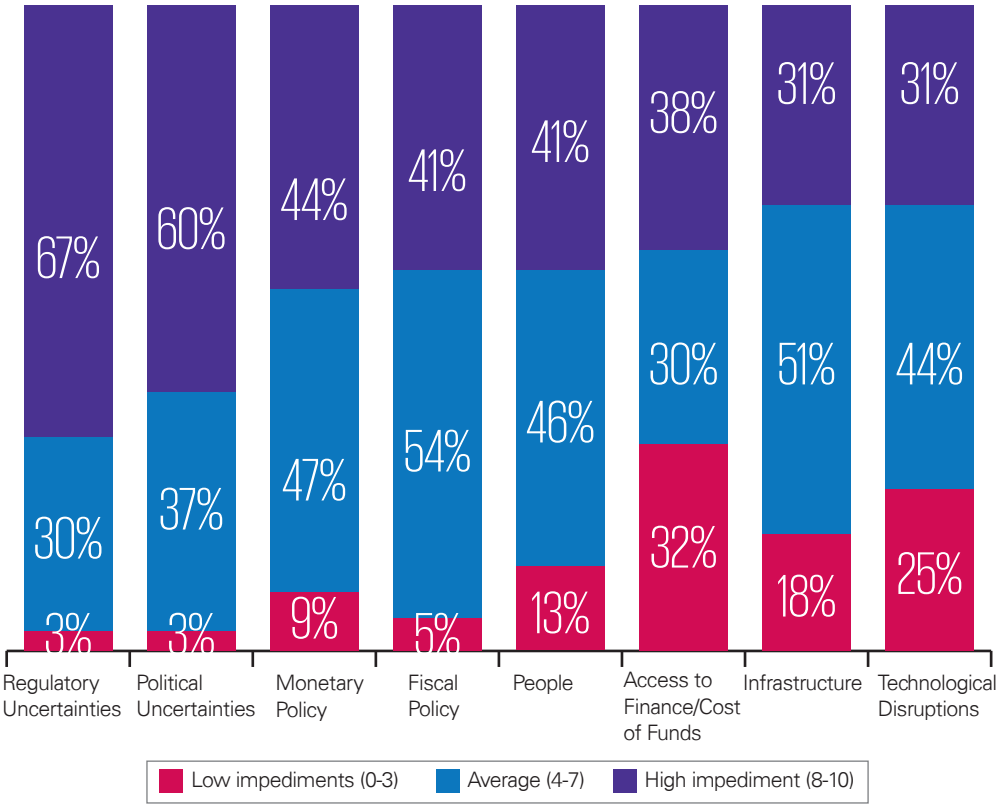
Similar to our 2018 Survey, Regulatory Uncertainty still features as the top impediment identified by CFOs. While still the top issue, of note is the observation that more CFOs identified this as the key issue; i.e. 67% (in 2019) compared to 38% (in 2018) indicating a 29% increase. **Patrick Iyamabo, Chief Financial Officer of First Bank of Nigeria** says "Regulation is another big area. We are in an industry that is heavily regulated; even more so now, and the regulations are subject to different interpretations.

Respondents have also identified Political Uncertainties as a top impediment, reflecting perceived election year impact. Compared to last year's survey, Political Uncertainty (identified as Social Tension) was ranked 7th. In 2018, social tensions were attributed to various inter-ethnic/communal clashes across the country.

We also noted that top impediments identified from our 2018 survey such as: Rising Inflation (No. 2) and Foreign Exchange (No. 4) have been de-emphasized.

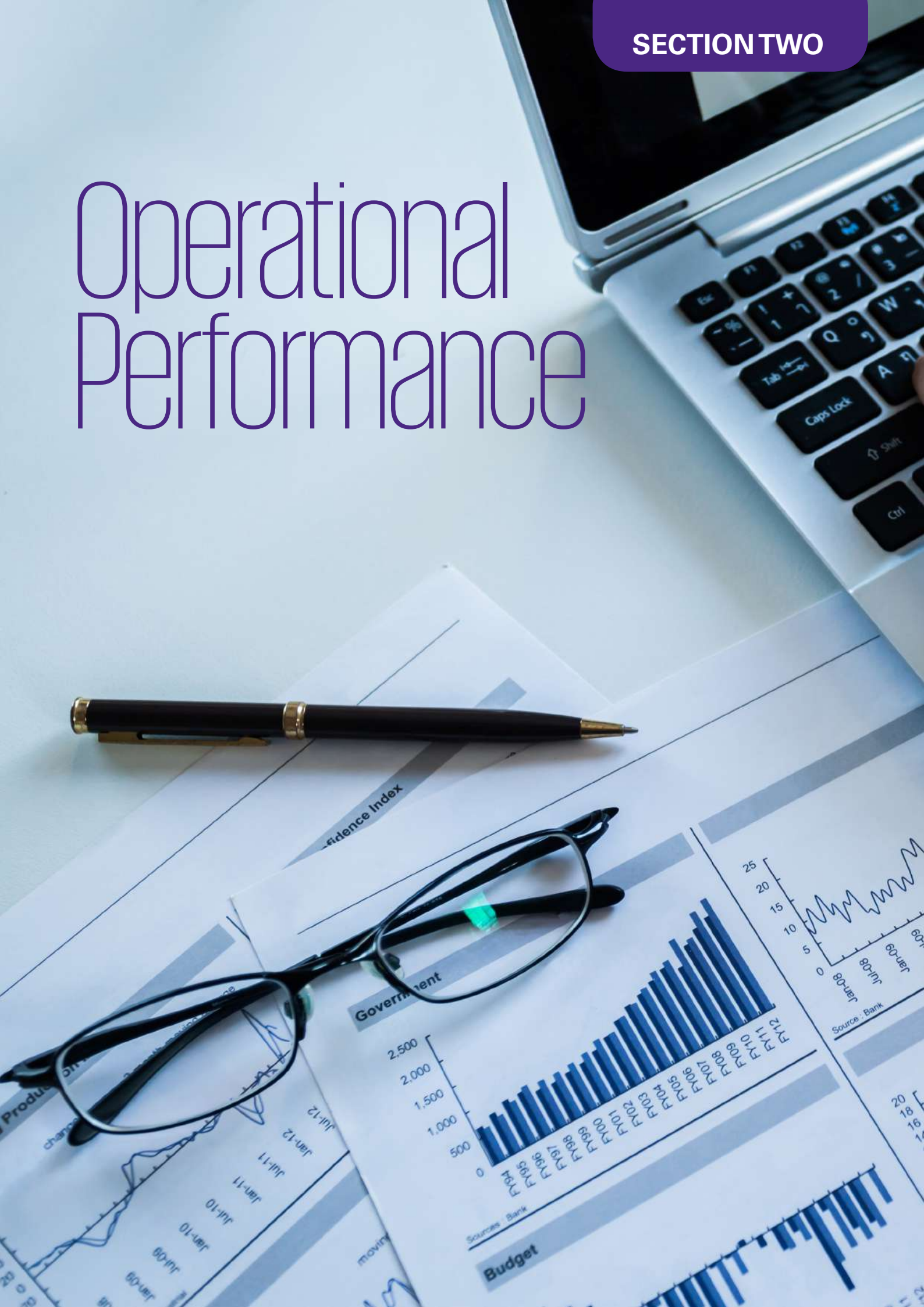
From a sector point of view, Regulatory Concerns were more prevalent in the Financial Services Industry (42%) and Energy and Natural Resources Sector (22%) where respondents identified Regulatory Uncertainties as a major impediment.

The other top three impediments to organisational growth & profitability include Fiscal Policy, Monetary Policy, Access to Finance/Cost of Funds, as well as People/Talent Issues.



SECTION TWO

Operational Performance



Q5

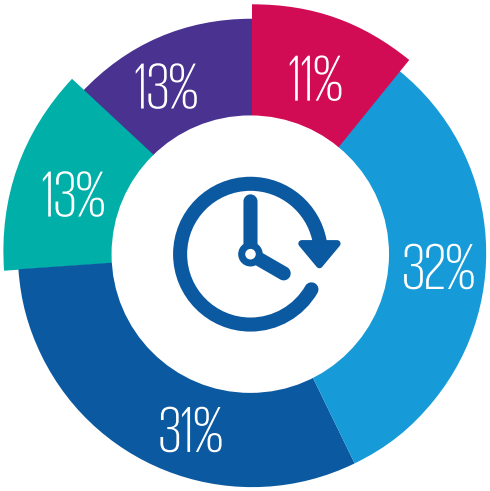
As the CFO, what do you currently spend most of your time doing?

In this year's survey report, the top three activities of CFOs are:

- Strategy-related activities (32%);
- Operational activities (31%);
- Reporting(13%); and
- Compliance control/Regulatory investigations (13%).

While CFOs identified Strategy-related activities as the primary focus of their role, the survey indicated that a significant proportion of the CFOs' time (44%) is still spent on carrying out operational and reporting activities such as book-keeping, transaction processing, month & quarter-end reporting, etc. This indicates a need to leverage technology as well as other transformation initiatives, to minimise the time commitment of the CFO office to these activities. We expect that these investments will potentially free-up CFO time to focus on more strategic & value adding activities.

Other areas identified where significant amount of time is spent include; Compliance Control/Regulatory Investigations (13%), Reporting (13%) and Investor/Stakeholder Engagement (11%).



- Strategy
- Operational
- Compliance control/Regulatory Investigations
- Reporting
- Investor/Stakeholder Engagement

"The enablers of the finance function are to quickly fully automate and have decision systems in place such that data is readily available to all teams when they need it. Once this is in place, the finance function starts to do what they are meant to do".

Oluseyi Kumapayi
CFO, Access Bank

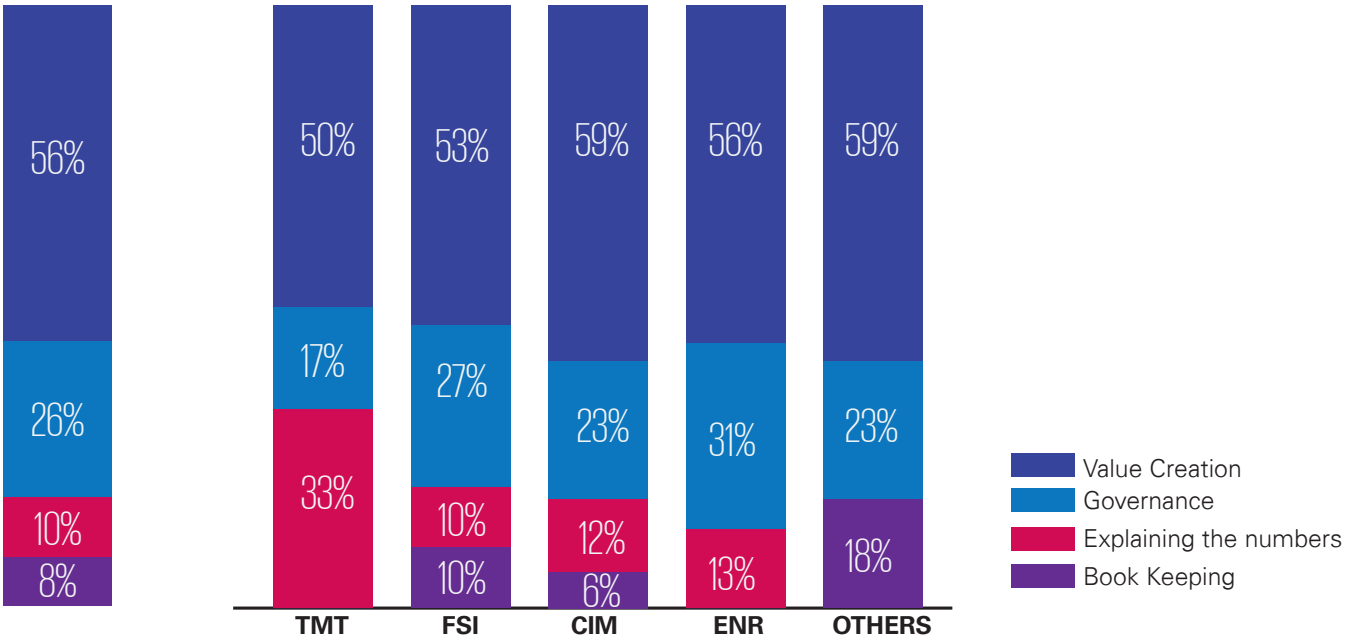
Q6

The finance function plays different roles within the business depending on its stage of maturity. Where would you categorize the focus of your finance function currently?

Based on the survey outcomes, on the aggregate, the roles assumed by the finance function within the business were as follows:

- Value Creation (56%)
- Governance (26%)
- Explaining the numbers (10%)
- Book Keeping (8%)

For instance, well over half of the survey respondents in the Consumer and Industrial Markets (CIM) -59%; Energy & Natural Resources (ENR)- 56%; and Financial Services Industry (FSI) - 53%; sectors indicated that the focus of their finance function is mainly on value creation.



Delivering Value through Finance Business Partnering

Business leaders are increasingly demanding enhanced value delivery from their finance functions. A number of organisations expect their finance functions to have transcended beyond the traditional transactional role and be at the epicenter of changing priorities, new initiatives, growth and profitability.

In response to this demand, a number of finance functions have adopted a Finance Business Partnering (FBP) initiative. However, the current state of FBP in most organisations requires improvements. Organisations need business partners that will support the business to raise standards in key decision areas, take a forward-looking and commercial view supported by a rich consulting capability and high emotional intelligence to help articulate different options and influence decisions. Consequently, finance functions need to enhance their approach to FBP.

Solution areas for FBP will depend on the nature of the business. Possible solution areas may include working capital optimisation, pricing, marketing and promotional-activities effectiveness, investment appraisal, customer acquisition/ retention, sales force effectiveness and / or activity-based approaches, etc.

CASE STUDY: a leading fast moving consumer goods company - Promoting finance business partnering within an organisation

Business Situation

A leading FMCG company was experiencing dwindling sales. Sales targets were set for the company's sales team to improve the top-line. The team was also granted liberty to engage in reasonable promotional activities to achieve the target.

The sales team identified two high-value products which could potentially increase total revenue if the volume sold were increased. They also planned to adopt a "buy one, get one free" promotional activity on the products.

The Collaborative Response

The Finance Department which was focused on partnering with the business to drive better business outcomes performed some cost and competitor analysis based on internal and external financial and operational data to enrich the Sales team's decision-making process. The outcome of the cost and benchmarking analysis showed that the profitability on the selected products is low and the promotional activity will not be profitable. Besides, based on historical trend analysis, the customers' responsiveness to price changes on similar classes of products was typically low. In addition, the company's market share of the selected brands was already optimized.

Outcome

Based on the support from Finance, the Sales team were able to make a more informed decision in identifying the appropriate products and the structure for the promotional activity to achieve the business objective. Subsequently, Finance became more valued and was being sought out by other Functional Leads to provide insights and quality advice.

To successfully implement a strategic business partnering initiative, finance functions need to address the following structural and talent requirements:

The finance function maturity
Efficient and accurate transaction processing, financial controls, and management information based on robust underlying assumptions are pre-requisites to successful business partnering. An organisation should not embark on FBP unless there is adequate foundation and finance function maturity. The business will not accept the finance function as a business partner if operational excellence such as transaction processing and management information is deficient.

Business context
To effectively partner with the business, finance personnel must understand the industry, the organisation's place and maturity in the industry, the business life cycle and clear strategy and objectives of the business

Technology, data and analytics
Technology and tools aligned with the requirements of the business model enable the strategic business partner to create insights to drive the business forward. With appropriate automation in place, the focus shifts to analytics that drive value creation.

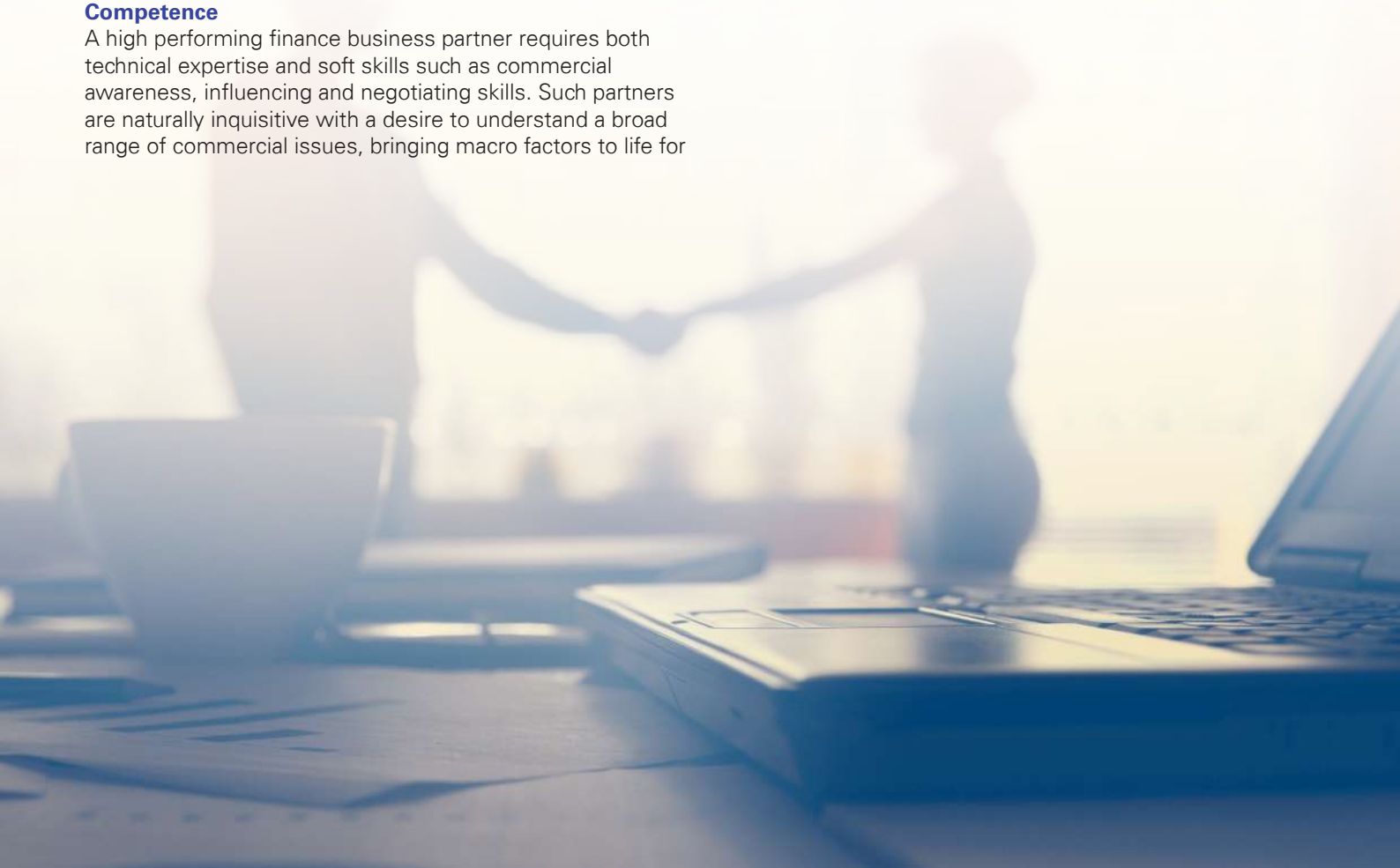
Performance expectations.
A critical success factor for strategic business partnering is the team's ability to articulate what support they can offer and how it aligns to the organisation's needs. FBPs should be close enough to the business to understand the expectations of the business and propose practical solutions.

Competence
A high performing finance business partner requires both technical expertise and soft skills such as commercial awareness, influencing and negotiating skills. Such partners are naturally inquisitive with a desire to understand a broad range of commercial issues, bringing macro factors to life for the business and explaining the relevant context. Therefore, assessing if the current workforce possesses the skills and behavioral ability as well as ongoing development of these skills and behaviors is required to ensure the partnership remains valuable.

The role of the strategic partner will continue to be of importance in the future. Organisations that are able to attract, develop, enable, and retain employees in these new roles will be better positioned for long-term success in this digital age.

Relationship management
Business partners need to be seen as trusted advisers, one that the stakeholders respect and can rely on to understand their business objectives and provide useful insights to further their agenda. But how that relationship is managed and maintained is just as critical as the information itself. Partnering with business peers to determine a clear and agreed upon direction requires continuous communication, ability to facilitate idea creation, and create strong business cases among multiple parties. Through proactive and thoughtful business relationship management, CFOs can obtain information faster, innovate better, and drive a business imperative beyond the scope of their function.

Indeed, today's finance function must not only ensure the integrity of financial outcomes, but also leverage both internal and external data to provide predictive and prescriptive insights to drive optimal business performance and real-time decision making. Facing the need to change their business models, corporations heavily depend on finance to deliver improved quality, standardized processes, save costs and identify opportunities for value creation.



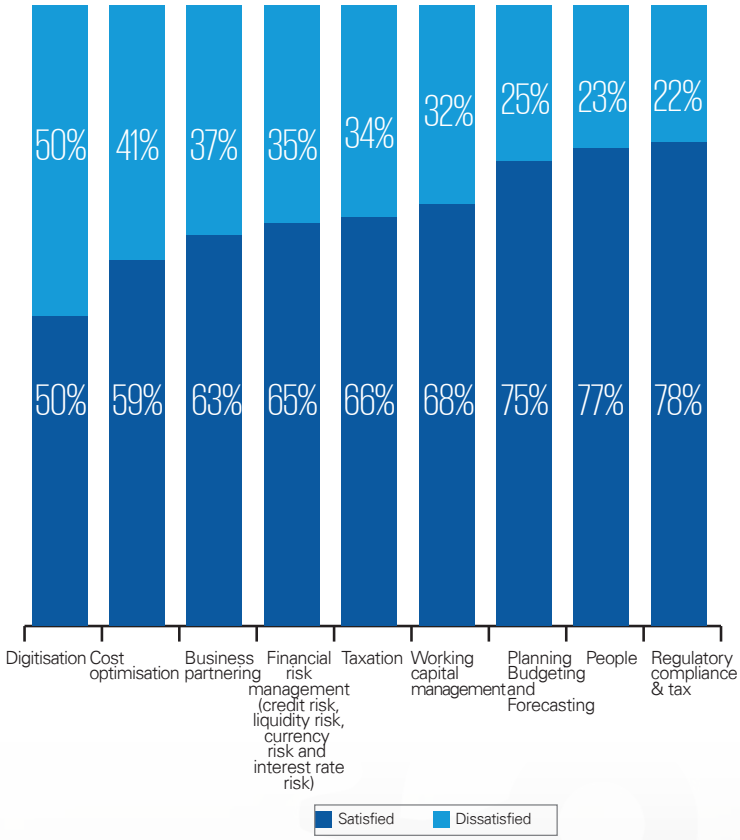
Q7

How satisfied are you with the effectiveness of your strategies in the following areas?

In this year's survey, CFOs were relatively satisfied with strategies deployed in Regulatory, People, Planning and Working Capital Management. However, significant concerns were identified as to the effectiveness of strategies deployed in the areas of **digitisation, cost optimisation and business partnering**.

Critically, the identified areas of concern confer a significant competitive advantage for companies capable of executing their strategies in these areas. Achieving a market-focused approach in these areas will definitely be key to performance going forward.

On a sector-by-sector basis, this year's survey indicated that 47% and 26% of CFOs in the Financial Services Industry and Energy and Natural Resources sector respectively are dissatisfied with the effectiveness of their strategy in digitisation. 26% of CFOs from the Consumer & Industrial Markets (CIM) sector also indicated satisfaction with the effectiveness of digitisation.



Q8

Which of these factors would have the most significant impact in improving the effectiveness of your finance function?

This year's CFO survey report indicates the following factors as most important towards effectiveness of the finance function:

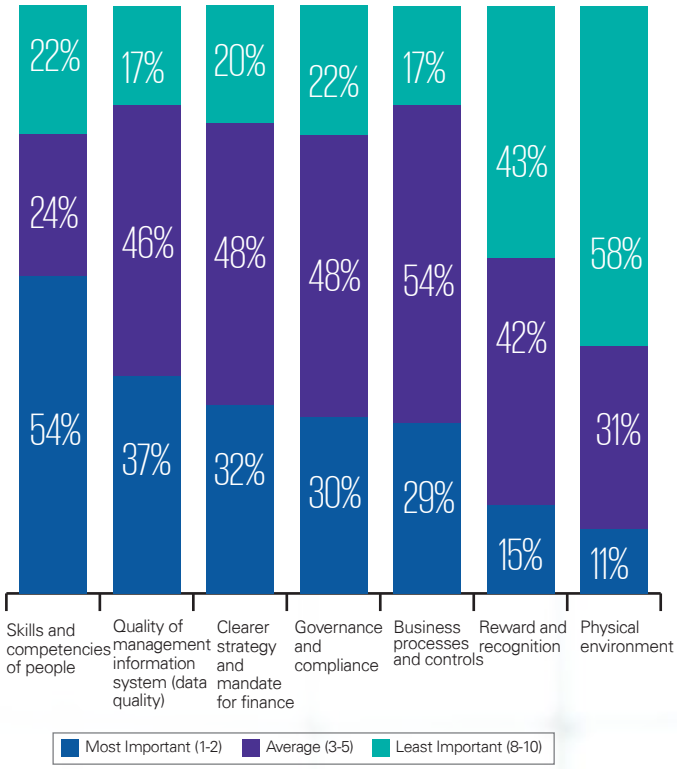
- Skills and Competencies of People (54%),
- Data Quality (or quality of decision support) - 37%
- Clearer Strategy and Mandate for Finance - 32%

Based on this survey, CFOs have placed emphasis on availability of skilled and competent personnel at the right levels as being most critical to an effective finance function. Thus underlining the need for people with the right skills to improve overall job effectiveness and maximize value investments made to improve the finance function. According to **Patrick Iyamabo, Chief Financial Officer of First Bank of Nigeria,** "For me, talent is also a huge challenge. I'm spending a lot more time on hiring than on other people matters – development, retention". Given the above, there is an urgent imperative to have strategies in place to address skill shortages in the traditional finance roles as well as attract talent required for new emerging roles

On the other hand, factors such as the physical environment, reward & recognition have been de-emphasized as being critical to the effectiveness of the finance function.

In summary, it can be inferred that the finance function would need to focus on:

- Attracting & retaining the right skills;
- Optimising the use of investments in data management & analytics; and
- Articulating a clear mandate for finance as a business partner



War for talent – time to change direction

Key findings from KPMG's HR Centre of Excellence Survey

In the fifteen or so years since The War for Talent[1] changed how companies manage talent worldwide, HR approaches that overly focus on high performers have become deeply entrenched. Now, after the economic crisis, the war for talent appears to be back in full force – and companies that take a fresh look at their tactics stand to gain more competitive ground as a result.

In a recent global survey of Human Resources professionals undertaken by KPMG member firms worldwide, most respondents say that addressing skills shortages is a higher priority now than two years ago – and will become critical in the next two years.

Skill shortages appear likely to increase as globalisation and competitive pressures take hold across sectors and industries and improving economic conditions spur employees to seek new jobs.

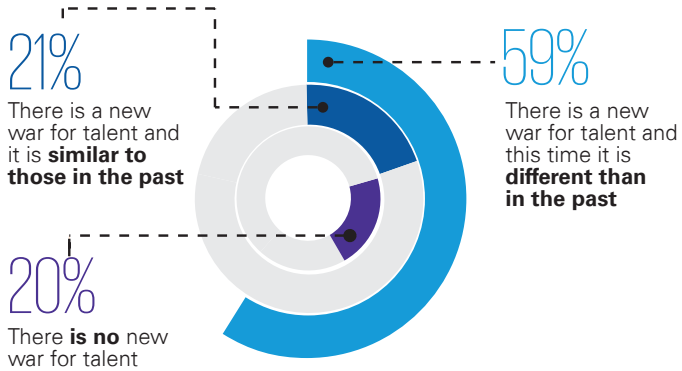
Shifting battleground calls for new strategies

In KPMG's survey, the majority of respondents agreed that there is a new war for talent, and this war is different than in the past.

Respondents to the KPMG questionnaire also stated that the most-often named root cause of talent and skills shortages is generational:

- Younger skilled workers seem less interested in traditional roles and see themselves as free agents, and management has been slow to respond
- The scarcity of people with skills required for new emerging roles is perceived as the most critical market shortage

Is the War for Talent Different than in the Past?



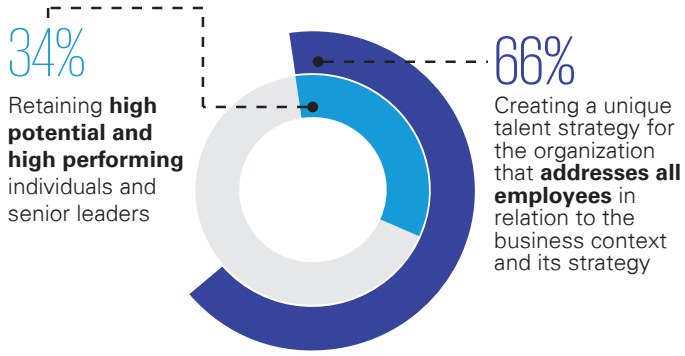
War for talent – winners and losers

There is little evidence that typical 'war for talent' practices that focus on high performers actually contribute to improved business performance.

An analysis of the 106 original adopters of the 'war for talent' practices indicates that 15 years later, such practices have not helped corporate survival and performance. Only 25% of the organisations can be said to be performing well in their market place. A third have disappeared entirely. KPMG's HR professionals agree that it is time to turn to new, more holistic strategies for managing talent:

- Two-thirds of survey respondents say it is more important to address the talent needs of all employees, in the context of the business and its strategy
- Just over half agree or strongly agree that pursuing high potential talent at the team's expense puts the business at risk

What is More Important in Talent Management?



Top 3 ways to address talent shortages

Survey respondents say the top three strategic approaches to addressing talent skills and shortages are as follows:

1. Enlist and empower management in talent management – don't just leave it to HR
2. Focus on developing clear career paths
3. Take a holistic approach to talent management across the entire employee population

Harness analytics to guide thinking and gauge success

Non-financial benefits of the sort offered by effective HR functions are difficult to quantify. But new technologies are enabling robust data and analytics capabilities, allowing HR functions to evaluate and make evidence-based decisions that positively impact the business.

Rather than following industry trends and adopting off-the-shelf solutions, companies should seek to:

- Take a global view of their talent
- Develop distinct talent strategies tailored to their products, markets and business goals
- Engage in a more comprehensively planned approach that measures the impact of their effort
- Put powerful new data analysis capabilities to work to gauge their performance and fine-tune their people practices
- Monitor and measure their talent strategies and adjust them to improve results, meet future needs and create opportunities for employees to contribute more value

Maintaining an organisation that has the right talent

Attracting, building, and retaining talent will look different in the future, so having a holistic approach for addressing the critical aspects of managing finance talent, tailored to your organisation's specific needs, will be essential.

Buy	Build	Borrow/Partner	Save
• Foster relationships with key universities • Source non traditional backgrounds (e.g., STEM) • Redesign talent acquisition strategy for digital natives • Redefine employee value proposition to retain millennial generation	• Invest in career path design, learning and development • Reskill workforce to deliver more business-centric services • Redefine role definitions and core competencies • Develop succession plan to address the retiring and incoming workforce	• Incorporate a flexible workforce into the organisational structure • Develop a multi-faceted workplace ecosystem (e.g., onshore, nearshore, managed service) • Partner to build capabilities that feed into an environment of high-performing talent	• Develop rotational programs to retain and develop high performers and future leaders • Understand critical roles and single-source dependency of institutional knowledge

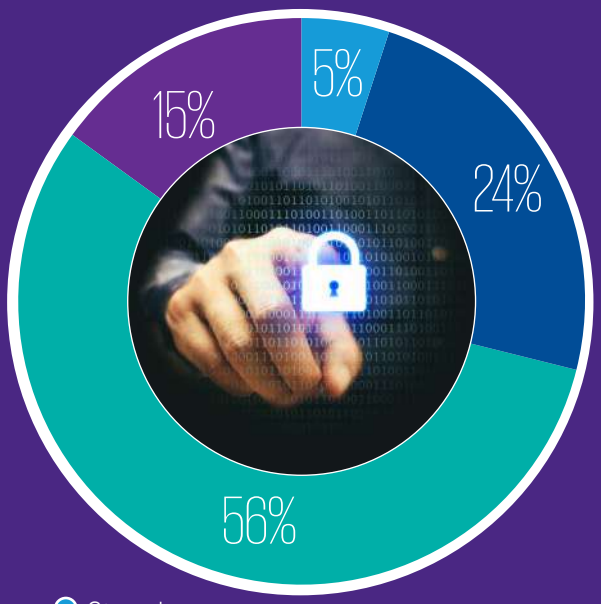
Board of directors will need to achieve the right balance of reskilling the existing workforce and adding fresh talent—even as the implications of new technologies remain uncertain.

Q9

To what extent do you agree with the following statement? "My company's approach to measuring and managing the cyber risks to the business is inadequate"

Today's businesses are in the era of technology-driven disruptions to business models. Customers/stakeholders expect organisations to be more agile, have better interaction with customers and provide real-time solutions to address their needs. While technology has enabled these disruptive business models, increasingly, cyber risks have emerged as a primary concern across board. We have witnessed significant adverse impacts of cyber attacks on organisations' revenue, reputation, share prices, customer base and going concern, amongst others.

29% of CFOs surveyed agreed that their company's approach to managing cyber risks is inadequate. It would appear however that the majority of respondents recognised the importance of managing cyber risks and are satisfied with their company's approach in this area. Experience shows that this is an area that requires continuous vigilance.



- Strongly agree
- Agree
- Disagree
- Strongly disagree

"It is commendable that the government is seeking to drive more tax revenues as our tax to GDP ratio of 4% is very poor compared to other African countries. However, the approach adopted can be improved by shifting the focus on increasing the tax base."

Sharafadeen Muhammed
CFO, Citi Bank

Q10

With respect to the government's thrust on tax policies, how do the following issues rank on your list of concerns?

This year's survey report reveals that following were the most prominent areas of concern with respect to the government's tax policies:

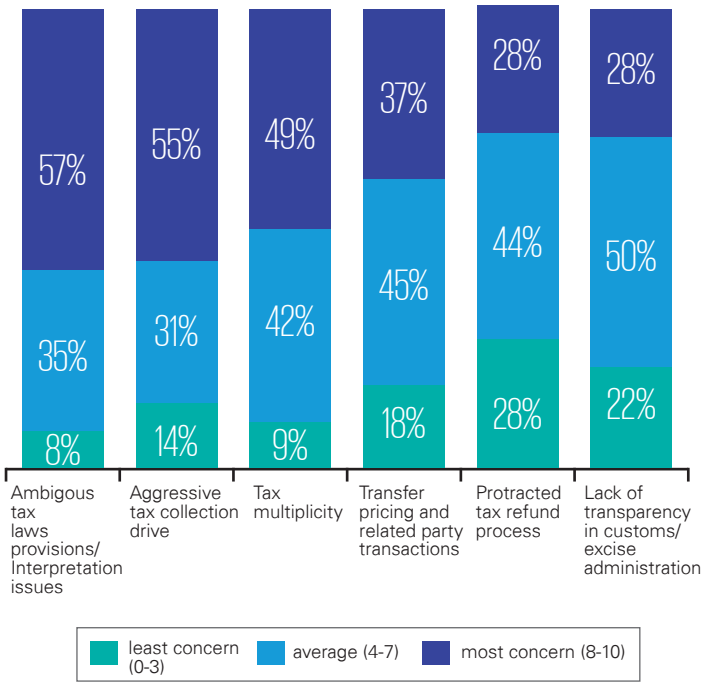
- Ambiguous tax provisions and lengthy tax dispute resolution process
- Aggressive tax collection drive
- Multiplicity of taxes

This is largely in line with our survey outcomes from 2018. This indicates an imminent requirement for reform of the tax legislation/framework to eliminate anomalies and areas of concern. **Oluseyi Kumapayi, Chief Financial Officer, Access Bank** says "the amount of inconsistency and lack of clarity on the tax regimes in the different jurisdictions/states makes life difficult for anyone who runs operations nationwide, it makes it hard to prepare".

In addition, the various tax and regulatory authorities will also be required to engender a more inclusive engagement model to drive the pro-business agenda of the Government.

The CFOs believe that the critical intervention areas are:

- Policy of using commission-based consultants
- Apparent absence of a risk-based approach to audits by the tax authorities, particularly the Federal Inland Revenue Service (FIRS)
- Targeted investigation
- Prolonged tax audit process
- Lack of accountability on taxes collected or a lack of tax contribution reporting framework, by the Government
- Multiple audits and regulatory over-reach



Optimizing tax costs

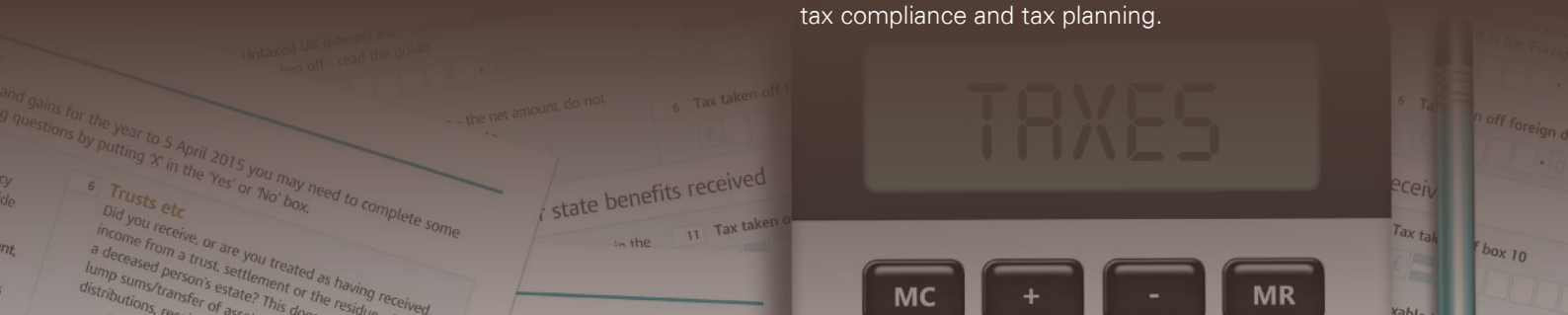
Over the last two years, the growing tax collection drive and evolving tax environment have been major stay awake issues for many CFOs surveyed in the annual KPMG CFO Survey. This has been largely because of the growing government focus on tax – evidenced by the multiplicity of taxes, multi-agency tax reviews, etc. Not much of that concern seems to have gone away with the turn of a new year. With the Nigerian tax authorities estimating a 50% increase in tax revenues, from the previous year (i.e. 2018), many CFOs are now desirous of managing their tax cost profiles in order to increase profitability.

While there are many ways of optimizing a company's tax cost, one sure way is by leveraging technology. In recent times where the use of technology and artificial intelligence has been the crux of efficiency in all fields, technology has also lent its efficacy in tax management. Technology is always an enabler; and emerging tax technologies are beginning to present effective and efficient options to achieving tax compliance and planning efficiency.

For instance, one useful, though emerging tax technology, is in the area of tax data analytics. Advanced data analytic tools are able to assist with data extraction which can provide valuable insight into the business's tax trends and thereby assist with planning. In practical terms, a user can clearly determine what areas of the user's business exposes the user to more taxes than other areas. Take a case of a company with significant purchases for raw materials that has element of allowable input VAT, the company can use available data analytics tools to reconcile its input VAT against its output VAT to ensure that it pays the right amount of output VAT. The same company can also extend the analytics to isolate raw materials that give it more tax savings via input VAT.

Also, there are advanced tax compliance monitoring tools which are able to assist tax managers with the day-to-day management and oversight of tax (and/ or regulatory) activities. Such tools are able to keep track of pre-determined tax timelines, promptly escalate any delays on such timelines, track tax payments, while also serving as an easy-point-access to tax data. Such capabilities which are often configured to cater for several jurisdictions, proactively assist with meeting timelines and avoiding penalties associated with flouting tax filing deadlines. In effect, a tax manager of a multinational organisation can, at the click of a button, view the compliance status of all subsidiaries across their various locations, view tax payment trends of each entity, track tax activities and generate tax compliance reports. Some of these tax technological tools, such as the KPMG Tax Intelligent Solution and KPMG Link 360 can also determine the appropriate tax that should be paid on all transactions while prompting users of impending timeline to submit to the tax authorities.

In conclusion, the usefulness of tax technology in achieving tax cost optimization cannot be over emphasized. In adopting tax technology, CFOs would need to first review their businesses and operational framework to determine which areas would most benefit from a tax technology intervention. Thereafter, the company's ERP system would need to be assessed to determine compatibility. Where unique specifications are also required, this may be achieved with the help of the tax technology vendors, working closely with the tax team and in-house IT Unit. Continuous monitoring and evaluation would also be required to ensure that the technology is fit-for-purpose and effective at meeting its set objectives. Deliberate adoption of the right tax technology by organisations will significantly help to put the mind of tax managers and CFOs, at rest in terms of their tax compliance and tax planning.



Q11

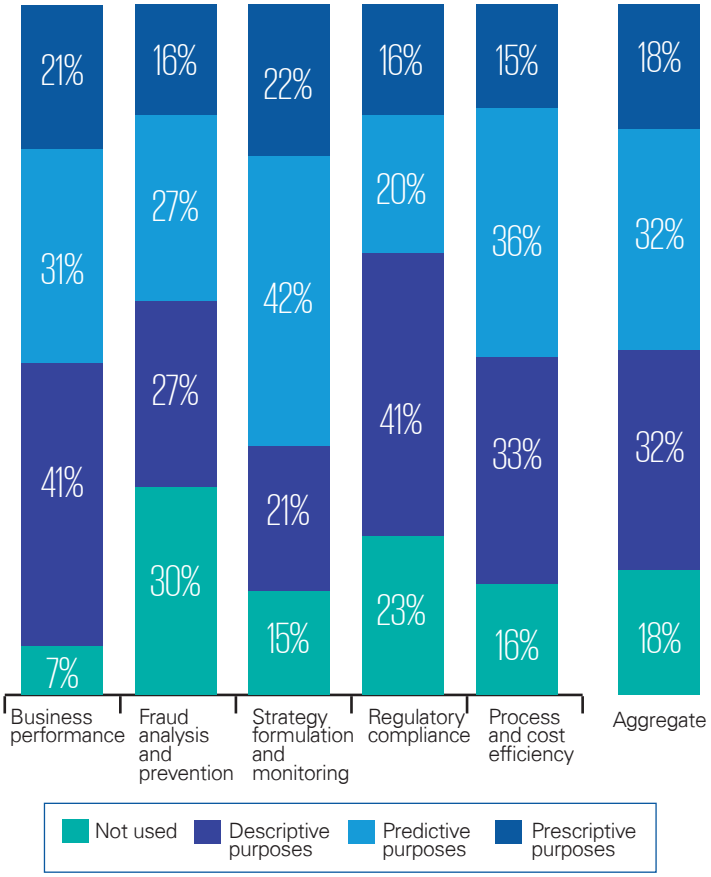
To what extent do you use analytics for decision making in the following areas of your operations?

In today's business environment which is defined by constant disruption, organisations need to leverage analytics capabilities to take advantage of evolving market opportunities, drive strategy and support decision making in order to achieve profitable growth.

This year's survey also reviewed how organisations have employed analytics for decision making in their operations. According to **Patrick Iyamabo, Chief Financial Officer, First Bank of Nigeria,** "Data is the new oil. The moment CFOs understand and do what needs to be done to tap into data, the sooner they can transform their organisations."

While the use of analytics varied across segments, there is still a very significant proportion of CFOs (about 50%) who are either not currently using analytics capabilities within their operations or utilising it only for descriptive purposes (i.e. what has happened).

Based on the review of responses, there is significant scope for use of analytics as a decision support tool (i.e. prescriptive and predictive use). In this respect, process improvement & cost efficiency; regulatory compliance and Fraud analysis & prevention are some of the potential areas of application for advanced analytics capabilities.



"Data analytics is changing the landscape and for us in MainOne, we are in a knowledge industry, we are in an evolving industry where data is key."

Babatunde Dada
CFO, MainOne

Q12

Please provide the names of the analytical tools used for the purposes in Q11.

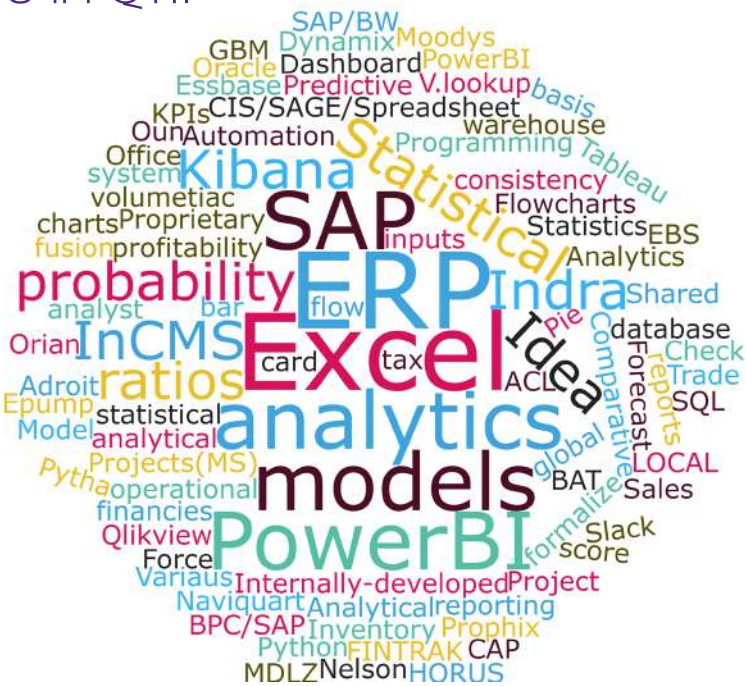
While this year's survey indicated the use of some investments in analytical tools, most of the CFOs either employ the following tools:

- Microsoft Excel (i.e. manual interventions or as part of the organisation ERP)
- Analytical tools embedded with organisational ERP
- Visualisation tools such as Power BI.

Our survey indicated MS Excel as the most prevalent analytical tool, with over 50% of respondents identifying MS Excel as the primary tool employed.

Other tools employed include: SAP/ERP, PowerBI, Kibana, InCMS are the major analytical tools being used by CFOs to achieve their purposes.

Use of Microsoft Excel would indicate a highly manual analytics process and also corroborate the dependence on descriptive analysis to support management decision making.



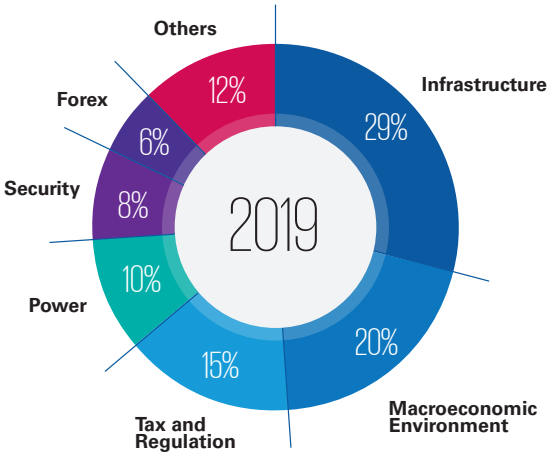
SECTION THREE

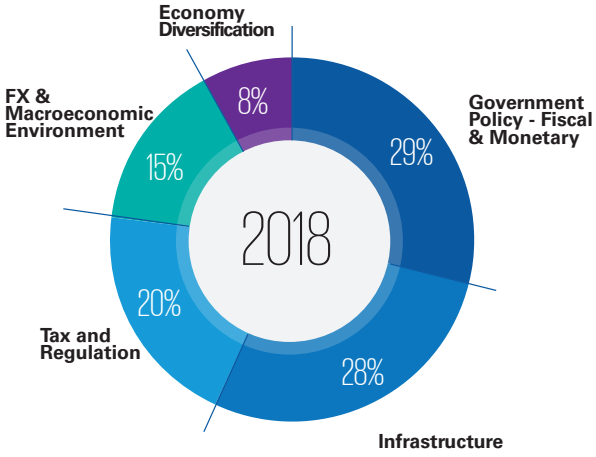
Enabling Environment

Q13

What are the top three matters that need to be addressed by Government to spur economic growth?

The top three (3) areas expected to unlock growth as identified by CFOs were: Infrastructure, Macroeconomic Environment, Tax and Regulation. While Infrastructure has always been prominent in our surveys, year-on-year, it is even more relevant to the agenda of the business community, and their heightened expectation for government to deliver on this key area to unlock growth.





Q14

What are the top three infrastructural challenges currently affecting your business?

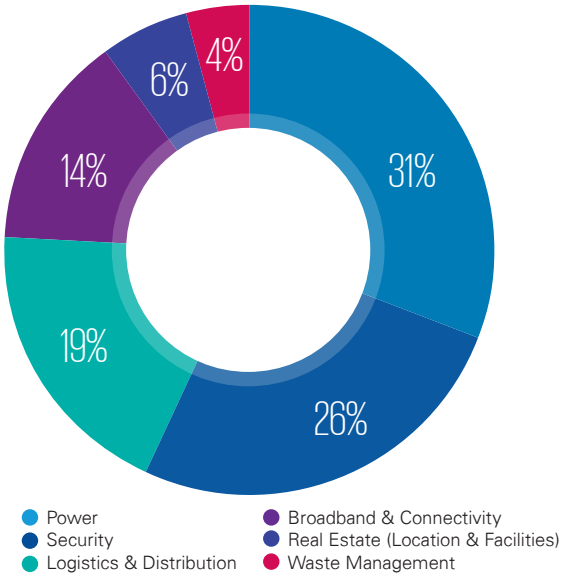
In line with the identification of infrastructure provision as the key area to spur economic growth (Q13 above); CFOs have identified power, security and logistic/distribution provision as the key infrastructural challenges faced by their businesses.

This essentially underscores the key infrastructure challenges and interventions required by the government to improve the business environment. Based on the survey, the priority infrastructure intervention areas include:

- Power
- Security
- Transport
- Broadband & Connectivity

Sharafadeen Muhammed, Chief Financial Officer, Citi Bank says "One key infrastructure that needs to be worked upon by the government is stable power supply. The cost of alternative power supply is a drag on the performance of businesses."

As with our 2018 CFO survey report, power still remains of top concern to CFOs. 31% of our survey respondents identified power supply as a high impediment to their business. About 26% have also identified security while 19% identified logistics/distribution as top business challenges.



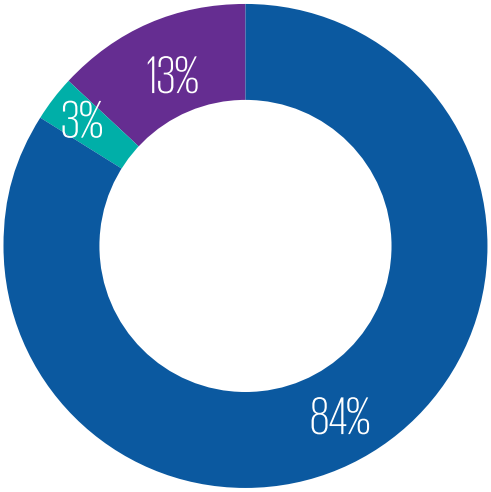
Q15 & Q16

How would you characterize the current efforts aimed at improving Ease of Doing Business?

In this year's survey report, 84% of the surveyed CFOs agreed that the focus is right, however execution is currently weak.

44% CFOs from Financial Services Industry, 31% CFOs from Consumer and Industrial Markets and 24% CFOs from Energy and Natural Resources sectors agree with this perception.

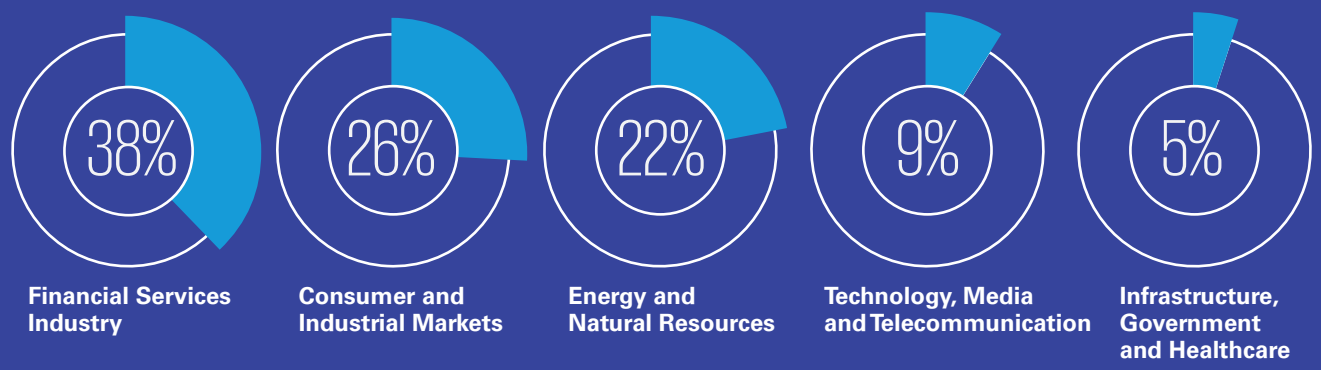
This analysis suggests that the impact of weak execution is either felt more in the Financial Services sector or that sector is at present more vocal in its agitation for a more conducive business environment.



- Right Focus, Weak Execution
- Right Focus, Right Execution
- Wrong Focus

About the survey

KPMG International's global survey of CFOs and other senior finance executives of organisations worldwide is one of the most comprehensive and long-running survey series of its kind. Iterations of our global CFO surveys and research papers have been conducted regularly since 2006, charting the evolution of finance departments and identifying leading financial management practices of high-performing companies. This report presents our findings from the 2019 CFO Outlook Survey conducted by KPMG in Nigeria which consists of sixteen (16) questions. CFOs and Heads of Finance in leading organisations across all major sectors in Nigeria shared their opinions on the outlook for their businesses, their strategies for cost and risk management and the priorities for an enabling environment. The distribution of our respondents across the sectors is illustrated below:



This report is based mainly on the findings from the survey. In addition to this, we incorporated feedback from organised interviews with selected CFOs across the key sectors of the economy. We have also leveraged other KPMG International survey reports and financial management thought leadership to ensure that the report provides necessary insights into some of the critical themes identified in the survey.

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