



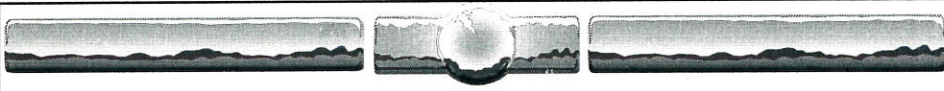
IMPERATIVES OF INDUSTRIALIZATION IN NIGERIA

MAN AGM
April 20, 2000

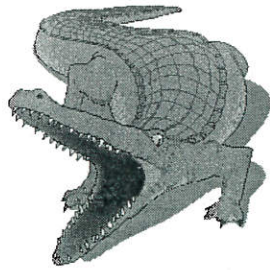


Today - Most of us are concerned with survival.
- WE ARE FIGHTING WITH POWER TELEPHONES
- WE FACE ACCESS TO DEMOCRACY
- IT IS HARD TO FOCUS ON LONG TERM
- MY TASK TODAY IS TO FOCUS ON THE BIG PICTURE!

I HAD A FRIEND AT WHO'S WHO ALWAYS HELD US UP BEYOND FIGHTING THE BIG PICTURE HE ALSO SAID -

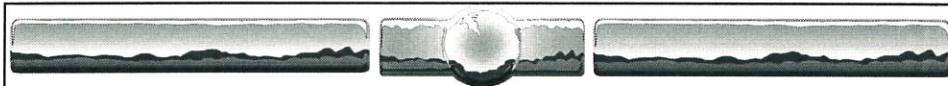


WHEN YOU'RE FIGHTING ALLIGATORS, IT IS HARD TO REMEMBER YOU CAME TO DRAIN THE SWAMPS



I HOPE THIS WILL HELP ALL OF US FOCUS ON THE BIG PICTURE!

OUR TASK TODAY IS TO DRAIN THE SWAMPS + ~~LOOK~~ BUILD A SOLID FOUNDATION FOR INDUSTRIALIZATION



TODAY'S PURPOSE

- ❖ To focus on economic breakthrough driven by industrialization
- ❖ To deal with imperatives for Long Term success

3



FOUR LEVELS OF IMPERATIVES

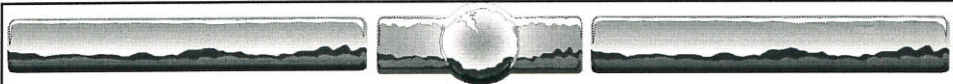
- ❖ National Direction
- ❖ Enabling Environment
- ❖ Private Initiative
- ❖ Create the "New Economy"

We must get all 4 right to win Olympic gold

4

Big Pictures

TOUCH JOB -
WORK ON 4 FRONTS
ALL AT SAME TIME



TODAY'S AGENDA

- ❖ Global Context
- ❖ Three Simple Questions
- ❖ Industrial Imperatives
- ❖ Conclusion

5

Quick - but clearly critical to get overall macro structure right
 most of time
 Quick wrapper



GLOBAL CONTEXT

- ❖ Massive wealth creation globally
 - ❖ Particularly in emerging markets
 - ❖ The rules of success are well known
 - ❖ But Nigeria has been a spectator!

“Nigeria has no business to be poor”


Chief Rufus Giwa

6

OUTSIDE IN
 GLOBAL REALITIES

GLOBAL COMPETITION IS TOUGH EVERY YEAR
 ↓
 Olympics

KEY DECISION -
PRIVATE SECTOR
MUST DRIVE THE
ECONOMY




GLOBAL CONTEXT

PERSPECTIVE

- ❖ **Government's role is to create an enabling environment**
 - ❖ But it can *not* do the work
- ❖ **Private Business must take on the challenge of industrialization**
 - ❖ Today – we are not prepared
 - ❖ The gap vs. the world is widening
 - ❖ We must be proactive – time is not our Ally

7

NEED
- CONSENSUS
- ACTION



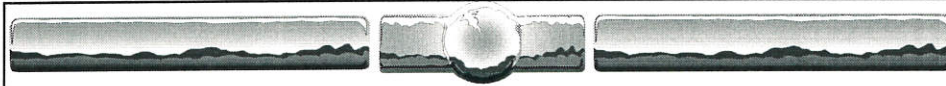
GLOBAL CONTEXT

THE WAY FORWARD

- ❖ **Public/Private partnership – from vicious to virtuous circle**
 - ❖ Clear vision
 - ❖ Workable blueprints
 - ❖ Disciplined implementation
 - ❖ Measurement (Transparency and Accountability)
- ❖ **Proactive private sector leadership**
 - ❖ Build a modern industrial economy
 - ❖ Focus on the “*New Economy*”

8

STARTS w/ CLEAR
NATIONAL
DIRECTION



NATIONAL DIRECTION

THREE SIMPLE QUESTIONS

- ❖ **Where are we now? And why?**
- ❖ **Where do we want to be?**
- ❖ **How do we get there?**

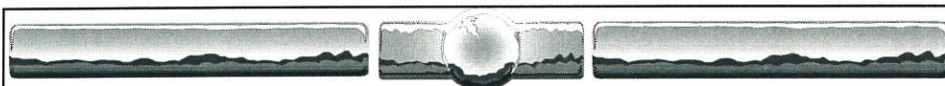
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WHERE ARE WE NOW?

- ❖ **Nigeria vs. the world**
 - ❖ Bottom 10% in key economic and human development indicators
- ❖ **Industrialization**
 - ❖ Disabling environment
 - ❖ Import dependent
 - ❖ Minimal value added

10

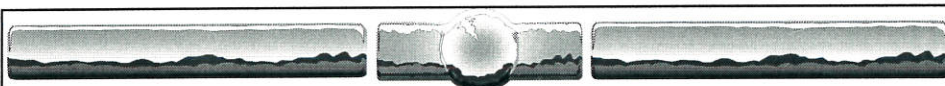


WHERE ARE WE NOW?

❖ **Industrialization (contd)**

- ❖ Unable to compete
 - ❖ Productive capacity
 - ❖ Technology/skills
 - ❖ Management
- ❖ Protectionist mindset
 - ❖ Inward looking
- ❖ Reluctance to empower private enterprise

11



WHY ARE WE WHERE WE ARE?

- ❖ *We* let oil cripple agriculture and industry
- ❖ *We* created a wasteful “commanding heights” economy
- ❖ *We* borrowed massively and spent the proceeds unwisely
- ❖ *We* over-taxed business and turned off savings/investments
- ❖ *We* chased away foreign investors
- ❖ *We* insulated ourselves from the dynamically changing global economy

12

SELF INFLICTED
WOUNDS
WEAK
FOUNDATION



WHY....?

- ❖ **We Used our oil revenues to –**
 - ❖ Oversize government
 - ❖ Create privilege/rent system
 - ❖ Build non-competitive industry and infrastructure
- ❖ **We let our institutions and human resources deteriorate**

13



WHY ...?

- ❖ **We created a negative investment climate due to-**
 - ❖ Policy inconsistency
 - ❖ Fiscal/monetary indiscipline
 - ❖ Excessive self interest
 - ❖ Over-centralized power
- ❖ **We looked to government for economic development**

14

SWAMPS
—
WE MUST CHANGE
MINDSET TO
COMPETE
—
HOW DID OTHERS
SUCCEED?

Line By Line



MEANWHILE WHAT DID OUR “OLYMPIC COMPETITORS” DO?

- ❖ *They* let economic freedom drive prosperity
- ❖ *They* built on comparative and competitive advantage
- ❖ *They* learned how to “leapfrog”
- ❖ *They* applied the mathematics of wealth creation
- ❖ *They* gave us a success formula we can apply
- ❖ *They* made private sector their engine for growth

15



LESSONS LEARNT FROM OLYMPIC COMPETITORS

- ❖ **Ten keys to economic freedom**
 - ❖ Free trade
 - ❖ Low tax burden
 - ❖ Downsize government
 - ❖ “Light” regulation
 - ❖ Low inflation
 - ❖ Competitive skills
 - ❖ Free Flows – FX/capital

16



LESSONS LEARNT FROM OLYMPIC COMPETITORS

- ❖ **Ten keys to economic freedom (contd)**
 - ❖ Private property rights
 - ❖ Free/competitive banking system
 - ❖ Level playing field so formal/informal sectors synergize

17



MAJOR LESSONS FOR NIGERIA

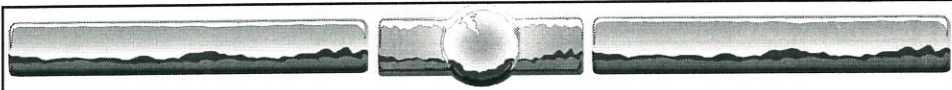
- ❖ **Our failures date back to the oil boom**
- ❖ **Our oil/military “Cocoon” blocked modernization and cut us off from global drivers of change**
- ❖ **Our only way to catch up is to “leapfrog” our economy forward**
 - ❖ Modernize what we have
 - ❖ Industrialize where we have competitive advantage
 - ❖ Focus Industry on the “*New Economy*”

18

Q - HAVE WE LEARNED?

LEADERSHIP = 1970s
NO SIGNS YET
WE MUST START WITH CLEAR VISION

3 Questions



WHERE DO WE WANT TO BE?

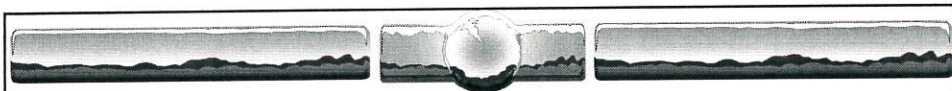
Vision

- ❖ *#1 African economy and gaining on Olympic competitors*

Realistic Economic Objectives

- ❖ **Create a Nigerian success formula**
 - ❖ Based on a virtuous circle of good management
- ❖ **Move to export orientation**
 - ❖ Beyond assembly to value added

19



WHERE...?


Realistic Economic Objectives (contd)

- ❖ **Move from resource based to knowledge based industry**
 - ❖ New economy = E-Business
- ❖ **Grow at 10+% per annum**

20

RAPID GROWTH =
CATCH UP
ASIA → 10% FOR
DECADES OR MORE
WE CAN DO IN →
FROM LOW BASE


Why we must



KEY BENEFITS OF ACCELERATED GROWTH

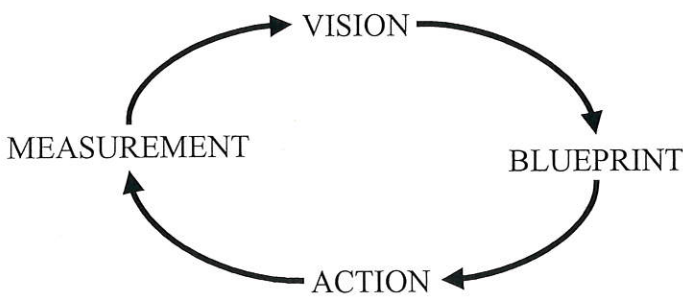
- ❖ **Provides oxygen for healthy democracy**
 - ❖ Good governance
 - ❖ Unified national purpose
- ❖ **Stimulates savings and investment which are drivers of –**
 - ❖ Job creation
 - ❖ Skills upgrade
 - ❖ Quality of life
- ❖ **Fosters modernization, industrialization and global competitiveness**

21



HOW DO WE GET THERE?

VIRTUOUS CIRCLE OF GOOD MANAGEMENT



```

graph TD
    VISION --> BLUEPRINT
    BLUEPRINT --> ACTION
    ACTION --> MEASUREMENT
    MEASUREMENT --> VISION
  
```

DISCIPLINED PROCESS FOR CREATING OUR NIGERIAN SUCCESS FORMULA

22

4 step process



STEP #1 = VISION

❖ National Level

- ❖ Vision 2010 was a good start
 - ❖ Defined fundamentals for building a strong economy including industrialization
 - ❖ Being *used* but not *owned*

❖ Private Sector

- ❖ Strong support for National vision focused on accelerated economic development
- ❖ Proactive mindset and entrepreneurial actions to build a modern economy

23



STEP #2 = BLUEPRINT

❖ National Level


- ❖ Government has announced an “architectural concept” and not a “blueprint” for building a nation
- ❖ Must develop a blueprint and action plan which creates the enabling environment to foster industrialization.

❖ Private Sector

- ❖ Develop two levels of blueprint –
 - ❖ What government must do with our support
 - ❖ What we must do on our own to create a modern economy

24

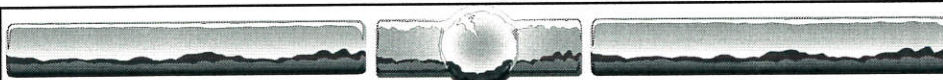
CAN
- o/s opportunities
- must act



STEP #3 = ACTION

- ❖ **National Level**
 - ❖ #1 priority is to implement national policies (budgets, programs, projects, etc.) effectively and efficiently
 - ❖ Also, policy reforms need to be clear, timely and linked to vision/blueprints.
- ❖ **Private Sector**
 - ❖ We need to get off our backside
 - ❖ My recent experience teaches that the opportunities are enormous and that truly proactive entrepreneurs are hard to find.

25



STEP #4 = MEASUREMENT

Rule of Life = We Get What We Measure

- ❖ **National Level**
 - ❖ Transparency and accountability drive good governance and reduce corruption
 - ❖ Measure progress vs. plan to learn and continuously improve economic and human development indicators
- ❖ **Private Sector**
 - ❖ Create information needed by modern economy.
Recognize we can't manage what we can't measure

26

Slow Down



INDUSTRIALIZATION IMPERATIVES

- ❖ **Enabling Environment**
 - ❖ Breakthrough priorities
- ❖ **Private Initiative**
 - ❖ Modernizing industry
 - ❖ Creating the “New Economy”




INDUSTRIALIZATION IMPERATIVES

ENABLING ENVIRONMENT

- ❖ Privatization
- ❖ Infrastructure
- ❖ Fiscal/monetary discipline
- ❖ Naira convertibility
- ❖ Regional free trade
- ❖ Modern education system
- ❖ External debt management

Govt level



INDUSTRIALIZATION IMPERATIVES

BREAKTHROUGH PRIORITIES


1. Eliminate individual income taxes
2. Wide open competition in telecomms, power, etc.
3. Abolish trade barriers with neighbours
4. Make Naira fully convertible
5. Eliminate all possible "tollgates"
6. Exit mature industries where we can not become competitive
7. Foster high potential, growth industries

29

create demand
oil = more than we
need for govt.

Highly

Private action



INDUSTRIALIZATION IMPERATIVES

PRIVATE INITIATIVES

1. **Back private solutions to public problems:**
 - ~ Education
 - ~ Healthcare
 - ~ Transportation systems
 - ~ Pension plans
 - ~ Law and order
 - ~ Industrial parks

30



INDUSTRIALIZATION IMPERATIVES

PRIVATE INITIATIVES (contd)

2. Focus on enablers of industrialization

- ~ Vocational skills
- ~ Management skills
- ~ Research/information
- ~ Technology
- ~ Capital markets

3. Support the Internet and enablers of e-Business

31

possible breakthrough

Spend time on e-business

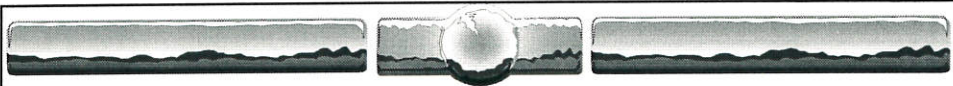


INDUSTRIALIZATION IMPERATIVES

CREATE THE "NEW ECONOMY"

- ❖ What is it?
- ❖ When will it reach Nigeria?
- ❖ What are the consequences for industry?
- ❖ What should management do?

32



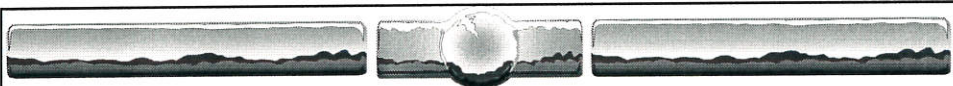
INDUSTRIALIZATION IMPERATIVES

CREATE THE "NEW ECONOMY" (contd)

❖ What is it?

- ❖ The "new economy" refers to both old and new businesses which are taking advantage of technology, particularly the Internet, to radically reinvent the way they do business
- ❖ The two major types of these businesses are:
 - ❖ e-Commerce - transactions directly with individual customers
 - ❖ e-Business - businesses linking their systems together through Internet/Telecomms

33



INDUSTRIALIZATION IMPERATIVES

CREATE THE "NEW ECONOMY" (contd)

❖ When will it reach Nigeria?

- ❖ The US economy has practically been reinvented during the '90s with major wealth creation and destruction, depending on whether one leads or lags the competition.
- ❖ Europe, Asia, Latin America and South Africa are moving rapidly to catch-up
- ❖ The "new economy" will reach Nigeria just as soon as technology permits and managements change their mindset

34

Microsoft, Oracle, Cisco, Telecom etc
Dot Com
Amazon
E-Bay
etc
WISSON
LEAN - FUNDING
- V.C.



INDUSTRIALIZATION IMPERATIVES

CREATE THE “NEW ECONOMY” (contd)

❖ What are the consequence for Nigeria?

- ❖ The “new economy” will bypass infrastructure constraints and “leapfrog” existing players to create a remarkably more efficient Nigeria in a relatively short time.
- ❖ There will be many winners and losers, but the net benefits will be very positive
 - ❖ consumer becomes King
 - ❖ costs will go down
 - ❖ corruption will go down

35



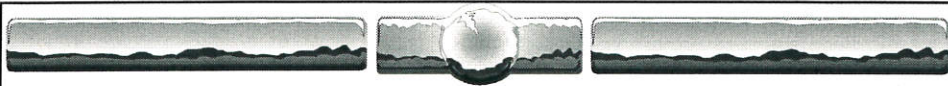
INDUSTRIALIZATION IMPERATIVES

CREATE THE “NEW ECONOMY”

❖ What are the consequence for Industry? (contd)

- ❖ Formal and informal sectors will synergize
- ❖ SME's will prosper with entrepreneurs creating the “new economy” from the bottom up
- ❖ Economic growth and investment will be the catalyst for industrialization

36



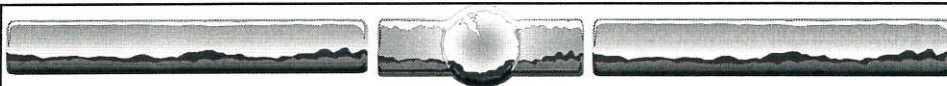
INDUSTRIALIZATION IMPERATIVES

CREATE THE “NEW ECONOMY” (contd)

❖ What should management do?

- ❖ Learn all they can about e-Business and globally successful business models in their “industry”.
- ❖ Be a first mover - reinvent how to do business
- ❖ Work with suppliers, customers, competitors, etc. to strengthen alliances and use e-Business
- ❖ Work with public sector to foster e-Business takeoff.

37

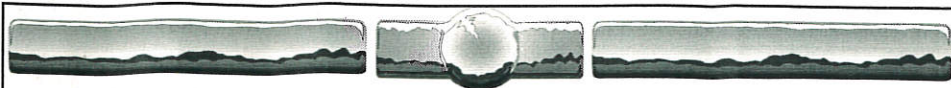


CONCLUSION

❖ “Nigeria has no business to be poor”

- ❖ The global lessons are clear
- ❖ We need to create a Nigerian success formula
- ❖ This requires public/private sector partnership and creating a virtuous circle of managing the economy
- ❖ Private sector leaders *must* take the initiative
- ❖ Incrementalism will not solve our problem

38



CONCLUSION

❖ **Industry is running two races on different tracks**

❖ **Marathon**

❖ From Agriculture to Industry to Knowledge Work

→ *Infrastructure*
↓
Communities

❖ **Dash**

❖ Moving to the "New Economy" as rapidly as possible

*MUST DEMO
w/ BIG PICTURES
& BUILD LONG
TERM.*



**WE MUST DRAIN THE SWAMPS AND
QUIT FIGHTING ALLIGATORS!**



**OUR ONLY HOPE FOR OLYMPIC GOLD
IS TO ACT WITH A "LEAPFROG"
MINDSET AND ^{TO} FOCUS ON A MODERN,
INDUSTRIALIZED ECONOMY**