

AUGUST 2009

# McKinsey Quarterly

FINANCIAL SERVICES PRACTICE

## Leading a developing-market bank: An interview with the CEO of Nigeria's Oceanic Bank

**Cecilia Ibru discusses the current challenges of managing a bank in Africa, where the global economic crisis meets an ongoing local crisis of poverty and unrest.**



**Crisis is nothing new** for Cecilia Ibru: as the managing director and CEO of Nigeria’s Oceanic Bank International, she has dealt with the challenges arising from the present global recession in the context of Nigeria’s efforts at tackling issues—poverty, civil unrest, and corruption—that have kept roughly 70 percent of the country’s population below the poverty line. “Banking is about people,” she says, but when the people you serve are among the world’s poorest, that philosophy must meet the challenge of investing in men and women whose promise and value have long gone unrealized.

Yet that is precisely Ibru’s strategy. Since the founding of Oceanic, in 1990, the bank has supported economic development through public–private partnerships that invest in local businesses—and, as a result, has grown from a modest family-owned bank into one of Nigeria’s largest publicly quoted institutions. Ibru’s March 2009 appointment to the board of the United Nations Global Compact, a corporate-citizenship initiative chaired by the UN’s secretary-general, Ban Ki-moon, solidified her reputation as a champion of corporate responsibility in a region long beset by corruption.

During a recent visit to her daughter’s residence near Washington, DC, Ibru spoke with *McKinsey Quarterly* editor Thomas Fleming about the downturn, corporate ethics, women’s leadership, and Oceanic’s role in Nigeria’s economic development.

**The Quarterly:** *Please describe Oceanic’s growth path.*

**Cecilia Ibru:** Strategy is determined by your environment. We started Oceanic in 1990, when the banking laws were liberalized. The Nigerian government encouraged the country’s people to establish banks because there weren’t many then and our economy was somewhat stifled. The idea was that liberalization would bring financial services to the man on the street—and it actually did. This liberalization is how my family came into banking.

The laws provided momentum to help the bank grow quickly, but soon enough there were so many banks that the Central Bank of Nigeria reversed course and in 2004 ordered a consolidation exercise. To meet the new minimum capital requirements, we were expected to increase our capital base from about 2 billion naira<sup>1</sup> to 25 billion—a huge jump. And then, on top of that, if we wanted to participate in the management of Nigeria’s foreign reserves, we needed a capital base of about 100 billion naira. At that stage, we knew we had to look outside.

**The Quarterly:** *What did you do?*

**Cecilia Ibru:** We looked for partnerships with other banks, but the chemistry wasn’t right. In Africa, there’s a lot of ego attached to running a business. People feel that owning a business by yourself is a huge achievement, but they don’t necessarily recognize that at a certain point it gets too big for you to manage alone. So in the end, we decided we had to go to the market and raise money.

<sup>1</sup>About \$15 million in July 2004.

It was tough, but it was worth it. I think that was the best thing that happened to us—to go from a family bank to a publicly quoted company. We should have gone to the market even before the consolidation policy drove us there.

All of a sudden, the whole country opened up to us because we opened up the bank to them. There was the scramble for our shares, and in the end we raised more than we actually targeted. All the stakeholders started referring to Oceanic as “our bank”—as in “the people’s bank.” Of course, the challenges were there, but the positive results were there too. That transition gave us a lot of energy to move forward and boosted our morale.

**The Quarterly:** *What happened when the downturn hit?*

**Cecilia Ibru:** Two things happened that were critical for Oceanic Bank and for Nigeria. First, our credit lines from foreign banks dried up—some of the foreign banks were beginning to show signs of weakness and collapse. Second, the meltdown drastically reduced demand for oil and gas. Don’t forget, Nigeria is a monoproduct economy. Crude oil accounts for up to 95 percent of our exports, but all of a sudden the money was no longer there.

## Cecilia Ibru



### Vital statistics

Born March 22, 1946,  
in Warri, Nigeria

Married, with 7 children

### Education

Graduated with BS in  
sociology in 1971 from the  
University of London

Earned MPhil in 1977 from  
the School of Oriental and  
African Studies, University  
of London

### Career highlights

**Oceanic Bank  
International**  
(1990–present)

Managing director and  
CEO (1997–present)

General manager (1990–97)

**Ibru Organisation**  
(1978–90)

International finance  
coordinator (1988–90)

Project director (1978–88)

### Fast facts

Appointed to UN Global  
Compact Board (2009);  
member of board of  
trustees of Women

Economic Group, United  
Nations Development  
Fund for Women  
(UNIFEM)

Recipient of numerous  
awards, including  
Nigeria’s Officer of the  
Order of the Federal  
Republic (2009),  
Kwame Nkrumah  
African Leadership  
Award (2008), and  
*Africa Investor’s* African  
Business Woman of the  
Year (2006, 2008)

Inducted into Nigerian  
Women Hall of Fame  
(2004) by the National  
Centre for Women’s  
Development

**The Quarterly:** *How is the crisis affecting economic development in Nigeria?*

**Cecilia Ibru:** The truth is that we have been fighting poverty and unemployment all along. It should be made clear that the downturn isn't the cause. But a lot of donations used to come to Nigeria—from the United States, in particular—and with the meltdown there isn't as much money to donate. That affects us. It means help might not be able to reach everybody we wish it could.

But Nigerians are beginning to realize that we cannot depend on the donor agencies only. We must depend on ourselves. We must begin to solve our own problems. We must take our future into our own hands and begin to invent it—and invest in it today. I'm one of those who believes that man is made out of what he thinks about. And if you think you can improve yourself, then of course you will start looking for the factors that can help you.

We have a developing economy, so whatever little money we have now, we've got to use it for the greatest mileage we can cover. How we should move forward really becomes a question of the type of structures and reforms that we, as a country, put in place.

**The Quarterly:** *What kind of changes are necessary?*

**Cecilia Ibru:** Many positive reforms have already taken place in the health care, education, agriculture, and banking sectors of the economy. The government is also encouraging public–private partnerships in many areas. The whole idea of government leading industrial development, we realized, has failed, so there's a lot for the bank to gain, as well as for the country to gain, if we privatize many of these government-owned industries. Our government can still have a little share in business, but the private sector should really drive it. For example, Oceanic funded the privatization of NAFCON, which is now Notore Chemical Industries, and it has become probably the biggest fertilizer company on the west coast of Africa. And we are now looking at how to start more new projects like that, because the opportunities are there despite the downturn. We can create more value by strengthening Nigeria's industries and partnering with locals to do so.

Nigeria has not yet developed into an industrial economy, because we still depend on imports. But it's not as if we can't produce things in Nigeria. The downturn might be just the opportunity for us to work a little bit harder and not be so dependent on oil and gas. We need to do everything in our power to produce more and to promote the growth of businesses outside the oil sector. If we can get that right, the economy will boom, because the average man on the street wants to have his own business—he just doesn't have the enabling infrastructure to support it.

**The Quarterly:** *How does this kind of development work factor into Oceanic's strategy?*

**Cecilia Ibru:** We consider our development work to be an incredibly important part of our strategy, as well as our deeper sense of purpose. Oceanic Bank has its roots in that philosophy. It's

a bank that people look to for local development because we have shown that we can work with the locals to create value through developmental successes. Banking is about people. If Nigerians are prospering, we prosper with them. So we want to be a force in infrastructure financing, in financing entrepreneurs.

We do this by encouraging partnerships between the public and private sectors in many areas. For example, when you go to Lagos today, you'll see the local airport, Murtala Muhammed Airport, now called MMA2. This was a local effort where we spearheaded the funding. Our other projects have been in food security, roads, beach reclamation, and even the rehabilitation of the Central Business Districts. Lagos has a beach right in the middle of its business district, and we have always had problems with flooding. We worked with the Lagos state government, and now you can take a walk at lunchtime without the risk of the beach overflowing.

**The Quarterly:** *What about finance on a smaller scale? What role does microfinance play at Oceanic Bank?*

**Cecilia Ibru:** Microfinance will become an important part of our strategy and a tremendous driver of growth, but it is still in its early stages in Nigeria. One challenge is awareness, because often the financial support is there; it's just not well communicated. Another problem is that people lack the ability to put together a small-business plan, so we are partnering with state governments and the central bank to make small-business development skills more accessible. In addition, high interest rates in Nigeria are a barrier. The Delta state government and the Central Bank therefore put together a package whereby entrepreneurs borrow at say, 15 percent—and Oceanic Bank partners with the state government to make that money available. The state government and the bank monitor the borrowers to ensure that they apply the money as proposed. Say, for instance, you have a new farm. You plant and then harvest. If everything went well, you could claim a 6 percent rebate from the Central Bank.

These are the kinds of incentives to develop, because the ability of people to get out of poverty is absolutely relative to the power they have. If their power to take charge of their lives is low, we begin to breed people who are dissatisfied. If you think that you are born into poverty and will die in poverty, you become too angry with yourself, and a state of hopelessness sets in. Hopelessness leads to anger, and anger to riots, and that cascades into all sorts of problems in society. Some Nigerians have developed so much anger that you begin to wonder if they will ever have the power to set themselves on the right course. I believe they can—I am a born optimist—but we must get people off the poverty line.

**The Quarterly:** *Nigeria has a well-documented history of corruption. What will it take to eliminate it?*

**Cecilia Ibru:** Well, corruption is a problem everywhere, but in Nigeria we see it even more because we don't have a lot of money. And it's often linked to politics. Somehow, we don't seem to

realize just how much corruption is reducing value for our people. But how do you tackle this? In my mind, education is number one—proper education, ethical training, and civic service. I believe that the more people are educated, and the more they are able to create value from legitimate opportunities, the less they will go the way of becoming corrupt with government funds.

Morality is a big part of this. Whether you're a Christian or a Muslim, there are moral codes. But many people, they throw them aside. And why? They think, "This is modernity." They think that it's "modern" not to respect moral or ethical codes. That is where the fabric of society has been broken. Fixing it requires strengthening family life and education. These are the fundamentals. If the family is not happy, not looked after, this translates into corruption, assassins, you name it. Just having the basics—food, of course, but also education, prospects for employment—is often enough to enable a family to raise children who have a sense of self-worth and know they are valuable members of society.

**The Quarterly:** *Is it challenging to attract and develop people who uphold ethical values?*

**Cecilia Ibru:** As we grow as a bank, getting the right people to staff the different departments and subsidiaries is always a challenge. Part of our solution is to create an educational environment in the bank—the Oceanic Leadership Academy. We are always in class and we are always training to improve our skills. We want our people to be self-realized, but without being overpaid. I think that this was a real problem with banks in America as the country entered the meltdown. People were overpaid for doing what they should enjoy doing.

I think we have learned a big lesson from that. Employees will always say, "If you don't pay me what I could get somewhere else, I'll leave." But then our challenge, which I think is the right challenge, is to train and support people so that their primary focus is not pay but eagerness to be in a corporation that helps them grow, where they can take pride in superior performance. That approach helps ensure that we have a staff with the right values because we know what motivates them is passion and dignity, not greed.

We are mindful of the fact that business is about making a profit, but here's the secret: the business that will make the most profit is the one that can enable its staff, its people, to be self-realized.

**The Quarterly:** *What is it like to be a woman leader in Nigeria—particularly in a male-dominated profession?*

**Cecilia Ibru:** Now, for the first time, many women in Nigeria are heading their own companies. Women are coming up and beginning to understand—everybody is beginning to understand—that women can contribute as much as men to an economy. So women are challengers, but the attitude of a woman who is going into the so-called male-dominated professions has to be different. You've got to show that you are worthy of it, that you can stand on your own and even do better than the men.

## Related articles

“Developing entrepreneurship among the world’s poorest”

“CEOs on strategy and social issues”

“Improving performance at state-owned enterprises”

“The UN’s role in corporate social responsibility”

That is not to say I should not play the cultural role of deference to men. That is expected, that has nothing to do with business. Just because I’m a businesswoman and I happen to be at the top does not mean I will not show my cultural appreciation for men, in terms of the men being number one before the women in our society. There’s a cultural deference that is expected.<sup>2</sup>

**The Quarterly:** *What are Oceanic’s plans for the longer term?*

**Cecilia Ibru:** In five to ten years, we expect to be a well-known, established bank beyond this subregion of Africa—Nigeria first, the west coast of Africa next, and then central Africa. Of course, we are reaching out to the rest of the world as well, but we still feel that many people in the region are like us in Nigeria—they don’t have the financial support to encourage growth, self-realization, and self-worth. So we feel that as long as we remain focused on this and do a good job, we can only continue to expand and profit.

I’m also hoping that Africa, which is a natural location for the expansion of industrialization, will attract the know-how from its diaspora and its local people to establish new industries and to ensure that local people are part and parcel of a growth process that reshapes the GDP of each country we are involved in. As long as we work with the local citizens, I don’t expect that we’ll have much of a problem growing. If we can go to a country and help the economy grow, people will only want us to stay on. [o](#)

<sup>2</sup>For more from Cecilia Ibru on the obstacles facing women in top leadership positions, see our video “Cultural challenges and the woman CEO: An interview with Nigeria’s Cecilia Ibru” on [mckinseyquarterly.com](http://mckinseyquarterly.com).