Angel investors, an option for those shunned by banks

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Return of Uchumi?

On Madaraka Day last year, Kenyans were treated to ignominious news: Uchumi, the country's premier supermarket chain, had closed shop, spilling over 1,000 workers into the streets and shattering the hopes of thousands of shareholders who had in the previous year bought into the retail giant.

The Ksh 1.2 billion they had put into the supermarket through a rights issue had apparently gone down the drain.

A bewildered government, afraid that it was going to lose a key investment to creditors, mainly banks and suppliers , moved with haste to cobble up a rescue plan.

It injected Ksh 675 million into the stores and appointed an optimist, Jonathan Ciano, to oversee the rescue operation.

Six months later, a silver lining is appearing on the clouds as Ciano's efforts at reviving the chain and taking it back to the stock exchange appear to be bearing fruits.

But will he succeed? Turn to page 4 for details.

Uchumi CEO Jonathan Ciano

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By Guchu Ndung'u

Sometimes, the rumble in the world of entrepreneurship threatens to get through even the toughest skin as the ingredient called capital can, like the now infamous Russian toxin, kill even the most hardened of the enterprises.

The banks shut their doors, venture capitalists relegate you to the small league, and traditional three Fs-friends, family and, well, fools- do not want anything to do with your enterprise.

The next port of call? An angel investor.

A relatively new word but which has been used in obscurity, an angel investor is an affluent individual who provides capital for a business start-up usually in exchange for ownership equity.

Unlike venture capitalists, angels do not manage the pooled money of others under a professionally managed fund or scheme.

Putatively, they are driven by three factors - risk, guts, and business sense.

So, how does an entrepreneur find, let alone attract, angel investors?

There is no such thing as a national directory of angels, or a school that teaches entrepreneurs on how to find the angels so recruits often learn in a typical entrepreneurial style - by the seat of their pants.

We asked some of the entrepreneurs how they got and managed to attract capital from this elusive lot and though they have different ways of doing it, they all agree on one thing: it is not easy.

James Thande can testify to this.

A Bachelor of Science (B.Sc) graduate, Thande's interest in technology was nurtured by his subsequent encounters.

Upon completion of his degree course at the United States International University (USIU), Thande joined the stock broking business at a leading firm before the lure of technology saw him join Africa Online and later on Fin Tech, a tech firm that was pioneering the retailing of GSM equipment in the country.

His entrepreneurial radar was, however, cast wide when he joined a company using messaging services for promotion and tired of sweating it out for someone else, quit to form his own company.

Thrust into the mass of the jobless, Thande sold the idea to a couple of friends, raising money which was only enough to acquire a license, which was far from a walk in the park.

The license, he learnt, was the first step in the business odyssey. Much more capital was required for the venture and, with no collateral for a loan, he hit the investor highway.

Many knocks, frustrations and near despair later, he managed to get a 'significant amount' totalling Ksh 10 million he wanted for his enterprise.

Business plan

One of his tricks? "Design a good business plan. Many angel investors will definitely ask you for a good business plan which they will have to go through before even calling you for the next meeting," says the managing director of Call Handling Interactive, the firm borne out of the odyssey.

Failure to which, he adds, one can kiss the angel funds goodbye.

A good business plan, says Margaret Pearson of the Kenya Youth Business Trust (KYBT), must have short- and long-term projections of a business but still dynamic enough to accommodate changes along the way.

"Reasons as to why you think the business is viable, its market strategies, collateral needed and how to expand it (business) are also crucial in a business," adds the trustee of KYBT, an organizations that aims to boost youth empowerment by providing collateral-free loans.

Also, Thande advises, clearly define the competitive landscape of the business and how the product has a clear competitive advantage over others, namely, whether and how you will keep competitors out, or be ahead of them.

Barriers to entry might include patents, copyrights, trade secrets and proprietary processes.

Harrison Karanja of Softlaw Limited was also in such a fix when he ventured into his first enterprise. Softlaw was the first company to convert all the laws of Kenya into soft copy.

With a burgeoning wage bill, he ran short of funds mid way and hit the angel investor highway with little successes.

Though he managed to make a sale and offset his wage bill, a post-mortem on his failures revealed an important lesson.

"Do not seem too desperate. Some investors get put off as they think you are in it for the short run and keep off," advices Karanja, whose portfolio now includes Genius Consulting, a division of Softlaw which connects angel investors to prospective entrepreneurs.

They had approached a certain chief executive officer of a big company for a Ksh 300,000 in capital in return for a 50 per cent equity in the firm.

"Thank God he turned the offer down for we sold our first electronic laws for Ksh 280,000 to a local bank. He later informed us that our desperation had turned him off."

Walk the talk too

The Softlaw founder adds that entrepreneurs who want to start their businesses must also be prepared to invest their money.

"What are you risking or do you just want the other person to take the risk? Those entrepreneurs who are not willing to assume such risk are not considered serious by investors, and will most likely not receive funding," Karanja says.

Patience pays Joarsh Osena, the Chief Executive Officer of Laser and Optic Africa Limited (LOAL), doles out the on-the-job experience.

"Be realistic in your projections."

A scientist from Germany's Oldenberg University, Osena started a firm selling laser technology which developed a cash crunch midway due to the cost of importing laser machines.

Banks could not touch his machines as 'they were too alien' and giving up after leaving behind a luxurious life in Germany was too much, leading him to the angel investing way.

Months later, he cobbled up a group of investors who pumped money into his business but not after testing his patience, perseverance and passion for months.

"Entrepreneurs must be committed, passionate and thick-skinned. Raising capital is a time-consuming, ego-challenging process. One can spend 50-70 per cent of his time raising capital from angel investors, a process that can take months," offers Osena who has ten employees. And when an investor has agreed to romp in with the money, or the talks are progressing well, Thande of CHI warns against going for lorry load of money at once, unless your angel has a pit full of it.

"Ask in tranches with key performance indicators detailing what amounts of money you want, after how long, expected results and probable rate of return," advises thelight skinned entrepreneur.

And this, according to Osena, is the hardest part for there is always the temptation to inflate the rate of return especially if the clock is ticking and the investor is not impressed. That cost him an angel investor and, he warns that most angels are intelligent and know the rigours of how start-ups develop and will thus not fall for utopian and inflated expectations.

"Manage expectations by being honest with your projections. Do not sell what you cannot give."

Karanja of Softlaw also urges a dose of realism and frugality, warning against any corporate wastefulness through such expenses as personal cars, secretaries and other comforts that come with the perceived corporate culture.

But who exactly are these angels in Kenya and how do you find them?

Thande, even after persistent prodding, refuses to reveal his angels, while a CEO of a top online recruitment firm, also reputed to be in the angel circles refused to talk to us and literally pleaded for his name not to be revealed.

Efforts to get comment from Trans-century official James Gachui were also fruitless, as he did not return our calls, as promised.

However, the online Angel Investors Guide advices entrepreneurs looking for 'angels' to concentrate on their industry and look for risk-takers.

Challenges

Buoyed by their success in incubation and online laws, Softlaw had, however, placed adverts, including in this paper, calling for people with business ideas to apply for funding.

They got hundreds of applications, but after investing in one, got their fingers burnt.

"The entrepreneur had not disclosed all the information needed for he was mired in debt and we did not have the resources to carry a due diligence on them."

Currently, their firm has a team of enterprise consultants that scrutinize entrepreneurs who want to be linked up with angels.

"We already have three angels willing to put their money in a viable business idea and we are scrutinizing over 200 applications that we get per month for recommendation," offers the 24 year-old whose firm is in a World Bank-sponsored training and also sits at an entrepreneurship panel at Technoserve, a non-governmental organization (NGO) involved in enterprise development.

And indeed that is the challenge of many would-be investors, the ability to discern a run-of-the-mill entrepreneur from a great one.

For, trust alone cannot be used to discern the creditworthiness of an entrepreneur.

Sam Omukoko roots for angels and entrepreneurs alike to have their ventures credit rated to ease the determination of the creditworthiness of a business and help in building a credit profile respectively.

"We first establish whether the business exists or not. Between 2-3 per cent of businesses that apply for credit do not exist," says the MD of Metropol East Africa Limited, a credit rating agency that mostly offers its services to banks.

Other factors considered include level of competition in a sector and potential growth in an industry after which an enterprise is given a credit scorecard.

Like many sectors, angel investing is currently unregulated and thus the framework for growth is barely existent. For instance, in the United States (US), angel investors must be accredited investors with a net worth of at least $1 million (Ksh 70 million) or an annual salary of at least $200,000(Ksh 14 million).

The high rate of return at the Nairobi Stock Exchange (NSE) where shares issued in an initial public offer (IPO) triple in the first week of trading will not also help the entrepreneur's case as many see it as a more rewarding investment than venturing into the nail biting, time consuming angel investing.

Ironically, it is the same exchange that offers the best exit point for angels especially in the Alternative Investment Segment (AIMS).

For instance, for a company to list in the AIMS, the minimum authorized, issued and fully paid capital should be Ksh 20 million.

Companies listing in the Main Investment Market on the other hand, are required to have a minimum authorized, issued and fully paid capital of Ksh 50 million. "People want to invest in get-rich-quick schemes while this can even take five years before one gets a return," concludes Karanja.

Microfinance

Out to bridge the 'bankable' gap

By Mwangi Maingi

The rise of micro-credit institutions in the country and the region at large has revolutionised the face of the financial world.

One of them is Oikocredit. Talking to Kathure Mwenda, the Kenyan chapter pioneer and managing director; it becomes clear that when your mission is to serve the poor, rules can sometimes be broken.

Oikocredit, an ecumenical development organization, is part of a global development financing institution established in 1975 in Netherlands. The concept had been conceived in 1969.

Oikocredit is an extension of Oikocredit International, serving as a regional facilitating office for Kenya, Uganda and Tanzania, in terms of generating projects.

"It is basically a lending institution that provides credit to institutions that have both financial and social benefits to the community where they are based."

'Oiko' is derived from the ancient Greek word Oikos meaning a 'house', 'community' or a 'world' where people lived together.

On the other hand, 'Credit' to them is more than giving loans to the poor. From the Latin verb 'credere' meaning 'to believe', Oikocredit acts on a belief in people who deserve to "be believed in".

"This forms the roots of concepts like ecumenism, economy and ecology, all essential elements in the lives of an organisation."

Oikocredit finances institutions like microfinance institutions, cooperatives, small and medium-sized enterprises, fair trade organisations, manufacturing institutions, housing projects and any other business with proven social relevance, which should meet certain conditions spelt out by the institution.

Some of the conditions are that projects must be economically viable with appropriate management and technical leadership to become self sufficient within a reasonable period.

They must benefit financially disadvantaged people in particular and wider population in general and be ready to pay attention to the ecological impact as well as protection of animal and other species as adopted by Oikocredit.

"Preferences are given to enterprises where women are direct beneficiaries and participate in decision-making structures and procedures," she says.

For self-help groups in business, to qualify for the Oikocredit services, Kathure, a business administration graduate from the University of Nairobi, says that there is need for them to be legally registered.

"We lend to microfinance institutions and savings and cooperative societies large sums of money which is then broken down into affordable amounts that are then lent to self-help groups."

Among the financial services Oikocredit offers include loans both in local and hard currencies, credit lines, guarantees and equity participation for intermediaries.

On the source of finance for the institution, Kathure reveals that Oikocredit is a share company where investments are earned through buying of shares. She adds that they do not receive nor offer grants.

Most of those who invest in the Oikocredit are churches and related organisations and individuals affiliated to churches in Africa, Asia, Latin America and Eastern Europe.

On the loan size one can expect, the director says it ranges from euros 50,000(Ksh 4.6million) to 2 million (Ksh 184million) with exceptional cases considered for larger amounts.

With a loan term ranging from one to six years, the offer has reasonable and flexible interest rates considering market rates for comparable transactions with attachment to the economic environment and development relevance of the project.

Currently, the rate ranges from 10-13 per cent depending on the sector stability for a given period of time, solidity and risk of the enterprises.

Oikocredit has been in Kenya for the last 12 years, with its first two years being 'quiet' due registration delays.

"Being an international cooperative society, we did not fit under the Cooperative Society, Companies or Associations acts of Kenya. We only could fit in as a non-governmental organization (NGO)," laments Kathure.

It was eventually registered as an NGO in 1997.

Oikocredit mission in Kenya was also under scrutiny by the then regime due to the prevailing political climate.

This, according to Kathure, was caused by the tough economic conditions the country was facing with spiraling inflation rates exacerbated by donor conditions.

So far, the institution has financed more than 52 projects in Kenya with about Ksh 2.2 billion worth of funded projects and an outstanding fund of Ksh 1.5 billion worth of projects in Nyanza, Central, Nairobi, Rift Valley and Coast provinces.

Among the institutions that have benefited from Oikocredit include, K-Rep Bank, Githunguri Dairy, Masaku Co-operative Society, Laikipia Co-opertive Society and Nandi Teachers Co-operative Society.

"Lack of permissible infrastructures like roads, communication networks and the will of the clients to invest limits us to reach areas like North Eastern and its environs."

"We have enough funds to offer on demand as our lending currently stands at 60 per cent of the total fund, which is equivalent to euros 214 million (Ksh 19.68 billion)."

But foreign currency fluctuations have been a setback to the organization.

"Having used to lending only in hard currencies, rates at which one borrows would decline forcing us to incur huge loses after repayment," she explains.

There is also a misconception on the source of the funds being grants.

"As a church organisation, some borrowers would expect to be 'forgiven' on their loans when they fail to pay. But the misconception has since then stopped after the establishment of micro-institutions in the country."

On the regulation of the banking sector, the director says that the institution supports the the recently assented Microfinance Act, 2006 though it might not directly affect them.

In ensuring that the fund gets to the right people, Kathure says that since most of their clients are 'strangers' with no collateral, then they should prepare their audits, accounts, trustworthy management and an overall clean financial history.

Is there, then, any difference between Oikocredit and commercial banks?

"Banks have their own methodologies and approaches that fit into their services. Oikocredit focuses more on the social impact of its funding in the wider community and hence monitors the projects it finances at least twice a year," she says.

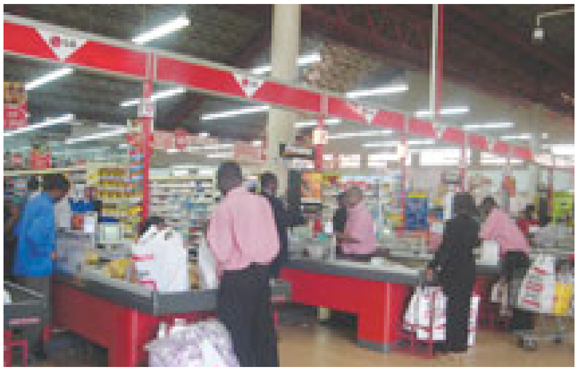
Also, banks offer short-term loans whereas Oikocredit offers a minimum of three to ten years repayment period.

On the past mismanagement of the cooperative institutions in the country, Kathure says the government should ensure that members have powers to punish those who squander their money.

"The ministry of Cooperative Development should pull up its socks by reviewing the Cooperatives Act to, among other things, have a clause on how to recover any money misappropriated by those involved, apart from punishing them," explains Kathure.

Noting that start-ups should be assisted to grow, Kathure calls for strong credit facilities and programmes that would bridge the gap between the poor and the collateral-demanding banks in the region.

"While micro credit was born in the 20th century, we will make it blossom into the 21st century," she concludes.



The return of Uchumi?

Six months after it re-opened, things are looking up at the supermarket chain

By Justus Ondari
and Samwel Kumba

A Toyota Prado leaves the parking bay and heads for the gate. Before opening the gate for the vehicle, a guard salutes the driver and then asks what he
might be carrying in the car. He then starts to meticulously search the inside of the vehicle, right from the front passenger seat to the bonnet.

The driver patiently waits for the guard to finish his job. When the guard is done, he salutes and flings the gate open.

The modest driver is none other than Jonathan Ciano, the Chief Executive Officer (CEO), Uchumi Supermarkets, breaking after a hard day's work at the chain store's headquarters in Industrial Area, Nairobi.

"It is standard practice; every vehicle leaving the premises must undergo the search. The CEO's is no exception," explains Haron Makhokho, a guard with Patriotic Security Limited.

But what does Ciano, on whose shoulders rests the hopes, dreams and aspirations of the Uchumi Supermarkets' customers, staff, suppliers and shareholders, make of the 'indignity'?

The reply is instant: "Uchumi is a family and I am one of the members. As a family, we share everything. But we also believe that anyone who helps us to revive Uchumi such as our security officers, we should make their work easier."

The incident sums up Ciano's demeanour. An unknown person until late last June when the Uchumi Rescue Taskforce literally plucked him out Kenya Power and Lighting Company (KPLC) to spearhead the chain store's revival mission, Ciano' work was cut out for him from day one.

Actually, he did not even know he had been appointed although there were rumours that Trade and Industry minister Dr Mukhisa Kituyi would be naming him to the post.

"When it was announced, I did not even know. I only started receiving short message services (SMSs) from friends," says Ciano.

"I felt challenged. How will I start the assignment and what do I need to do next?"

After a few preliminaries, he was scheduled to meet the staff on Monday June 10, 2006 at 9.00am but there was a hitch.

"I did not know where Uchumi headquarters was and I had to look for it," he confesses.

An informal meeting, there was no time to waste and the chief executive had one message for his new charges.

"If you can fall into the team, let us work. If not, please give us room to work," says Ciano, a holder of Master's of Business Administration (MBA) degree in finance and strategy.

Debts

With the then Uchumi management and board unable to run it, the debenture holders- Kenya Commercial Bank (KCB) and Preferential Trade Area (PTA) Bank- took over under Cap 486 of the laws.

But to re-open it, it required Ksh 1.7 billion to repay the old debt in which suppliers were owed Ksh 800 million and the bankers Ksh 900 million. Also, marketers and former employees were owed their dues.

The bankers agreed to reschedule their loans until this year while the government agreed to inject into Uchumi Ksh 675 million.

"Third party loans were to raise Ksh 300 million while the suppliers agreed to reschedule their debt-25 per cent paid upfront, 25 per cent after three months and 50 per cent later."

While the government paid its share, out of the Ksh 300 million targeted as a debenture appeal Uchumi only raised Ksh 30 million due to "the many initial public offers (IPOs) in the market."

A committee appointed to source the outstanding Ksh 270 million is doing more than that.

"The same committee is also looking for a strategic equity partner who would come into the ownership of Uchumi and whatever money the partner will inject, it will go towards stimulating growth," Ciano reveals.

But how much does he need to run the show?

"I need a minimum of Ksh 300 million. If I get Ksh 500 million, I would effectively have the working capital to open extra branches in the immediate future."

Already he has opened 13 branches.

"Our Uganda branch is one of the most profitable branches and is performing better than in 2005."

First step

Ciano's first week was spent on flat-out analysis of the challenges whereby he came up with a 'what-to-do-list.'

Fully aware of the expectations, Ciano is magnanimous on what the Uchumi customers, staff, suppliers and shareholders should expect of him.

"I would like to emphasize that we at Uchumi are not looking at profitability as the first step. We are starting way below profitability, that is, revival and survival," says Ciano whose turnaround prowess first saw him implement a major computerization project at Kenya Shell in 1988.

The CEO is guided by three principal factors: revival, which entails reopening the shops, survival by raising enough cash to sustain the stores and synergy, which means resource mobilisation.

"If we can manage to put the three together, then we can move to profitability."

The factors fall under a business model, which is certified by the advisory committee, which is made of the bankers, the Permanent Secretary, ministry of Trade and Industry, Solicitor General, Investment Secretary and two appointees.

The model is based on customer service, sales maximization and enhancement of trading margins.

"We had to benchmark ourselves against one of the best years for Uchumi, 2004. Today, our sales exceed 2004 in every branch we have opened," says the CEO who was moved to Kenya Shell and BP in 1999 as the director of finance and administration, the first Kenyan to hold the position.

Business reorganization and restructuring has seen Uchumi change from a single entity into a group of self-sustaining business units, branches.

"I did not want to hear a corporate unit Uchumi. That is my unit not a branch manager's. A branch manager must run the branch to generate enough money for the group, which is assessed on an on-going basis."

Determined to instill sound cost management policies, procurement is subject to demand with Uchumi staff, including Ciano himself, barred from doing business with the store.

"According to our framework agreement in the revival of Uchumi, any supplier who wanted to continue doing business with us has to give us the same terms, if not better, when compared to any other customers they are selling goods to and or the terms they were supplying before."

A major supplier, Richard Kimani Rugendo lauds Ciano's efforts.

"They have paid us what they were supposed to. Actually, they have paid 50 per cent of what they owed us. So far, I cannot say that there is anywhere Uchumi has let any supplier down," says Rugendo who is the Managing Director of Kevian Kenya Limited and Sterling Craft (K) Limited.

"We now see a lot of management controls and a more customer friendly company which was a big obstacle in the past."

And the suppliers are ready to play by the rules.

"As a supplier, if you inflate prices for one store, what happens when you are discovered? Customers will move to the other suppliers because they do a lot of prices checks," says Rugendo who has supplied Uchumi for over 20 years.

Vowing to return Uchumi to the trading floor at the Nairobi Stock Exchange (NSE) from where it was delisted on June 1, 2006 when it was closed, Ciano calls for 'sobriety'.

"You do not start buying a baby's clothes before you are even married. You have to go through the process of parenthood. That is what Uchumi is going through. To all our stakeholders, who understandably are anxious about the bottom line, I say hold on; let me revive the company first," warns the CEO who was sent to the Caribbean region in 1990 to spearhead the turnaround of Shell companies.

In 1994, he was made the head of finance, procurement and human resource at Shell International's refinery wing to drive business, change management style and mobilize assets.

"I led it from a protectionist to a liberalised market," reminisces Ciano.

Although having spent many years in a different sector, Ciano feels he is up to the task.

"Most people may not appreciate it but I have been in retail business of a different kind, the oil industry with its convenient stores," says Ciano who joined KPLC as chief manager, finance and procurement in 2001, a period when the company was literally hemorrhaging.

"In the previous three years, KPLC had posted accumulated losses of Ksh 4 billion. Within 15 months, the company was back on track and managed to generate a record Ksh 4.8 billion in cash from a negative of Ksh 3.7 billion," he explains.

Challenges and successes

Back to Uchumi and expected to open only two shops, Ciano went for four hyper stores and one outlet since "two shops could not even pay the managers, let alone the loans."

With all the staff laid off by the former management, recruiting new and better staff was the first hurdle as he laid the ground to court the most critical segment of the Uchumi jigsaw puzzle-suppliers and customers.

Unbeknown to many, including the staff, Ciano's own appointment was a challenge.

"I was employed as a specialized receiver working under the umbrella of the debenture holders. I was not a typical manager in a competitive market," says the CEO.

The two institutions confirmed him as CEO on July 14, 2006 and on the same day, in what he dubs the re-birth of the superstore; three branches were opened for two hours as a trial run.
"In only the two hours, I realized close to Ksh 700, 000,"proudly proclaims Ciano.
Buoyed by the response, doors flung open to the public in all the five branches the following day.
But soon a sense of anxiety as to whether they can sustain the momentum set it. But his fears disappeared soon.
"On the second day, we recorded over Ksh 10 million sales from the five shops, a sum we kept making in the first week. In the last 15 days of July, we exceeded the equivalent days in the previous year's sales revenue by 71.6 per cent in all the branches. By December, it was clear that Uchumi had started to grow its muscle to stand alone," sums up Ciano.What about the competition?
"I never fear competition. If anything, I enjoy it. I have been trained and exposed in a competitive climate for the last over 25 years and I can match any competitor," says Ciano who cut his teeth in ICDC before joining Shell. Even the Uchumi founder, James Karani Gitao, who is also the Chairman of the Akiba Group of Companies, feels the new management is spot-on.
"Although it is too early to give a forensic assessment of the situation, there is no reason why the recovery cannot succeed with what the new management is doing."
But he has a word of caution: "The management must exercise a lot of prudence and commitment to good governance and accountability," says Gitao who served as the CEO of the Kenya National Trading Corporation Limited (KNTC) between 1969 and 1978.
Noting that at Uchumi's inception qualified manpower was a problem, Gitao calls on the present administration to go for merit.
"We hired some local managers who lacked the experience in what was a big gamble and we learnt it the hard way. Fortunately, now we have a rich pool of human resource in the market and the current management should go for only the best."
But will the CEO keep Uchumi above the waters in the long run?
"I do not pretend that I know that much, but we are making headways because I am a driver of a winning team rather than champion of a loosing team," Ciano concludes.

Entrepreneur

Trust this lady to keep your books

By Justus Ondari

A year after plunging into the cut throat world of entrepreneurship, Wanjiru Bachia and husband Bachia Wanyeki would have liked to throw a party for their achievements. But like a sore thumb, the hassles of keeping business records in the face of a seemingly unrelenting Kenya Revenue Authority (KRA) could not let the enterprising couple concentrate in what they know best-running their two shops, Bellos Jewelerly and Korry's Wedding Shoppe. Why not hire an accountant and forget about the hassles?
"We are not Wal-Mart. We are struggling Kenyans who need to plough back into the business every coin we make rather than expanding our payroll," explains Wanjiru.
Coincidentally, 45 kilometres away from the Bachias' shops in Nairobi, Thika-based Uzuri Institute's Mercy Muiruri is grappling with a similar problem, although she has an administrative accountant on her payroll.
"We have an administrative accountant but we require more specialised services which we have decided to outsource as opposed to having a full-time employee who may not be well-equipped to meet our needs," explains Mercy.
It is this 'gap' which has been weighing heavily on the Bachias, Mercy and other entrepreneurs that Purity Nyamu and her Qualidat Services Limited is filling.
"We provide entrepreneurs with timely, accurate and meaningful financial and accounting information," explains Purity who preferes the title client service director to that of managing director.
"We enable them to do what they know best, run the business, while we handle what they feel they are not good at, bookkeeping," says Purity who holds a Master's in Business Administration (MBA), finance option, degree from the United State International University (USIU).
Purity and her husband John were literally forced into entrepreneurship by 'nature'.
"After I delivered, we faced financial challenges due to the long maternity leave. This made us realize the importance of self-employment."
Yet, the two could not place their fingers on the type of business they were to engage in.

A visit to her sister who is based in the United States (US) was to jolt the couple out of their quagmire sending Purity on her business odyssey.

“I discovered every business in the US outsourced much of the work, especially bookkeeping, while concentrating on their core functions. I felt Kenyan entrepreneurs needed to embrace a similar concept,” explains Purity.

On landing in Kenya, a dig deep into their personal savings and a little assistance from their immediate family, Purity hit the business highway last March.

A sample market survey she carried out indicated that, while majority of the entrepreneurs realize the value of financial and accounting systems, a number of them are compromised when it comes to the implementation process.

She also realized that majority of entrepreneurs fall short on information systems because they do not have immediate funds to purchase one or are too busy building their businesses that such a system is not a priority. She was set.

“I started with Ksh 500,000 and, with time, kept on injecting more into the business. But that is a small fraction of what I would have spent had I bought everything for my office,” she explains, alluding to the ‘housing’ she has benefited from under the World Bank’s International Finance Corporation (IFC) small and medium enterprise (SME) programme.

The IFC-SME programme, under what is called incubation, hosts small businesses, such as Qualidat Services, in their Nairobi’s Upper Hill offices.

“I was able to get computers and a good server which were critical to me since I needed to save the crucial data of my clients.”

Why settle for the trade name Qualidat?

“The name outlines what we do best, quality data. We want our clients to benefit from well-prepared quality and meaningful data in a timely manner.”

After establishing an entrepreneur’s needs by perusing through documents such as bank statements and invoices, Purity and her team ‘takes over’ the client’s record keeping responsibility.

To ensure that Qualidat staff will not misuse a client’s records, the company signs a contract with a confidentiality clause since they are dealing with the heartbeat of a business-finance.

“Should we breach the contract, the entrepreneur has a right to sue us.”

Even entrepreneurs who just want to change their financial systems stand to benefit from Purity’s services.

“Once the entrepreneurs feel they are ready to go it alone, we transfer whatever data we hold to their systems for free,” says Purity who left her job as a finance manager with a non-governmental organization (NGO) for business.

The mother of one feels she is offering entrepreneurs value for their money.

With source documents, Qualidat Services will generate a business’ financial information to detailed specifics such as payroll functions. Through a monthly management report, the company provides a business with well outlined conclusions from the financial data, basic and detailed enough for the entrepreneur to make business decisons from it.

“This allows an entrepreneur to access a pool of multiple expertise for the same cost, advanced technology at no cost, and reduced and/or deferred capital costs to the business, hence achieving cost efficiencies.”

She can also help an entrepreneur access funding through expert advise.

“If needed, we would help develop documents such as a business plan and cash flow projections free of charge. Many potential investors require them before funding a business.”

With unscrupulous busine-sspeople on the prowl, how does Purity forestall situations whereby her company may be used to ‘cook’ records?

“We do not and will not entertain any client who engages in any illegal or criminal acts,” vows Purity.

Challenges

Like the government’s infamous Secrets Act, many entrepreneurs are not ready to “cede their accounting turf to a stranger” presenting Purity with a major huddle.

“Many entrepreneurs assume a ‘let me think about it’ attitude when it comes to surrendering critical records of their businesses.”

Although it is early to talk about profits, the entrepreneur feels she is on the right track if the number of clients she has bagged so far is anything to go by.

“Though modest, the rate at which we are getting clients shows clearly that Kenyans have been yearning for our kind of service. We are getting a new client by the day.”

And she is brimming with confidence.

“No matter how small you are, through Qualidat Services, you can enjoy services of the equivalent of a full accounting department for business monitoring, profitability checks, costing, tax returns, among other functions, just like any big corporation could without incurring the capital and overhead costs,” Purity concludes.