



Can he survive the competition?

Tesco, the new kid on the block, will face off with Nakumatt, Uchumi, Tusker, Ukwala and a horde of retailers for customers

By **Samwel Kumba**

To a casual observer, another supermarket has just sprung up at Nairobi's Tom Mboya Street-Mondlane Street junction. But to the curious sort, there is something about the supermarket that begs an explanation: its trade name, Tesco Corporation Limited. Is it related to the United Kingdom (UK)'s supermarket giant, Tesco?

Spurred on by the desire to unravel the 'relationship', *The Financial Post* ended up unearthing an even interesting affiliation. Unbeknown to many, supervising Tesco's slow but steady forays into the local retail business industry is Titus Mugo, the first African Uchumi Supermarkets Managing Director, who was unceremoniously fired in November 2000, hardly a year into his appointment, and replaced by Kennedy Thairu.

"The supermarket has no relationship with UK Tesco Supermarkets. It is a locally incorporated, Kenyan company with three directors, I and two others, one of whom is foreign," explains Mugo. Before the exit, he had been a longtime deputy and successor to the brains behind Uchumi's illustrious past, Suresh Shah. Suresh had overseen Uchumi's turnaround from its loss-making days as a government owned institution into a vibrant and cash-rich giant with over Ksh 500 million in the account by the time he left in 1999.

But who is this Mugo?

A retail business greenhorn by the time he was joining Uchumi Supermarkets, Mugo's eyes were traded on greater things in life.

"When I joined Uchumi in 1982 as a supervisor after a stint with Simlaw Seeds and Amu Motors, I was determined to go up the ladder to the senior most position in the company, chairman of Uchumi."

At Uchumi, he was to come under the wings of a no-nonsense manager Suresh for a training he only simply describes as 'excellent.' No wonder, Mugo speaks a host of Kenyan languages and is fluent in others like Gujarati, Punjabi and Hindi.

Born in 1960 in Kirinyaga to a struggling family of nine, a determined Mugo was to literally drag his chin off the floor, rising through the ranks to become the purchasing manager and later the first marketing manager of Uchumi. He was ahead of time in his marketing prowess.

"I came up with such slogans like 'Shop and win' and the 'Greatest sale'. In fact, I am the first person to give away the first Mercedes Benz as a present through a promotion in this country in 1995 during a raffle in the 'Shop and win' competition. We increased our sales six times," relives Mugo.

Young and very aggressive, Mugo could not let opportunities pass and when the position of general manager was advertised in 1994, he gave it a try.

"Propped up by successful sales promotions that I had carried out resulting in all Uchumi outlets getting packed to capacity, I applied and competitively selected."

Unfortunately, his age was to prove an Achilles heel.

"Upon being selected, I was told that I was too young for the job."

The Uchumi management contacted the British Council for a scholarship and with that Mugo, 34 years then, was sent into a commercial exile in the UK to learn more about retail trade management. He was attached to the biggest supermarket chain then, J Sainsbury's.

After a six month stint and regular shuffling between Kenya and UK for three years, the management seemed not convinced that he was old enough for the job. Even more, the management was not aware that by now Mugo viewed Uchumi's outlets as too small for him and embarked on a major challenge.

As if to add insult to the injury, his mind was totally changed and he could not imagine of operating small supermarkets.

"I came up with the hyper concept and made a proposal to the board for approval. Nobody could imagine that I could start a hyper that could serve over 5000 people in a day and generate Ksh 100 million in a month."

Met with skepticism, Mugo, who had a Bachelor of Business Administration (BBA) degree from the UK, bet his job with the board over the concept.

"I bet that if it succeeded, they immediately appoint me a general manager but if it fails, they sack me. Apparently viewing this as a solution to the 'Mugo problem', they approved the proposal. They were almost certain the project will fail. I started with Ngong' Hyper."

On its first day of operation, Mugo says, it was all chaos at Ngong' Hyper and they had to hire policemen to control the crowd of customers. The board was left with no alternative but to make good their bet, they made Mugo Uchumi general manager in 1996. Under his watch, new branches were opened at Nairobi's Sarit Centre and Eldoret, among other outlets.

"I maintained a good rapport with the suppliers, a fact that saw our outlets, including the hyper markets packed with goods."

Then the momentous time for Mugo was to dawn on him in 1999 as his mentor and boss Suresh decided to 'retire'.

"It was the biggest challenge I have ever faced. Uchumi was seen as an Asian-run company and Asians were known to be serious businesspeople. Yet here I was, not only succeeding an Asian, but also a successful manager at that. With a history of many Africans running down companies, I had no option but to succeed."

Fortunately, Suresh was to be at Mugo's disposal for consultation.

"It was Suresh's idea that it was time Uchumi created an African manager who could show the world that Africans can run businesses. As the first African Uchumi MD, I hit the ground running. I increased sales by 34 per cent and recorded Ksh 500 million as profit. By all standards, I proved to the world that I could make it."

Mugo's aggressiveness saw him become one of the youngest successful chief executive officers (CEOs) then, earning him the coveted seat of chairman of the Nairobi chapter of Young Presidents Organisation with offices in Dallas, United States. Mugo was the only African representative in the forum.

The forum constitutes of CEOs that have succeeded and are below 44 years with a turn over of minimum of Ksh 560 million (\$ 8 million).

"I am still a member. Now that I am getting older, I am eyeing the World Presidents Organisation (WPO) for older CEOs."

As fate could have it, the then Uchumi board led by Chris Kirubi, were of the idea that Mugo was old school.

"When I presented my report to the board on 20th October 2000, I got a simple reply, 'there is no corporate governance in this company'. I was humbly requested to step down as Uchumi MD. I was actually sacked," Mugo reminisces.

According to the Tesco MD, he does not know why he was sacked up to now.

Jobless, Mugo decided to go for a holiday and reflect on the goings on. After all he had never gone for one for over 15 years.

"I could sleep and wake up at 9.00 am and enjoy the sun. I stayed for over six months doing nothing but relaxing. Though I was offered jobs all over, both locally and abroad, I decided to rest."

In the meantime, he started running his school, Ivy's, which his wife had established in 1997. He invested some money to expand it, a move that saw it grow from a small kindergarten to a full school. Today, the school boasts of over 500 pupils and excellent performance.

"I could be called for consultancy jobs from time to time," says Mugo.

Tesco Supermarket

Fast forward and after a long period of absence from the retail business, Mugo is back in the thick of things.

Originally, Uchumi gave Tesco a franchise after running into financial problems. When Uchumi went down, the new franchisee was left hanging and to survive, they head-hunted a hands-on experienced manager, Mugo. After intensive consultations, he accepted the offer.

Incidentally, Mugo is pulling the Tesco strings from the corporation's headquarters housed at Uchumi headquarters in Nairobi's Industrial Area.

"Now I am ready to move the company ahead. I have so far witnessed sales increase tremendously and we are almost getting our fair share of the market. I can assure you, with time, we are going to have a position in this country as far as supermarket business is concerned. I am not implying that we are going to get any competitor's market, but we will have our rightful market share," explains Mugo.

"We already have seven branches in Nairobi and one in Mombasa. They are; Uchumi Railways, Uchumi Temple Road, Uchumi Taveta, Uchumi Market branch, Uchumi Wendani and Best Lady in Mombasa. Then there is Tesco that is already branded along Tom Mboya Street."

"Soon, you will see us flagging our own name," Mugo explains.

Having been kicked out of the action by the Uchumi board before he could even put on his retailing 'attire', is Mugo on a revenge mission?

"Well people might argue like that. However, I pray quite hard for Uchumi to succeed because it was my own brand. Any help they need, I always give them. Even when I was out, the government could invite me to give them a strategy on how to revive Uchumi. I have no bad feelings against Uchumi although they did not even pay me my dues. I appreciate that if Uchumi goes down, fellow Kenyans who are working there will suffer. That is why I find nothing there to fight about. I have no vengeance at all."

Schooled under a workaholic Suresh, Mugo believes hard work holds the key to success.

"If you find an organisation that is successful, it is out of sheer hard work and sweat. There is no shortcut to success."

What new developments is Tesco bringing to the already crowded retail business sector?

"There is actually nothing new that we are meant to bring to the market. We are only increasing the variety and choice to customers. We are only targeting the common man. I want the small spenders to benefit from my discounts since I buy in volumes," Mugo promises.

Mugo does not feel challenged by his new position revealing that the greatest challenge he overcame was when Uchumi caught fire.

"As you might be aware, in 1992, the whole warehouse of Uchumi went up in flames and goods worth over Ksh 500 million were lost. I had to begin it all up without even closing a single branch."

With the economy currently growing and backed by a rapport he has built with suppliers, Mugo feels he can give consumers excellent bargains.

"I am selling 1kg of Unga at Ksh 38. Once I start getting sugar supplies from Mumias Sugar directly, I will sell a 2 kg package at Ksh 149 and still make profit."

And as the stage seems set for the fight for supremacy in the local supermarket business, Mugo seems to be sure of himself.

As to whether he will succeed, only time will tell and the consumer is the jury.

Finance

Pay up, we are watching you!

Amendments to the Banking Act makes it mandatory for banks to expose loan defaulters. Will Kenyans pay low interest rates as a result?

By Guchu Ndung'u

Do you have a good credit record? Then celebrations are in order because you will soon begin to pay less interest on your loan.

This follows amendments to the Banking Act that will make it possible for banks to share information on negative credit history of defaulters. When they know of your good credit track, the banks may offer you more congenial terms on that loan you want.

Your credit history will be maintained by registered credit reference bureaus and banks will be able to access it any time they wish.

A credit reference bureau is a company that provides credit information on persons. This helps lenders to assess borrowers' creditworthiness and their ability to pay back loans, factors that can influence the conditions and interest rate applied to individual loans.

Previously, un-creditworthy customers could easily move from one institution to another and obtain loans and facilities in all of them. Under the then confidentiality rules, a bank could not reveal any information regarding the performance of the customer.

Under the proposed arrangements, a bank may give to another and to the bureaus any negative information on account holders. In turn, each bank will have access to information provided by the other banks, from the central depository databanks with the bureaus or the individual banks. They will thus avoid the cardinal mistake that analysts attribute to the current non-performing loan portfolio bedeviling the country's banking industry – a situation where different banks advance to one borrower various credit facilities despite one's history of inability to repay the previous loans. Or, as in some famous cases, customers who borrow from one bank to only to clear the other.

"Currently, we have less than 100 defaulters who owe to different banks over Ksh 20 billion," says John Wanyela the chairman of the Kenya Bankers Association. When banks share this kind of information, it will be difficult for such defaulters to fall through the net and not be caught early. Especially when the proposed rules will also set up a mechanism to enable banks to black list hardcore perpetrators.

These amendments to the Banking Act are contained in the recently passed Finance Act (Amendment) 2006 Bill.

Benefits

Many a Kenyan enterprise and individual will point out that banks are presently unwilling to lend to small enterprises as they are considered a high risk. However, the situation is about to change. Jean-Philippe Prosper, a Senior Manager with the World Bank's private lending arm, the International Finance Corporation (IFC), says "International experience suggests that the use of credit information allows banks to reduce loan processing time and cost by 25 percent or more. It also lowers default rates by between 40 per cent and 80 percent, contributing to the improved profitability of financial institutions and stability of the financial system. Interest rates will not be uniform for every borrower. "Instead, it will be calculated at a risk-based pricing, a form of price discrimination based on the different expected costs of various borrowers, as set out in their credit rating.

This means that the better the credit rating, the lower the interest a borrower may pay as they are considered a lesser risk by a bank.

Salma Mazrui, the Vice Chairperson of the East Africa Credit Bureau Association (EACBA), attributes the high interest rates, among others, to the cost of non-performing loans in the country, which is then passed to the other consumers. "Banks have included non-performing loans and bitter lessons from defaulters in their cost of doing business. If they are able to clearly determine the credit history of a person, they can give favourable terms to such an individual," explains Mazrui.

Non-Performing loans

According to the Central Bank of Kenya the total gross loans in the banking sector as at November 2006 were Ksh 460,162 million. Of this, the published accounts for the year ending September 2006 indicate that Ksh 64.4 billion or 14 percent of the loans were non-performing.

This, Mazrui adds, is in the light of the fact that interests in the country are deregulated and thus individual banks can negotiate with a prospective loanee based on their credit history.

"The more positive the history, the less interest will be charged," adds Mazrui, who is also the Managing Director of Trans-union, a credit reference bureau with a presence in 28 countries.

"The reason why some people have to pay exorbitant interest rates yet they have never defaulted is to make up for someone who did not repay a loan," says Julian Kyula, the General Manager of Credit Reference Bureau (CRB) Africa, a bureau with a presence in seven countries.

While compiling a credit profile, CRB's consider various factors like whether a borrower has liquidity related court cases, previous payment disputes and the risk of the industry in which the enterprise operates. The higher number of credit related litigations and payment disputes a borrower has, for instance, the more risky they are.

"Having multiple identities, for instance ID numbers, can also be a red flag," adds Kyula.

There are fears that, due to competition, banks will not be willing to share positive information. For when a bank gives out positive information about the creditworthiness of a customer, a competitor may poach them and give them more attractive and flexible credit facilities.

"Most would prefer to just stick to the law and share information on defaulters," says Wanyela of KBA.

The CBK elaborates that banks will be able to share prescribed information on their clients as will be agreed upon by stakeholders, and the information will range from positive to negative depending on the specific contracts governing the relationship between the bank and the customer.

But the biggest beneficiaries of the law, if they are all registered by CBK, will be the three credit reference bureaus. They are Metropol East Africa, TransUnion and CRB Africa Limited. Because the legislation makes it mandatory for banks to share credit information on non-performing loans with credit reference bureaus, an information gold mine is created that, before the law was amended, they could only have dreamed of. Because previously, they could only get customer credit information only after having obtained permission from the customer.

"Persons seeking credit facility would have to officially sanction a bank to check their credit history by signing consent forms and, in case of a default, provide their details to a credit reference bureau," explains Kyalo.

Many loan applicants, some without any knowledge, have accented to such agreements, which is usually clouded in legalese or in the 'other terms and conditions' that many sign without asking for such conditions.

This meant CRBs had limited credit information gathered mainly from information in the public domain and other sources like law courts. In fact, many were in the red and relied on other activities like debt collection and cheque verification assignments to stay afloat. "But things are now looking up for the bureaus as more people become aware of our services, apart from the benefits of credit referencing," says Mazrui.

Microfinance institutions (MFIs), which also fall under the banking act, could also benefit from the amendments and use information from the bureaus to check on potential clients. According to the Association of Microfinance Institutions (AMFI), MFI's have loaned over 2 million people, with over Ksh 16,000 million in outstanding loans by October 2006. If we apply the same default rate as banks, they can save on the Ksh 2,400 highrisk loans.

Challenges

Not all are impressed though other lenders outside the financial systems. This is because, as the law stands, only institutions licensed under the Banking Act will have access to the information on defaulters. The act seem to exclude other major lenders like utility companies for water, power and telecommunication services, hire purchase companies, co-operative societies, and most important of all, the Kenya Revenue Authority (KRA).

Wanyela for instance advocates for inclusion of other institutions in sharing information as some hold crucial information that banks do not have. "A borrower, for instance, may owe KRA Ksh 10 million but does not owe any bank. Such a person can obtain a loan in a bank, as they cannot access his credit information from KRA.

In case they come for his property, KRA will be given priority and a bank can lose its money in the process. But if KRA had shared such information, the bank would not have advanced that money as the borrower would have been classified as a risk."

James Wainaina, the managing director of Amedo Centre, a hire purchasing company, also concurs with Wanyela. "The information should be shared with everyone involved in lending as our business also involves risk taking. We hope the government will consider our pleas," appeals Wainaina.

Wainaina points out that their clients default rate is around 10 percent, which would be minimised if they had information on the credit history of a customer.

While banks are mandated to provide information on defaulters, companies not registered under the Act will not be obliged to share credit history of defaulters.

The Bankers Association also wants the definition of non-performing loans to be made clear and unambiguous to avoid protracted court battles with clients who may feel that their loan facilities may not be classified as non-performing. Furthermore, they want to have defined when the obligation takes effect; will it be when the customer is classified non-performing or when the information is asked for.

The amendment also provides for the Minister of Finance, through the Central Bank of Kenya (CBK), to issue rules progressively on the regulation of credit bureaus and nature and format of the information to be shared. However, until the regulations are gazetted, says a statement from CBK says, credit reference bureaus cannot exchange information on banks.

Among the list of proposals being floated around on the regulations on the establishment of the bureaus include a requirement that a bureau must have a capitalisation of at least Ksh 20 million. However, both the CBK and bureaus are quiet on other regulations that CBK will come up with.

"We expect CRB's to be not only of high integrity and to be registered, but also ones armed with the right software and hardware to protect the privacy of clients' information," offers Wanyela.

Mazrui of TransUnion, while welcoming the CBK regulation, maintains that the three bureaus in the country are already self-regulating and have come up with a code of ethics to govern their operations. "We also have a dispute resolution system within the EACBA where aggrieved consumers can voice their complaints. CBK has been consulting us throughout. But we welcome the regulations," she adds.

The thorn in the flesh on the side of the upcoming regulation, however, will be the issue of privacy and updating of credit information on an individual or organisation. This is because a wrong entry in a person's credit information may cost them a credit opportunity and someone will have to take responsibility for it.

"Banks will be obliged to send information on credit of non-performing loans and we will rely on that information. For instance, if a person repays his loan and the bank does not send to us the information to update that individual's credit history, they will be liable," points out Kyula of CRB Africa.

Background

The clamour for sharing information on non-performing loans started in the late 80s when the burden of non-performing loans weighed on many a banks balance sheet.

In the early 90s, under the auspices of the Kenya Bankers Association, banks formed a committee for sharing information but, due to legal reasons, this was not possible.

The current arrangement will see a closed user system – where banks share information just within themselves. If the regulation comes into force, Kenya will be the second country in East Africa after Uganda with a central reference bureau.

There, the Bank of Uganda had tendered for companies to provide the services, while Tanzania is yet to fully embrace credit referencing. South Africa, however, has the most comprehensive laws on credit referencing in the continent after the passage of the National Credit Bill that went through its Parliament in April last year.

In more developed countries, credit information is shared not only within the financial institutions but also with utility companies and other sectors that extend credit facilities to customers.

Due to the nature of the business, the number of CRB's is limited in many countries. Both the United Kingdom and United States (US) have only three bureaus each. In particular, they have stringent rules. For example, credit reference agencies are bound by the Data Protection Act in the US, which requires that

data relating to identifiable individuals must be accurate, relevant, held for a proper purpose and not out-of-date. Individuals have a legal right to access data held on them. That said and done, how the regulations will unfold and their impact on personal and corporate credit, only time will tell. What we do know, someone out there will know your worth.

Human Resource

Balancing work and personal life

How to develop a career without wrecking your personal life

By Samwel Kumba

You might have heard this before: There is more to life than work. Perhaps you have thought about it and agree that it is a good idea. Or conceivably you have even struggled with just how to make that idea a reality. You just cannot seem to find that balance between your work life and your personal life.

There are only so many hours in a day. Eight-hour workdays are remnants of the past. You now spend 10 and sometimes 12 or 14 hours working. That does not leave much time for anything else, does it?

Finding and maintaining a comfortable balance in life is a universal challenge. As members of staff or even an executive, you are always aware that the success of your organisation is up to you. It is likely that you focus so much time and attention on work that you sacrifice other areas of your life.

Your responsibility for finances, products, services, customers, and employees is time-consuming and often overwhelming.

Part of the confusion about 'balance' comes from thinking that balance means equal amounts of time. Consider a new definition of balance, paying attention to every aspect of your life on a regular basis.

Balance is about living in a synchronised manner with yourself so you can live synchronised with others. It is about attending to your multidimensional self so you can make conscious choices about how you spend your time and energy at work and in life.

There are five aspects of living that need your attention. They are physical, mental, social, emotional and spiritual dimensions. Little attention to any one of them will create the feeling of being out of sync with your self.

Appropriate attention to each dimension will give you the power to find the right mix of priorities and actions for creating a balance between life and work. When you are in balance, you are more creative, more productive, and can truly experience the process of life.

In a bid to secure some sort of balance, a group of professionals have come together under the aegis of Priority 1 Associates to encourage sharing of experiences from across the continent's career professionals to try and create some harmony from country to country in Africa.

David Nyamu, who is the Director of the association, raises a series of fundamental issues which he says professionals consider crucial in trying to create the sought after balance. Most of the issues were developed from a workshop that the organisation held in Kenya early this year that brought together over 340 professionals from about 25 different countries.

The conference, dubbed 'Pamoja Africa', with a theme, 'a new generation of leaders for a new Africa', brought together over 2000 delegates in total, most of whom were college and university students from over 40 countries. The provisional programme of Pamoja sought to expose the understanding of how the various dimensions affect performance at the work place.

Findings

At work, Nyamu says, there is need for one to take frequent breaks and move around. If you find you are sitting a lot, stand up and move around about every 15 minutes. If you are on your feet, wear comfortable shoes, stretch your back and legs, and sit down periodically.

Nyamu believes in exercise and rest. His advice to employees is that, when not at work, they relax their bodies, get appropriate amount of sleep, play with young children, eat nutritious foods, refrain from smoking and if one drinks alcohol, so be it, but in moderation.

"How you live your life is much more important than what you do. Creating and maintaining balance in life is worth the effort right now because you will live a richer life, enjoy the process of living, and nurture your relationships while being true to your own essence. In the end, the fact that you ran a multi-million dollar organisation will pale in significance to what you contributed to life. You can balance life and work if you really want to. It starts with that first step."

While arguing that the social life cannot be overlooked, Daniel Warutumu, who works at the Industrial Adhesive Solutions, affirms that while at work one needs to honour relationships through open communication and conscious cooperation.

"Treat everyone, employees, customers, and vendors, with dignity and respect. Look at situations from different points of view. Look for the humour in running a business," Warutumu says.

He believes that in life one has to nurture relationships while refraining from canceling personal 'appointments' because one has too much work to do.

He also cites the need to monitor the emotions one feels.

"Take time to process what you observe. Refrain from dumping your feelings on another, especially when you are feeling angry. Take a break before dealing with an emotionally charged situation so you can respond in an appropriate manner. At the end of the work day, release all of your concerns so you can be ready for time outside of work. Leave work at work."

Nyamu on the other hand brings in the mental dimension arguing that one has to plan between work and time.

"Be sure to include your personal appointments. Look for ways to eliminate time bandits, by using technology and say no to requests that don't fit with your master plan. Set reasonable time-lines for project completion and hire staffs that enthusiastically support the vision and mission of the organisation. Delegate the work you don't really need to be doing."

The spiritual dimension could not as well be overemphasized.

Listen to Nyamu: "Keep focused on the mission of the organisation. Make your decisions based on what the organisation is all about. Set aside time to reflect. Retreat with your executive team to spend time evaluating the vision, mission, and goals against the actual behaviour of the employees and the performance of the organisation."

He is convinced that one can uphold ethics and still succeed in business and maintains that one does not need to be crude to realise profits?

Warutumu, who also doubles up as the Chairman of Priority 1 Associates, argues that integrity is difficult to cultivate, however saying, people need to uphold it in everything they do.

"We need to build people's character in line with our motto of 'win, build and send," he explains adding, "This need has sent us to develop programmes that suit the professionals in relation to their workplace."

But it all depends on what we take our work places to be. Come to think of your place of work? Is it a home away from home, torture chamber or amusement park? To all and sundry the workplace can be any or all of these things, depending on which expert is doing the talking.

Whichever the case is, one thing is certain: Friendly workplaces increases productivity. Arguments have previously been advanced through this very column that workers, perhaps, should bring their emotions to the office, get cozy and thus become attuned to the nuances of communications.

Problems

T h o u g h P r i o r i t y 1 A s s o c i a t e s a r e

challenged in terms of capacity being a non-profit-making institution, Warutumu is convinced that they will finally reach out to many professionals and educate them on how to relate in their workplaces.

The institution seeks to establish standard working practices that can be shared among professionals across Africa. Reiterating on the need for professionals to lead a balanced life, Nyamu wonders "what happens to the spiritual life, family and body when one is busy with career development 24/7 for, say, for 40 years?"

"It makes no point when one succeeds in terms of career yet their children are into drugs. That is why most people resign while they are young," he expounds.

On the other hand Warutumu argues: "This is why most senior executives lead miserable lives. We need to plan our lives."

Though there is a general conviction that work should not get on the way of one's personal life, balancing between careers and family, calls for a thorough exploration of alternative work options including finding out if one should be a stay-at-home-parent, and learn how to deal with issues that working parents face.

Most people lead a charmed life with an on-and-off schedule that easily drives them crazy. It requires one to be busy and focused. When you go home, perhaps, you should leave work a world away. But there is one more challenge; whether or not members of staff have two lives. This has largely become an African problem.

"We need to have a vision beyond our current problems. That is why we formed Priority 1 Associates. We have to see through the dream of Africa emerging as a global superpower," Warutumu explains.

Nyamu feels matters of the heart could go a long way to promoting productivity including in entrepreneurship.

"Unfortunately, most of the business people work throughout. Without delving to individual matter of faith, we educate our clients on how to manage stress, and financial management," he explains.

That is why Nyamu hosts a radio programme on Hope FM called 'The Sky is the Limit,' to inform professionals and businesspeople on how to make investment decisions and profitably manage businesses.

"One time I hosted Fred Mweni, the former General Manager with Suntra Investment Bank, who demystified what it takes to invest at the stock market."

But as the continent watches David trying to manage emotions in the workplace for supervisors and other professionals, one thing remains indistinct: When shall we hear people say: "I like my job, I have wonderful kids and a supportive spouse," without one feeling stretched to the limit.

The death of the gravy train

By Justus Ondari

It is a hot Thursday afternoon and on Robert Hunja's table, among other items, is a bottle of water half full or half empty, depending on whether you are an optimist or pessimist.

When we arrived at his temporary office in the Treasury Building for an interview with Hunja, the Interim Director General of the Public Procurement Oversight Authority, the water bottle is the last thing *The Financial Post* crew expects to focus on. However, to the University of Nairobi Law graduate, it seems the bottle is central to the interview.

"Various individuals and organisations supply goods such as stationery, sugar and water to all ministries, including the Treasury. We feel that the government may be paying three to four times the market price of many items," Hunja explains as he toys with the water bottle.

Indeed, in an economy like Kenya government is the largest customer. In this regard, the government always has thousands of suppliers on its directory, some of whom often take advantage of the existing legal loopholes to inflate prices of business dealings with government.

The wheeler-dealers have over the years viewed it as a customer with poor bargaining skills. In a move aimed at tightening the noose around the dealers, the Director General is literally going out window-shopping.

"We want to go out and compare the prices we are charged on various items and what other customers pay in the market places such as supermarkets," says Hunja who was roped in by the government as an advisor on procurement from the World Bank in April last year.

The information gathered will be published and all public entities will compare against each other in terms of cost of procuring goods and services.

"Any ministry or government entity paying through the nose for items will explain why they are paying more than, for instance, the Treasury for the same goods and services," explains Hunja, who joined the World Bank 11 years ago and rose through the ranks to become the manager in charge of Procurement, Policy and Services Group, Washington.

In the same light, to streamline road construction, the oversight authority plans to carry out a study to benchmark the cost of making roads in Kenya against the world prices. "There is a feeling, unfortunately we do not have empirical evidence to back up the claim, that roads in Kenya are overpriced. Yet there are studies done around the world on how much a road of certain quality and capacity should cost per kilometer to construct."

"Our concern is, why should Kenyans pay more than what their counterparts in, say, Botswana or South Africa or Europe, are paying to get a road?" poses Hunja, an alumni of Lenana School, Nairobi. Negotiations with some donors for funds to carry out the study probably within this calendar year are at an advanced stage.

Hunja and the government are not trying to be stingy. Rather, they are embracing reforms in the public procurement process as contained in the Public Procurement and Disposal Act, 2005, assented to by President Mwai Kibaki in 2005. The Act, which advocates efficiency and frugality, started to be implemented on 1 January, 2007 when the Public Procurement and Disposal Regulations, 2006 came into force.

The interim Public Procurement Oversight Authority is a creation of the Act awaiting parliamentary approval. Currently, it is assisting the Minister for Finance Amos Kimunya to nominate the Interim Public Procurement Oversight Advisory Board which will be launched at the end of March. The board which will advise the Authority generally on the exercise of its powers and functions, however, will also wait to be confirmed by Parliament.

Citizen contracts

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variety of preferences to local enterprises that have been identified in the Act as 'citizen contactors'. The Act identifies a citizen contractor as a natural person or an incorporated company wholly owned and controlled by persons who are citizens of Kenya.

Under the regulations, citizen contractors will be given preference when government procuring entities purchase goods and services whose value does not exceed Ksh 50 million. As for works, citizen contractors have a preference on contracts that do not exceed Ksh 200 million, especially where the source of funding is 100 per cent from the Government of Kenya or a Kenyan body.

But are the Ksh 50 million and Ksh 200 million thresholds not too low to be used as reserve prices for local contractors? Although the figures are based on negotiations with stakeholders, Hunja says the Minister has the discretion to change them if they prove to be too low.

“But let the local contractors prove the figures as too low by doing a good job. From the potholed roads to collapsing buildings, contractors have not been doing a good job, therefore, becoming part of the problem that deny Kenyans quality roads and buildings. In any case, Ksh 200 million is not pocket change for works like, say, building houses.”

If Hunja’s word is anything to go by, the government is determined to drive a hard bargain in its business dealings. “Local contractors have no choice, they either give Kenyans value for their money through quality works or we open up the market to all as it has been in the past,” he cautions.

Foreigners

Thrown against the might of the foreign contractors with their advanced technology, deep pockets and wealth of experience, some local contractors would feel vulnerable. Hunja strikes a positive note.

He feels local contractors must outgrow Kenya through international competition by going for contracts in other countries like Botswana and Southern Sudan “because real money is out there”.

“We will help small and medium contractors to get government contracts. But for larger players, they need to grow into regional players instead of solely relying on government contracts. Today, there is no Kenyan company competing even regionally. Mugoya Construction Company is a very good example of what befalls firms relying only on government contracts.”

Mugoya, once the blue-eyed boy of the ruling political class, had been winning every lucrative government contract in Kenya and Uganda in its heydays. But things have since gone horribly bad for the company, which is currently under receivership in both countries.

“We would like to help such contractors through other interventions such as enabling them to access credit and new construction techniques,” Hunja proclaims.

He may have insights into what he is talking about, having worked in Uganda and Tanzania, and far-flung places like Chile, Poland and Kazakhstan. He urges Kenyans to stop benchmarking themselves against developing countries. “Why should we go for the below average? Let us benchmark ourselves against Europeans.”

But to encourage technology transfer and improvement in local capacity, both the Act and the regulations have provisions for margins of preference depending on the size of local shareholding in the (foreign) entities that bid.

“In the future, many external companies would be taking Kenyans on board as shareholders since it will give them a preference over wholly foreign-owned ones,” he elaborates.

Supervision

The Director General maintains that it is the responsibility of the contracting entity such as the Ministry of Roads and Public Works to ensure quality of the jobs. “All we will help them with is the technical expertise. But the success of the rules and framework we are putting in place will depend on Kenyans’ changing their attitudes to do the right things in the right way so that we do not rely so much on the law but rather on professional ethics of engineers, contractors and suppliers.”

Speed

Whoever said time is money, knew what they were saying. After years of taking the flak, it is clear that the government’s main objective is to instill efficiency into its procurement process.

Contrary to public perception, many of the delays in execution of government contracts do not occur because the rules are complicated or the process itself is inherently long. Hunja sees the hand of outsiders at work.

“Much of the delay is due to interferences in the process forcing officers to delay making simple decisions for as long as a month due to one form of interference or another. When a decision that does not align itself to the expectations of other parties is made, chances are that it will be challenged in form of an appeal,” he adds.

Although it is time consuming, Hunja justifies the appeals process maintaining that it is very critical in building confidence in the procurement process. “But we have created clear timelines on when certain decisions should be made. If they are adhered to, the whole process will be fast.”

Capacity

Annually, many ministries return unused funds to Treasury citing lack of capacity. But Hunja does not buy the excuse. “I am never totally convinced that it is the issue of capacity. It is other things. Kenyans have more than enough capacity if it is used to do the right things.”

He adds: “Many officers do not plan well and wait until the end of the year to start spending their money largely because sometimes they want to spend it quickly and, therefore, not transparently.”

But under then new regulations, once an entity such as a ministry finalises its budget, it also has to finalise its procurement plans. "This means that just a day after they get even a cent from Treasury, they should be spending it."

However, he is quick to add that some genuine problems bedevil the procurement system and cites what he calls a mismatch between the budgetary planning in ministries and the way Treasury releases money to them.

Authority

The director says he is fortunate since he has the full support of the political leadership. "It is not an easy job since it involves interfering with networks that have existed for many years."

To ensure that public entities have capacity to perform their functions, Hunja aims to professionalise the government's procurement function.

"In the past, anybody who fails somewhere else in government, the motto has been *wapeleke procurement wafanye kazi huko* (transfer them to procurement to work there). That is going to end. We want to make sure that just like you need to be a qualified accountant to do accounting work, you need to be a qualified procurement person to work in the department," Hunja vows.

Already, a bill aimed at guiding the move and prepared in conjunction with the Institute of Supplies Management is before Parliament.

Message

He urges Kenyans to support the oversight authority by not only questioning where it errs but also praising it where it does a good job.

"To streamline the government procurement process is a job for all Kenyans. Therefore, anytime public money is misused, Kenyans should feel as pained as when a pickpocket steals money from their pockets. They should feel the same anger," concludes Hunja as he sips water from the half-full/empty bottle.

Entrepreneur

Born and bred on carpet business

By Mwangi Maingi

Jasper Johns, a famous American painter and a decorator, once said that art and culture are less important than life, but deprived is life without them.

Is there any link between art, culture, law and business? Yes. But I guess one has to part ways to enable the others three to progress. One Saber Gul Aga abandoned his ambitions of becoming a lawyer to join his late father Faiz Aul Aga in the carpet business. He is now the director of Turkoman Carpet Emporium.

"Business, art and culture are like a river. They are the common course followed by the majority that, while relatively fixed, they are known to shift over time," says Saber.

Turkoman specialises in the sale, repair, cleaning, dyeing and edge binding of the oriental hand knotted carpets and mats. It normally deals with carpets manufactured in the Middle East, Far East, Iran, China, Turkey, Egypt and India.

Turkoman Carpet Emporium is a family business originally established by the director's father in Turkmenistan State, a former Russian State, afterwards he migrated to Afghanistan, India and then to Singapore and finally he relocated in Kenya in 1951.

Carpet business, according to the director, has been father to son kind of a business. "We believe on the responsibility of carrying on the business along as a legacy. It is our goal in business both as a family as well as part of living," Saber says.

Although he has been in the business since in 1968, Saber says that art and culture is unique for any particular community, each having different designs and weaving styles of the hand knotted carpet from the other community. Most of the weaving styles and designs may have not been published for reading and training, as some of the arts are believed to be hundreds of years old.

"One need experience to excel in art business more than in theoretical learning in books," he says.

Competition is always a fantastic thing especially in business, and so is the revolution in the manufacturing industry. The technology development has a disadvantage in Saber's hand knotted carpet business too.

"Machine made carpets have intensifies competition since they are cheap to purchase but short lasting compared to hand knotted carpets and rugs which can last even between sixty to seventy years," says Saber.

Cheap is expensive thus in his opinion, the director says individuals and even institutions prefers the quality and durability of a carpet and mat to cheap carpets and mats.

Setbacks in the business

As part of the business life for every entrepreneur towards their goals, there have been other challenges to the business. In his case, Saber laments on the location of the business, the University Way opposite Nairobi Outpatient Hospital, especially when clients complain lack of parking space. "Lack of adequate parking as well as loading space has been a major challenge to the business. This has pushed away clients as most of them have been harassed by the Nairobi City council askaris when they park outside my premises," he says.

Saber maintains that the initial capital of the business was not a problem to him since the business was already established. He had inherited a stockpile from his father. However, since a business requires a boost financially, the director ploughs back profits to the business for expansion and sustainability.

Oriental carpets are mostly imported from the source countries. As with all imported goods, hand knotted carpets and mats have to meet requirements set by the Kenya Bureau of Standard (KEBS). These requirements include the thickness, density and wool quality, which Saber says expects to face more challenges especially when used on hand knotted carpets and mats.

"Hand knotted carpets comes in varying designs having been made either by nomads, cottage industries, specialized weavers, it is hard for the authority to have a given standard on the carpets one made by nomads and the other one in cottage industry," he says.

The director suggests that the authority needs to take keen researches on communities on the carpet designs to enable them set applicable standards and measures for imported hand knotted carpets and mats. The research is also important on other artistic goods like sculptures, painting, carvings and earthenware locally produced or imported to enable the merchants fit them in the art markets.

"For durability and value, the wool quality is extremely important. The number of knots per square inch determines, the fineness or pattern definition of the carpets and mats. The more knots it has per square inch, the finer it is, thus better quality it has," he advises.

On the fairness and equality in business in terms of taxation system, the director laments that some of his competitors operating on carpet business do not pay the 16 per cent Value added Tax. "We recover the tax from clients thus our prices tends to be higher than one who are not paying the 16 per cent, thus unfair competition. This results to tax-complaints merchants making losses thus pulls out of business," bemoans the entrepreneur.

In this case, Saber calls for government to ensure equality in payment of taxes by all those in a certain type of business to ensure fair competition and equal participation in revenue contribution, making basic amenities available to Kenyans.

Currently, the company of 13 employees boasts its clientele include expatriates, companies, hotels, professionals and individuals.

Budding entrepreneurs

The experience in the business world has taught Saber secrets behind striving towards business success.

"The difference between a business and a job is that a business runs 24 hours. It requires one's attention at any hour of the day, not like a job whereby after one leaves the office, rarely can one be of service concerning the work. The returns depend on the effort that one puts on the business," Saber says.

To succeed in business, Saber has a word to the upcoming entrepreneurs:

"The starting point of great success and achievement has always been the same. It is for one to dream big dreams. It is also important for one to cast off his or her limitations towards success than for one to begin fantasizing about the wonderful things that can become, have, and do," he concludes.

Facts on oriental handknit carpets

Oriental hand knotted carpets are made with natural wool fiber, in geographical areas that include the Near East, Middle East, Far East and the Balkans.

The carpets are either hand knotted or flat woven. In hand knotted carpet and mats, strands of yarn are tied into the flat woven foundation, creating a pile and pattern.

Originally, the names of the oriental rugs referred to the city, village, or nomadic tribe where the rug was woven. Each had specific weaving techniques, patterns, and predominant colors used in creating their rugs.

All rugs are hand selected for value and quality. Hand made rug prices vary according to the intricacy of design (knot count), wool quality and country of origin, as well as uniqueness of each individual piece.

For durability and value, the wool quality is extremely important. The number of knots per square inch determines the fineness or pattern definition. Vacuuming the rug regularly will remove harmful grit and prolong its life.