Connecting the dots...

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Inching closer to the real world of entrepreneurship

....inspired by the Zeitgeist

While my passion for photography which I had developed while working for Old Mutual has lived with me to this day, several factors combined at some point, to help shift my interest to other business ventures which I found to be more rewarding and had the potential for growth that I thought, would help me to become an industrialist one day.

As a budding photographer, I knew that, the growth potential of this business was limited to the number of people or events I could provide my services to, within set time limits. Unless I could have clones of me and several of them, the potential for growth was always going to be limited to only that which I could do with my own hands. It helped that technological advancements continued to make the cost of cameras affordable, making them accessible to many people. Thanks to technology, I was able to improve the quality of my product. However, due to growing unemployment, more people took to photography as a way of earning an income. This coupled with the fact that I could not see a conglomerate out of photography, I thought I had better look elsewhere and I am glad I did.

To get ahead of the competition, the newcomers in the business knew no bounds when it came to undercutting rivals, making the market a very red ocean. We all took haircuts, as margins came tumbling down. Because of the low entry barriers which allowed every Tom, Dick and Harry to try their luck in photography, several photo studios that had mushroomed across cities and towns had to close shop. As a result, most lens-men had to live from hand to mouth, as they got less and less for their efforts due to competition.

Even though offering personalized quality service was one of my strongest selling points, there were just too many photographers around, equally as good and whose prices were lower, with quicker turnaround times since most of them were doing it on a full-time basis. As time went by and I developed a better understanding of business, it became clear as day that this hustle was not scalable. I wanted a business which was not solely dependent on me for generating revenue. I therefore started looking for other opportunities which I thought could be scalable.

At this point, I started frequenting auction houses in Harare to scrounge for good bargains for resale. During their viewing days, I would regularly visit them to see what items they had on offer and would put down a deposit once I was happy with what was available and then place my bid. On occasions when my bid was successful, I knew I would reap some rich pickings from reselling the goods at attractive margins.

The revenues from goods bought on auction were good and I could also delegate the selling of the goods, while I did other things. The secret of buying items at auction and on selling to customers, at a margin, was in the luck of the quality of the goods one bought and the price. Because the goods were sold voetstoots, (as is) with no chance of return in the event one found them to be not exactly what they wanted, or found them faulty, one had to be observant and cautious. Often I lost money having bought worthless items that had little or no value beyond the junk yard of the auction house.

The dominant auctioneers at the time were ABC Auctions, established in 1978 in the then Rhodesia as Sagittarian (Private) Limited, while another household name in the industry was Hammer & Tongues Auctioneers, owned and run by my good friend Brian Makwabarara and established in 1999. When I later learnt about customs rummage sales, I would hit it big. Customs rummage sales are used by the Department of Customs and Excise to sell mainly inbound goods, which are smuggled and confiscated or impounded by revenue authorities at the different borders and could be worth millions of dollars.

As time went by, I realised that even though I made good monies when I got lucky, this too was not scalable. I wanted to build something that could grow in both revenues and the number of people that I could hire. It was not possible to build a scalable business from the luck of auctions. First of all, the opportunity came because someone would have tried to cheat the system, bringing into the country, high valued goods without paying duty. Authorities would have been alert to have them caught, and only when they failed to pay the fines imposed on them for attempting to cheat the system, would their goods be impounded and disposed of through customs rummage sales. Even then, one had to be lucky that there would not be a lot of interest in the lot you targeted, otherwise you would buy the goods at exorbitant prices, losing money on resale.

After all buying and selling goods on auction is like being a scavenger. You never enjoy the fresh taste of a kill, only the stale taste of left-over food that has since passed its sell-by date. After realising that I could not build a sustainable business on the basis of luck and the intention of some people to cheat the system, I made my first attempt at going into the real world of entrepreneurship that came with hiring other people to work for me.

I decided to go into the refrigeration space. Refrigeration was not too far-fetched for me as I had previously learnt to work using my hands, becoming proficient at welding using gas or arc welding while working and staying with Sekuru Samson Musasa at Mbare Musika.

I had watched Sekuru Samson dismantle a car's engine, breaking it up into pieces and building it back up again. Having set my sights on establishing a refrigeration company, I proceeded to buy refrigeration equipment from South Africa, before registering my first firm, Westgate Refrigeration (Private) Limited, and hiring my first employee, a refrigeration technician, Tayedzwa Matemadombo.

Our business involved repairing household fridges, especially those of my workmates and neighbours. In time, we landed commercial contracts, repairing fridges in restaurants, bars, internet cafés and others. The first commercial contract we got was from the late Emmanuel Tagarira who was running an internet café on Samora Machel Avenue. To keep his customers surfing the net refreshed, Emmanuel sold them snacks and drinks. His fridges always had to be in good working order for the drinks to be cold. When Emmanuel was happy with our service, he introduced us to his friend Cuthbert Chakanyuka, then Operations Director at Cottco, who was running bars and nightclubs in Domboshava where he came from. Next was my good friend, Chris Sambaza and his wife, Cheryl, who were running a restaurant in the Avenues area called Alexander's.

Satisfied with our work repairing their fridges and also wanting to replace their aging fridges and freezers, Chris and Cheryl would ask if we could manufacture and supply them with brand new freezers. Although it was something which we had not done at the time, we took it as an opportunity to grow our business into more than just one line, that of repairs.

We accepted the challenge as we realised this was an opportunity to create another line or department within Westgate Refrigeration.

After talking to Tayedzwa about this massive opportunity, he introduced me to a veteran in the industry, Mr Chigwaza, whom he said could help us build the body of the commercial freezers Chris and Cheryl wanted, while he would do the mechanical side of it. I immediately agreed to bring Mr Chigwaza on board as our second employee at Westgate Refrigeration, and business was good.

To manufacture the body of the commercial fridges, we bought brand new galvanised metal sheets and had them fabricated at Gazaland in Highfield. While Mr Chigwaza built the body, Tayedzwa worked on the mechanical side running a network of gas pipes around the body of the freezer. It would be one of my proudest moments when we delivered our first finished product, a forty cubic freezer to Alexander's, to Chris and Cheryl's satisfaction. I could not stop smiling when after connecting it to the mains, the freezer roared to life freezing the water we put in to test in no time at all. I was proud of what my team had achieved. Now I had a business which could be scalable and one which could grow from the demand of the product we were manufacturing and not one which depended on the luck of the draw of what one bought at auction or where I was the person responsible for taking pictures, the future looked bright!

We would go on to make many freezers for other customers as we perfected the model we were manufacturing. Initially, Tayedzwa and Mr Chigwaza worked from our family home in Marlborough. In time, they would move to our new premises at Number 8 Portland Road in Workington, Harare, and this is how it happened.

My uncle Timothy "Tim" Chiganze bought Lane Engineering (Private) Limited from one of our good friends, Simba Armstrong Mangwende. Before he concluded the deal, he offered me ten percent equity in the business which I accepted. With our early success repairing fridges and manufacturing chest freezers, I imagined hiring more people and having a fleet of vans that would traverse the length and breadth of the country, repairing fridges and building new ones.

We ran out of space in Marlborough and I asked uncle Tim if my Westgate Refrigeration staff could be allocated space in the premises of our newly acquired Lane Engineering, which he graciously allowed us to do.

A good friend and big brother, Hope Matsokotere, together with his wife, Pauline, were running New Hope Trading (Private) Limited – a refrigeration supplies company on Seke Road. With New Hope Trading, we opened and negotiated for a thirty day account, which they graciously allowed us. With our thirty day account opened, we got everything we needed for our repairs section and also for the manufacturing side, without having to fork out a penny, upfront. While Hope and Pauline gave us generous payment terms of up to thirty days, if we could not make the thirty days, they allowed us additional time without penalty, which was great.

This arrangement helped us to manage our cash-flows as Westgate Refrigeration tried to establish itself in the industry. I can never thank enough, all the individuals who gave us a chance, even when we were a start up with neither a name nor adequate capital to run a refrigeration business the size of which at the time, I thought would be as big as to compete with the refrigeration giants of the time. Chris and Cheryl as well as Hope and Pauline were amongst the heroes of my early entrepreneurial journey as were Emmanuel Tagarira and Cuthbert Chakanyuka. They reposed their confidence in us in our early days in business. I also owe a huge debt of gratitude to my fellow workmates at Old Mutual and neighbours for whom we repaired fridges.

Chris would grow in stature in the years that followed. Having worked at PwC Zimbabwe from 1994 to 1999 as a manager specialising in information systems, audits and financial services, he later moved to Interfin Merchant Bank, firstly as Finance Director and later as its Chief Operating Officer. After managing Interfin Merchant Bank subsidiaries, including Interfin Securities, Alfin Insurance and Interfin Asset Management, Chris was promoted to Managing Director of Interfin Merchant Bank. In this capacity, Interfin Merchant Bank became a commercial bank.

As a member of the Institute of Chartered Accountants in Zimbabwe and the South African Institute of Chartered Accountants, Chris had other important roles, including that of co-founder of Interfin, and Savanna Tobacco, South Africa.

A graduate of Rhodes University, he established the operating and funding structure, and sales and marketing office for the South Africa arm of Savanna Tobacco.

Emmanuel Tagarira, another of our early customers at Westgate Refrigeration once worked as Managing Director of CFX Bank Limited. Prior to moving to CFX Bank, Emmanuel had worked for Eclipse Executive Selection (Private) Limited as the Chief Rxecutive Officer and was a senior analyst for Corporate Excellence.

At the end of my day, selling policies for Old Mutual, I would do the rounds looking at my Westgate Refrigeration team's work before going home. While working for Old Mutual exposed me to systems, processes and structures that drive business, running my side hustles gave me a practical feel of what it was like to launch and run an enterprise.

At Westgate Refrigeration, I learnt a lot about procurement, that is, where to get the raw materials, the price and value-adding the raw material in order to come up with a finished product. Being thin on skills in an industry dominated by giants such as Commercial Refrigeration, Imperial Refrigeration, Capri and Ajax Refrigeration, I had to rely on my gut feel most of the time.

Once we started manufacturing freezers, I soon realised we now had two clear lines or departments within Westgate Refrigeration, both of which needed to be supported by good customer service and marketing. Having plunged myself into the deep end, I had to grasp the business fundamentals whilst in the thick of things, including learning about debtor age analysis, where I got to appreciate that debtors were an asset while creditors were a liability. I knew I had to learn about finance and accounting and quickly. I realised that with debtors, I needed to make them pay as quickly as possible to benefit from the time value of money, especially in periods of high inflation and I learnt that cash sales were better because cash is king.

When it came to creditors, I appreciated that the longer it took us to make good the better, as this helped our cash flow management. The more days it took us to pay our creditors, the more we could spin their money and build our business.

Later on, when I read Sam Walton's book, Made in America, I was pleased to learn that he used the same principle to build Walmart. In time, Walton would create a financial institution to benefit fully from extending creditor days. Eventually, he would run his Walmart like a consignment business with creditors paid in ninety days. More than that, Walton would squeeze his suppliers on price, running Walmart as a discount store. At Westgate Refrigeration, I got to know about inventory and also about building and managing a strong balance sheet.

It was an energy-sapping experience that took me away from home a great deal of time as I gave it my all to make the business work. Not once did my wife, Mavis, complain that I was coming home late, for which I am eternally grateful. Even as I experimented with entrepreneurship, I am also glad that I managed to retain my position as the top advisor right up to the time I left Old Mutual in 2001.

Unfortunately, Westgate Refrigeration was an experiment that did not work, the experience and lessons of which I will touch on in one of my forthcoming instalments. Suffice to say, a year before I exited Old Mutual to establish Nyaradzo I had inked a corporate transaction becoming a junior shareholder of Lane Engineering. When renowned chartered accountant, Simba Armstrong Mangwende, who had made a name for himself as a structured finance guru at ABSA Bank of South Africa, decided to relinquish his control in Lane Engineering, he had decided to sell it to my Uncle Tim who in turn invited me to be his junior partner.

Lane Engineering then located at 8 Portland Road in Workington Industrial Site in Harare, was my second dance at corporate shareholding and ownership, after having lost my virginity starting and running Westgate Refrigeration. Aged thirty-six, the Lane Engineering deal would allow me to get first-hand experience of how company boards operate. I also got to learn about the responsibilities of board members and about corporate governance issues.

The deal would also mark the beginning of my long and fruitful relationship with Simba Armstrong Mangwende, founder of the A-Simba Group, whose deal-making through this investment vehicle, named after him was already making waves at the time.

After concluding a deal to take over a number of Ex-Dunlop companies, Simba became one of the youngest entrepreneurs of his generation. Others who swooped on listed counters include the likes of Shingai Mutasa (TA Holdings), Lishon Chipango (Interfresh Holdings), Edwin Moyo (Trans Zambezi Industries), Farai Rwodzi (Apex Corporation) and Ray Kaukonde (National Foods). Simba had been exposed to mega transactions in South Africa where he worked for ABSA as a structured finance executive.

In other deals, Simba would take the market by storm, when he acquired thirty-five percent of Ted Cohen's Tedco Limited, which was then tightly controlled by the Dorward family before they eased out of the business to make way for the new sheriff in town. At the time, Tedco consisted of a retail division that made for at least a third of its entire operations – selling white goods, furniture and clothing. The other two-thirds comprised the manufacturing arm, primarily involved in the production of furniture.

All in all, the Tedco Group controlled at least seven subsidiaries, among them Blooms Furnishers; Cash Wholesalers; House of Kumali; Radio Limited; Creative World; Zimbabwe Furnishers and Sleep Eezy. A few years later, Simba sealed a share-swap deal with top Harare lawyer, Tawanda Nyambirai that would result in Tedco mutating into TN Holdings Limited in which he had a decent shareholding in the enlarged group held through his A Simba Private Equity Partners, giving Nyambirai's outfit a ready market through Tedco's existing clientele and properties.

This transaction would see TN Holdings getting a listing on the Zimbabwe Stock Exchange (ZSE) through a reverse takeover of Tedco Limited. Unbeknown to many, I had long become a secret admirer of Simba, so to speak, and worshipped the ground he walked on. Simba would also team up with the likes of uncle Tim, Farai Rwodzi, Chris Sambaza and Jerry Tsodzai to form Interfin Merchant Bank. Simba's experience in stitching up deals would earn him many board seats, among them, non-executive director of Amalgamated Regional Trading Limited, Strategis Holdings Limited, Africom (Private Limited) and Jetmaster (Private) Limited. Aged only thirty-six at the time, the ten percent I acquired in Lane Engineering, was enough to get me my first board seat.

I was further encouraged to see that many renowned business leaders had launched their careers at the age of thirty-six, amongst them American billionaire, Doris Fisher, who founded top clothing retailer, Gap, and electrical engineer, Namihei Odaira, who founded Japanese conglomerate, Hitachi, in 1910. Years later, these stories are still inspiring generations in the same way I was inspired by the way Reid Hoffman co-founded social networking site, LinkedIn in 2003, also at the age of thirty-six.

A year after Nyaradzo had started operations, the country was hit by a massive wave of cholera, first reported in January 2002, which would wreak havoc in provinces such as Manicaland, Mashonaland East and Masvingo, with a total of 3,125 cases being reported, including 192 deaths. After seeing so many people die from a disease passed on from person to person mainly because of poor sanitary facilities attributed to lack of water, I made good use of the skills I had learnt from Sekuru Samson's workshop at Mbare Musika to find solutions to this national scourge. I called for a meeting with the engineering team at Lane Engineering so we could tweak the model of the scotch carts we used to make with Sekuru Samson, designed a prototype, tested it and rolled it out to a market ravaged by cholera as a water bowser.

Once we got our first water bowser out, we would make a lot more, deploying them to most of the funerals we provided services at. Thereafter, a good number of organisations holding functions where there would be large numbers of people came knocking at our door so they could have us deploy our bowsers, which we were happy to do. This helped improve hygiene at gatherings and saved lives.

These innovations would not have been possible had I not decided to move in with my uncle, Samson, and learn as much as I could from him, as well as from Leonard Basiyawo and others. I am grateful that these humble beginnings ignited the zeitgeist in me, leading to the subsequent hustles that enabled me to begin my own entrepreneurial journey in ernest.