

Connecting the dots...

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Remaining true to business principles when doing otherwise appeared fashionable.

A few days after our chance meeting along the service lane behind our respective office buildings, Samson "Sam" Muchenje and I agreed to meet for lunch at the Terrace Restaurant, one of Harare's oldest food houses, so we could take our discussion to jointly start a business of our own before we could call time on our relationship with Old Mutual forward.

Discreetly located on the third floor of Barbours Department Store in Central Harare, the up-market restaurant was quiet. Its warm lighting and timeless interiors gave it an exquisite feel, making it an ideal place for mature people to hang out or have meetings. Since its establishment in the mid-1950s, the eatery had gained fame for its luscious food that tickled the taste buds, making the Terrace Restaurant the place-to-be for contemporary diners who wanted to enjoy their meals out of sight from prying eyes.

Being within walking distance from where we worked and tucked away from Central Harare's madding crowd, we both agreed that the Terrace Restaurant was a perfect rendezvous for our exploratory meeting.

At the time, the grist for the gossip mill in the capital city and in other metropolis were the swashbuckling indigenous people who were smashing their way into business spaces that were previously dominated by white capital, key of which was the financial services sector, which sits at the nerve-centre of any modern economy.

Setting the tone for our discussions that afternoon as we waited for the waiters to take our orders, we talked about some of the indigenous entrepreneurs who were on most people's lips for either shattering the proverbial glass ceiling or inking mega deals which made them instant millionaires.

The 1990s had clearly turned out to be an epoch that would define the future trajectory of the Zimbabwe nation-state, an emerging democracy, battling teenage hormonal outbursts that were consistent with newly independent former colonies. These were the glorious years of boundless energy for those who dared to dream and unleash their unrestrained imagination in the world of business.

As the government was progressively liberalising the country's agro-based economy, especially in the financial services sector where the dominant players were Standard Chartered Bank (Stanchart), Barclays Bank, Stanbic Bank, the Commercial Bank of Zimbabwe (CBZ) and the Zimbabwe Banking Corporation (Zimbank), there were limitless possibilities to be explored and exploited by those with fire in their bellies.

In the banking sector, for instance, the British-owned Stanchart had been the longest in the game. Having started its operations in the city of Bulawayo in 1892, it had been sponsored by the Standard Bank of British South Africa which had opened its doors in Port Elizabeth, South Africa, in 1862.

Twenty years after Stanchart had entered the local market, another British bank, Barclays, followed in 1912. Ironically, Barclays would decide to exit the domestic market in 2017, disposing of its interest in the retail bank to Malawi's First Capital Bank, ending their one-hundred-and-four-year presence in Zimbabwe.

Early this month, news broke out that the owners of Stanchart are also on their way out of five territories, including Zimbabwe, with the London-headquartered bank also cutting back its business in Tanzania and the Ivory Coast.

While significant, the divestiture by Barclays and Stanchart is not something new. History will recall that Netherlands Bank of South Africa (Nedbank) long pulled out of Zimbabwe when it sold its sixty-two percent interest in its banking subsidiary, Rhodbank, to the Government of Zimbabwe, resulting in the institution's renaming to Zimbank (now ZB Bank).

Years later, Agha Hasan of Pakistan's Bank of Credit and Commerce International would be forced by circumstances to sell off its interest. The government then acquired a controlling stake in the Bank of Credit and Commerce Zimbabwe, now the CBZ Holdings, in 1981. By the time CBZ was successfully privatised and listed on the Zimbabwe Stock Exchange in 1998, the complexion of the financial services sector had changed entirely after several indigenous players muscled their way into the industry.

This was the period when the majority of citizens who had borne the brunt of the war, poverty and limited opportunities during the colonial white settler regime that lasted almost a century had waited with bated breath for a nationalist rule framework that would turn around their economic and financial fortunes.

The economy, which had been modelled around serving a white minority could not meet the expectations and sustain the burdens of an impatient majority who were demanding a seat at the high table and a big chunk of the national cake for good measure. After all, this had been at the centre of the war time narrative that inspired and spurred the blacks to wage the liberation struggle.

The first decade of Zimbabwe's independence had been characterised by a reconstruction crusade to provide housing, rural resettlement, agricultural support initiatives, decentralisation of education and health delivery amongst others. Around 1988, the International Monetary Fund (IMF) had halted loans earmarked for Zimbabwe's development and reconstruction because the country was now battling to service these loans and amortise debts.

Also central to this pickle were constitutional restraints that made it impossible for the authorities in Harare to implement pro-poor programmes en-masse. One of these was the moratorium that halted compulsory land acquisition requiring the government to buy land from whites on a willing-buyer willing-seller basis which had proved to be an unworkable arrangement.

The black government had inherited an economy fashioned around financial repression which Ronald McKinnon and Edward Shaw defined as a national financial management system used to repress interest rates offered by banks to savers and credit schemes. Pushed against the wall, the government in 1991 then embraced the Economic Structural Adjustment Programme (ESAP), which entailed the liberalisation of the entire financial sector. This meant that the state had to abandon the Marxist-Socialist ideology for one that was driven by market forces.

ESAP would be supported by the Bretton Woods institutions namely the IMF and the World Bank. Zimbabwe was regarded as one of the poor countries in dire financial straits that had to commit to implementing ESAPs before they could receive any assistance. The deregulation of the financial services sector was therefore an integral part of the economic liberalisation agenda. This created the big boon especially for the indigenisation of the financial services and banking sectors which had hitherto been under financial repression. This dated back to pre-independence days when at independence in 1980, Zimbabwe had only five banking institutions all of them predictably foreign-owned.

The emergence of black-run banks was envisaged to jumpstart an entrepreneurial drive that would propel the nation forward. This created an excellent opportunity for young entrepreneurs in particular, to muscle their way into the banking sector buoyed by the experience they had gained locally, regionally and abroad.

Leading the pack of these banking crusaders was the duo of Nicholas Vingirayi and Gibson Muringai. Nick as Vingirayi is affectionately known, had gained considerable experience in the 1980s as a technical advisor to Ghana's first ever discount house the Consolidated Discount House Limited and had also worked in Nigeria and Zambia.

By 1990 Vingirayi and Muringai had set up Intermarket Discount House (IDH) using their investment vehicle Transnational Holdings Limited to build a banking behemoth that straddled the entire financial services sector. At the height of his influence Vingirayi had built an empire under Intermarket Holdings whose subsidiaries included Intermarket Banking Corporation, Intermarket Building Society, Intermarket Reinsurance, Intermarket Life, Intermarket Bank Zambia, Intermarket Securities and Intermarket Discount House.

Inspired by and following on the heels of Vingirayi and Muringai whose assets were later taken over by ZB Holdings under controversial circumstances was Francis Nhema, who would set up the Zimbabwe Building Society (ZBS) in 1992. ZBS offered mortgages mainly to the previously disenfranchised middle-class blacks before it became part of FBC Holdings Limited formerly First Banking Corporation Limited.

History would also be made when the National Merchant Bank Limited (NMB) became the country's first indigenous merchant bank to be established in 1993 bringing together talented and stylish bankers such as Julius Makoni, James Mushore, Francis Zimuto and the down-to-earth William Nyemba.

The union would be rattled a bit when Nyemba who had been instrumental in setting up a bank in Ghana before teaming up with Makoni et-al left to join forces with Christopher Goromonzi and Nyevero Hlupo to form Trust Merchant Bank in 1997 which would be transformed into a retail bank in the following years.

Before Trust was formed, seven other banks had been licensed among them Kingdom Bank which owed its existence to Nigel Chanakira, Frank Kufa, Lysias Sibanda and Solomon Mugavazi who in 1994 started off as a discount house before turning the institution into a merchant bank.

A year after Kingdom had been formed the quartet of Douglas Munatsi, Oliver Chidawu, Ngoni Kudenga and Francis Dzanya emerged with their Heritage Investment Bank in 1995 which would go on to pull off perhaps the biggest transaction of the decade when they merged with First Merchant Bank before proceeding to acquire UDC Limited and Bard Group to form what is today known as BancABC, now in the hands of Bob Diamond's Atlas Mara.

In the same year (1995) Roger Boka – a maverick businessman who had made his name and money as a successful tobacco farmer becoming the first indigenous Zimbabwean to be granted a tobacco merchant's license hitherto a preserve for white farmers gate-crashed into the banking sector.

Boka who had built what he lauded as the world's largest tobacco auction floors on the outskirts of Waterfalls, Harare successfully applied for and was granted a licence for his bank United Merchant Bank (UMB). Unfortunately, Boka's bank would go belly up in 1998 after chewing more than it could swallow in what also caused the collapse of David Chapfika's Universal Merchant Bank due to its exposure to UMB.

In 1996 Samson Ruturi and Nicholas Musona came up with their First National Building Society giving impetus to the development of housing infrastructure in Zimbabwe.

The year 1997 was a key highlight in the history of the financial services sector when a record six banks were licenced. The first to be granted a licence was FBC Bank whose frontrunners were Mutumwa Mawere and M&S Syndicate followed by Trust Bank.

The National Discount House (NDH) came on stream in the same year sponsored by Ernest Matienga, Jabu Manyanga and Never Mhlanga. Then came Maurice Musuwo and Godfrey Chinamasa's Rapid Discount House and Barbican Bank which had Samson Nyarota and Mthuli Ncube – current Minister of Finance.

Our meeting at the Terrace Restaurant was a few months before Takura Tande converted his asset management licence into a commercial bank, marking the formation of Time Bank of Zimbabwe Limited which would be one of the banks controversially shut down by the authorities in 2004. Whilst Time Bank has since bounced back after several years of inaction most of the indigenous banks have regrettably disappeared from the face of the earth amid accusations and counter-accusations between their owners and the authorities.

Zimbabwe also had indigenous enterprises in the insurance sector that were holding their own against brands that had long been established. Amongst them were the Zimbabwe Reinsurance Corporation (now ZimRe), which was established by an Act of Parliament in 1983 with a clearly-defined objective of using premiums generated locally to develop the insurance industry as well as the country's economy as a whole. As the insurance industry was being liberalised several indigenous players seized the opportunity to create their niche markets among them Capital Insurance Brokers started and run by Philip Mutasa in 1995.

As Sam Muchenje and I had lunch that afternoon stories of these and other business people we admired dominated our discussion as we sought motivation that we too could establish a business in our space of insurance broking. What was inspiring about these businessmen was that they had not taken shortcuts having mobilised equity and debt capital to establish their enterprises and sustain the volume of business in a potentially competitive industry.

They also had to up their game to get a slice of the cake in an industry with traditionally sound banking institutions which entailed among other strategies, generous dividend policies, entering into strategic partnerships and engaging in horizontal, vertical and conglomerate mergers within the industry.

Little did we know then that more indigenous banks were to be established among them Enoch Kamushinda's Metropolitan Bank (now Metbank) and Interfin Bank – set up by Farai Rwodzi, Tim Chiganze, Jerry Tsodzai and Simba Mangwende – both of which came on stream in 1999.

Three banks would be licenced in 2001, namely Genesis Investment Bank formed by Reggie Max, Lawrence Nachito and Danny Dube. Followed by Century Bank which had the likes of Jefta Mugweni, Moses Chingwena, Gary Shoko and Ashbel Ndewere. Last to be licenced was ReNaissance Merchant Bank which was a creation of Patterson Timba and Dunmore Kundishora.

The year 2002 saw the emergence of Royal Bank spearheaded by Jeffrey Mzwimbi, Victor Chando and Durajadi Simba with Exodus Makumbe leading the formation of Premier Discount House in the same year before it was rebranded following its acquisition by Ecobank in later years.

In 2005 Ben Katsande and Sween Mushonga launched Highveld Financial Services. In 2006 Tawanda Nyambirai took over Trust Financial Services converting its licence in 2009 to TN Bank before relinquishing control to Econet which renamed the institution Steward Bank.

As we devoured our lunch, Sam and I talked about names for the company we were about to form, finally agreeing on Hostcare Insurance Brokers. We then debated who aside from ourselves, we could invite to join Hostcare Insurance Brokers to build a formidable organisation.

We did not need to look further than Old Mutual for potential candidates. Among the perennial winners of the Old Mutual premier sales awards were Jacob Muchochomi and Jacob Matambanadzo who we discussed and wondered if they would be happy to join us in our new entity.

In addition to inviting the two Jacobs, Sam suggested that we invite a business leader of repute to chair our Board of directors. In this regard he suggested Oliver Mtasa, a high-flying business executive who had been the Chief Executive Officer of Shabanie Mashaba Mines acquired by Mawere in 1996.

We made quick progress given that branching out on our own was something we had been thinking about albeit in our respective corners. We agreed to meet with the people we had proposed as potential partners and would-be board members starting with the two Jacobs.

When approached Muchochomi immediately agreed to join us while Matambanadzo said he was happier to continue working for Old Mutual. Thereafter, we tasked Sam to establish a secretariat in his office so they could attend to the day-to-day administrative issues of the proposed new company and get it registered.

In meetings after bringing on Muchochomi we agreed to appoint Sam as Managing Director while Jacob Muchochomi and I came in as Executive Directors of Hostcare Insurance Brokers. Among the first staff members that worked with Sam was Portia Zidyana who had been his secretary for years.

Once we had agreed on the way forward we would meet regularly at Sam's Stanley House offices with Portia taking minutes. Portia did all the running around, organising meetings and putting the paperwork together for the new company once it had been registered.

After incorporating Hostcare Insurance Brokers in 1998 and opening bank accounts the next step was to get an insurance broking licence with the Insurance and Pensions Commission (IPEC). Besides the minimum capital amount we had raised through our monthly savings we were told that we needed an Insurance Bond secured by mortgaging an unencumbered property to the value of the bond amount.

At the time, only Muchochomi had a fully paid-up house which he graciously agreed we could use as security for the bond putting at risk a family home based on the faith he had in the project.

After Hostcare Insurance Brokers was conceived in 1998, we had a year to save up for it with a target to leave Old Mutual to start running the company after receiving our bonuses at the end of February 1999 by which time we planned to have all our ducks in a row. While bonuses for all other Old Mutual employees were paid in November those for sales agents like myself were only paid at the end of February.

When I discussed the idea of setting up Hostcare Insurance Brokers with Sam and later on with other team members we agreed to put the Nyaradzo project on ice to shift our focus on the new baby. We had reasoned that only once we had raised capital for Hostcare and set it on a sustainable path to success would we revisit the Nyaradzo project which needed capital to the tune of one million Zimbabwean dollars to be granted a licence by IPEC.

The thinking was that we would have an insurance broking firm to cater for customers with whom all three of us had built strong relationships over the years of our working for Old Mutual. We would then hire a person who specialised in short-term insurance to insure businesses that were springing up, left, right and centre as the indigenisation mantra was gaining momentum.

At that time, offshore insurance policies were fashionable with customers taking out life cover policies that guaranteed payment in foreign currency on death and promised payment of maturity values in foreign currency at a time when our local currency was beginning to lose value. In the Hostcare Insurance Brokers set-up, I was going to be the offshore policies advisor since I was the only one in the team who had received training in these types of products.

As we were in the process of raising the minimum capital required to get Hostcare started our paths would cross with the directors of NDH having agreed to make monthly contributions into the Hostcare account we had opened with NDH. Sam who was a good friend and fellow golfer with Never Mhlanga of NDH had introduced us to him. I had great admiration for Never and the whole NDH team and would make it my business to develop my own relationship with them.

At the time we set up Hostcare Insurance Brokers, Never had promised us facilities should we need any once our business was up and running. Once we had the company incorporated and had a bank account, I became uncomfortable with some of the decisions that were being made. To start with the company's principal officer had moved quickly to hire several people a good number of them without consultations, which got me worried given we were just a start-up. My view was that we should start small hiring only one or two secretaries to begin with so we could cut costs but I did not have my way.

Sam believed that since we would now be running our own entity we needed to show strength and evidence that we were a force to be reckoned with. This conflicted with my thinking that we did not need to play big as a start-up only for the optics. I believed in building slowly, generating significant revenues before spending most of it on salaries and other expenses.

When I saw that we had more people on our payroll that had nothing to do with revenue generation, I immediately raised the alarm in numerous meetings without anyone paying attention prompting me to think twice about proceeding with the partnership.

The next bone of contention was on the premises we would operate from. I believed we should start off in modest offices with affordable rentals from which we could move once the business was strong and vibrant but Sam had a different opinion. I even suggested shared and pooled offices for the rest of the staffers and small offices for each of us but again my concerns were not taken heed of.

In one of the meetings Sam said since we had agreed that he was the Managing Director he had the final say and the buck stopped with him. From then on I attended our meetings only because I thought I could one day convince him to see things differently. It was these and other differences that would break the camel's back.

When the time came to resign from Old Mutual and join the new entity in March 1999 only Sam and Jacob Muchochomi continued with our initial plans whilst I decided to stay put at the insurer which did not go down well with my partners.

By that time I had realised that the principal officer and I had different and irreconcilable management styles and also the way we viewed building a business was very different.

While Sam believed in the big bang approach I wanted the business to start small. I was worried that by starting big it would be difficult to adjust to bare bones should the business hit turbulent times at some point in future. I therefore opted out allowing my would-be-business partners to go ahead and run Hostcare Insurance Brokers.

As a gesture of goodwill I said that they did not have to pay back my share of contributions immediately since the business needed every bit of capital it being a start-up. I offered instead to be paid back in instalments once they were established. I do not remember whether they paid me back or not. I stayed at Old Mutual for two years after Sam and Jacob left to carry on with the Hostcare Insurance Brokers project. At first it felt like I had made the wrong choice as Hostcare took the market by storm while I continued to be an employee at Old Mutual selling policies.

In hindsight I always look back at these developments with pride. While deciding against continuing with my former partners was regrettable it allowed me to focus on building Nyaradzo as by the time I met with Sam in the alleyway I already had a Certificate of Registration in the drawer and had long started operating a funeral services business using my two Mazda trucks that I had bought through debt financing. I had also tried out different things in an effort to come up with a winning combination, succeeding in some and having to let go of others for the simple reason that they were not scalable business models something I was committed to to get the break I needed.

Just as well, while the concept of setting up an insurance broking firm was attractive as a stop gap measure in our endeavour to establish a funeral assurance company and in the long run a life assurance company, I understood the fact that an insurance broking firm was like a cul-de-sac some kind of dead end if you like because an insurance broking firm is an agent of the insurers or assurers. They do not make decisions on settlement of claims which is the reason clients take out policies in the first place to transfer or share their risk.

At the time of claim insurers may decide not to settle claims for flimsy reasons resulting in customers losing faith in insurance products. Also, insurance brokers cannot design products and put them on the market. They are usually given products to sell, good or bad without much input. In the event they are creative and come up with their own product they have to get an underwriter who understands their product for it to see the light of day.

In addition an insurance broking company can never grow beyond the size of the insurance companies for whom they write business. Their revenue can only be a fraction of the insurers they represent. I doubt if some of Nyaradzo's innovations would have seen the light of day if I had remained in an uneasy union at Hostcare. For instance, I do not think funeral assurance companies would have underwritten the inclusion of a bus as part of the funeral assurance product assuming we had tried out the product through an insurance broking outfit.

By disengaging from the partnership and getting Nyaradzo off the shelves we were able to revolutionise the industry and change perceptions. For example, when we approached banks for funding for the buses we wanted to buy at the time of Nyaradzo's launch, they denied us on the basis that we wanted to run a commuter bus company under the guise of a funeral assurance company. I am glad our persistence turned lemons into oranges and since then the funeral assurance and services industry has never been the same.

I am also grateful that despite disengaging from the partnership I remained friends with Sam, Muchochomi and others including our associates at NDH. When I became a Johnny-come-lately to golf I would enjoy playing with Never who was playing off a very low handicap. A few years later the relationship I had built with the NDH team would lead to them becoming one of our first group clients when Nyaradzo was established in 2001.