Connecting the dots...

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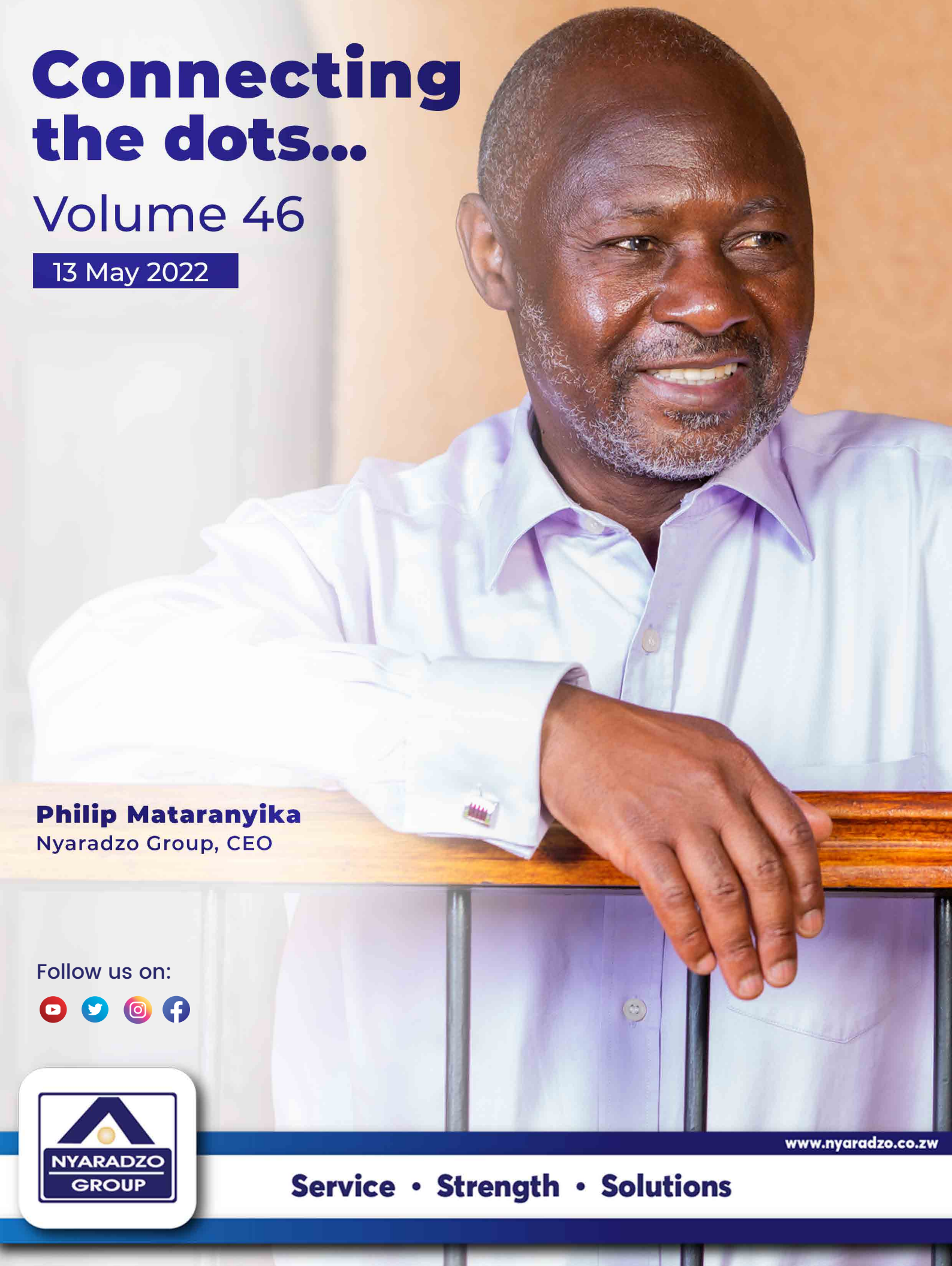

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Conducive environment boon for entrepreneurs to thrive...

In most successful entrepreneurial stories, it is rarely mentioned that over and above the ingenuity of the individuals who come up with the brilliant ideas upon which thriving businesses and economies are built, there also existed an enabling operating environment that helped them succeed.

In the African context, we have a centuries-old proverb that says, "Until the lion learns how to write, every story will glorify the hunter," which probably explains why such an enabling factor escapes attention when entrepreneurs tell their own stories.

Regardless, it doesn't take away the fact that it is the responsibility of governments, the world over, to create and sustain enabling environments within which entrepreneurs work towards realising their dreams while also contributing to the development of their nations through generating employment, paying taxes to the fiscus and ploughing back part of their profits into the communities within which they operate.

Peace and stability are some of the key ingredients that make for an enabling environment, without which fantastic business ideas can be consigned to graveyards of good intentions. Whilst it is true that a few private enterprises may be lucky to thrive under hostile conditions, they hardly get credit for it due to the conflation that often exists between them and those that wield political power, which may give rise to questions over their ethical conduct and adherence to good corporate governance.

The existence of the rule of law is another essential building block for the enabling environment. In the words of the then Chief Justice of England, Lord Gordon Hewart, "Justice mustn't only be done, it must also be seen to be done." In other words, those in the lower and upper courts must frown upon any miscarriage of justice and deliver justice in reasonable time since it is said that justice delayed, is justice denied.

There also has to be certainty in terms of the expectations and obligations that each one of the tripartite partners comprising the government, labour and entrepreneurs must hold dear towards the other party.

Such expectations and obligations must not be changed arbitrarily and willy-nilly to avoid undermining confidence between them, which is an important ingredient for the overall shape of a country's economy.

On their part, businesses should not pursue illegitimate profit and hope to get away with it. To sustain the ecosystem in which all tripartite partners can sustainably safeguard their interests, businesses must be respectful of the environment within which they work as well as uphold human dignity. Anything else can threaten the ecosystem thus creating dislocations to the detriment of all concerned.

From the first industrial revolution in the mid-eighteenth century to about 1830, governments tended to treat entrepreneurs with an indifference which bordered on suspicion and contempt because none of the tripartite partners acknowledged the interests of the other, resulting in the breakdown of the relationship. Over the years, trust and confidence have been built between and among the parties, helping unleash unparalleled growth and development in several economies.

As demonstrated in my previous instalment, the likes of Morarji Ranchhodji Desai in India, Alexander Hamilton in the United States of America (USA), Lee Kuan Yew in Singapore and Deng Xiaoping in China, were able to encourage investment and entrepreneurship in their respective countries through striking a healthy balance between the needs and interests of enterprises with the aspirations of their societies.

Undoubtedly, their ability to marry their governments' vision and the big picture thinking – coupled with their attention to detail and ability to execute what they personified – helped create economic wonders in which diverse groups of migrants from different races and backgrounds were welded into one people.

After flirting with Marxism and Leninist ideologies in the first decade of the attainment of majority rule, Zimbabwe gained considerable experience from which it started building an environment in which new enterprises owned by locals took the lead in championing the country's development agenda.

In the decade that followed the Southern African country's independence from Britain in 1980, the then Prime Minister Robert Mugabe's administration expanded opportunities for the previously marginalized blacks in predominantly social services such as health and education, where access was made free of charge. The cost of funding these social services would ultimately prove too much to bear for an economy that had remained in the hands of whites, some of whom were already relocating their businesses to other markets where they found red carpets rolled out for them.

With Zimbabwe's economy increasingly disintegrating as it struggled with striking a balance between competing budgetary needs, the country also lost substantial skills as many of its educated and ambitious citizens migrated to the Western world, as well as to South Africa, the regional powerhouse, in search of better opportunities. This ultimately left the country poorer after it had pumped significant amounts of money into education in the hope of reaping huge rewards from the investment.

The liberalisation of the country's economy through structural reforms in the early 1990s would open fresh opportunities for the black elite in fields such as banking and finance where the likes of Nicholas Vingirayi, William Nyemba, Julius Makoni and Mutumwa Mawere, amongst others, decided to leave their top jobs in the diaspora, to return home where they established new banks, creating scores of jobs in the process.

When Nicholas Vingirayi's Intermarket Discount House and NMB Bank (Julius Makoni et al) disturbed the status-quo which had existed for years in the financial services sector in 1990 and 1993, the government had by that time absorbed a sizeable number of bureaucrats in its rank and file who chose to leave the comforts of European capitals to join their fellow countrymen in rebuilding Zimbabwe.

Amongst the crop of bureaucrats that pushed aggressively for the liberalisation of the country's economy at a time when it was not fashionable to do so, was the then Governor of the Reserve Bank of Zimbabwe (RBZ), Kombo Moyana, a Chipinge-born banker of the Gumbi totem. Kombo had replaced Desmond Krogh as Head of the Apex bank after a distinguished career at the United Nations Conference on Trade and Development, where he had worked as an International Finance Economist from 1974 to 1980.

Moyana did not have to do much to convince his immediate boss, then Finance Minister Bernard Thomas Gibson Chidzero, who was sold on the idea when he left an equally rewarding job at the United Nations to take up the Treasury portfolio from Tichaendepi Masaya, who had the distinction of being Zimbabwe's first black Minister of Finance from 1980 to 1982.

Using their proximity to the late Prime Minister Mugabe, who was the darling of European capitals at the time, Moyana and Chidzero were successful in Zimbabwe's adoption of a pro-capital agenda in the 1990s which opened the banking and insurance sectors to indigenous players. Having rubbed shoulders with bankers in Wall Street, London and Shanghai, Moyana and Chidzero were confident of reforming the country's economy through the World Bank and the International Monetary Fund-backed austerity measures packaged as the Economic Structural Adjustment Programme. ESAP was meant to correct Zimbabwe's lopsided economy in which the majority blacks have remained as spectators.

Having taken the lead in breaking barriers, more was to come when the Harvard-educated Herbert Murerwa, who as Finance Minister between 1996 and 2000, took the bar to another level when the country witnessed a massive jump in the number of indigenous banks that broke onto the scene during his era. Amongst them was First National Building Society (Sam Ruturi et-al); Trust Bank (William Nyemba et-al); FBC Holdings (Mutumwa Mawere et-al); National Discount House (Ernest Matienga et-al); Time Bank (Takura Tande); Barbican Bank (Mthuli Ncube); Metbank (Enoch Kamushinda); Interfin Bank (Farai Rwodzi et-al) and ReNaissance (Patterson Timba et-al).

As happened during Chidzero's tenure at the Ministry of Finance, Murerwa was fortunate to also have a like-minded subordinate at the central bank where Leonard Tsumba, who had worked internationally before presiding over the affairs of the Financial Holdings Limited (Finhold) - which became ZB Holdings - was equal to the task in giving impetus to the growth of the financial sector, after taking over from Moyana in 1993, until his retirement in 2003.

Unfortunately, various negative factors, including the poor state of the economy, weak regulatory and supervisory frameworks and poor corporate governance, created a crisis in the banking sector, resulting in the failure and closure of many of the indigenous banks that had emerged in the 2000s.

This consequently gave rise to the situation whereby foreign-owned banks such as Standard Chartered, Barclays Bank, (Now First Capital), Nedbank, Ecobank, BancABC and CABS are once again dominating the market with key decisions being made in foreign lands where their parent companies are domiciled.

The planned exit by Standard Chartered Bank after decades of maintaining a presence in Zimbabwe should serve as a wake-up call to all-and-sundry about the futility of relying on foreign banks to build a sustainable economy because they can vote with their feet at the slightest provocation or when they perceive the grass to be greener on the other side.

Like most Zimbabweans, my heart bled when a few years ago Barclays Bank pulled the plug on Zimbabwe, choosing to sell their assets to First Capital Bank of Malawi ahead of a local consortium fronted by my very good friend, their former Managing Director, George Guvamatanga. In a strange twist of fate, George would rise to the position of Permanent Secretary in the Ministry of Finance and Economic Development shortly afterwards – a position that gives him oversight over the financial services sector.

George and his management team had led the way at Barclays, showing how banks could be run during turbulent times making it one of the top banks in the country if not the best. I was one of the outsiders who were rooting for George and his consortium to seal a management buy-out. Having proven their competency in running a banking operation, they had submitted a competitive bid for consideration, complete with the funding structure. But sadly, it was not to be.

I recall a time when the Central Bank issued a directive to banks to restrict withdrawals by depositors to US$50 per day, clients would spend hours every day in long winding queues to withdraw their daily allocation of US$50. George and his team at Barclays came up with an innovative way of dealing with the crisis, paying up to US$500 in one go, for their customers' convenience, who could then be productive rather than spending hours and days in queues, week in week out.

Apart from having their customers at heart, that gesture also demonstrated innovation and strength when most banks were hanging on by a thread.

Another example was during the era of Governor Gideon Gono, when George and his team used the bank's surplus funds to purchase a property (Dolphin House) for Barclays from Old Mutual, helping the bank preserve value. At the time, any bank that was found to have huge amounts of reserve funds was forcibly given a long-term paper that did not match the inflation rate of the day, thus eroding shareholder value.

Initially, his bosses in London were not too pleased with his actions, as their model was based on operating from rented rather than owned properties. However, when Zimbabwe hit hyperinflation, his bosses would see the wisdom of his actions as they now had a property on their balance sheet instead of a long term deposit instrument that had little value.

With this stewarding of the bank, George and his team should have seriously been considered for a management buy-out when Barclays was pulling out of Zimbabwe. As a country, we clearly missed an opportunity to put Barclays' prized assets in the hands of locals when they were not sold to George and his team, something that could have atoned for the blatant and unwarranted closure of indigenous banks on a 'genocidal' scale in the 2000s.

But that is to digress! The rise and fall of indigenous banks in Zimbabwe is a clear testament of the vital role that the government can play in creating opportunities for the indigenous people or denying them thereof. With Standard Chartered Bank's assets now up for grabs after its shareholders in London signalled their intention to pull out of Zimbabwe and in five other markets, an opportunity has arisen to place assets of the bank in the hands of locals who appreciate that charity begins at home, and have intimate knowledge of their communities.

If the domestication of Standard Chartered Bank's shareholding is to find takers in London, government institutions exercising the levers of power such as the RBZ and the Ministry of Finance must act as vanguards of the indigenous suitors and clear any obstacles that might stand in the way of the locals from pouncing on the assets. From there on, there has to be a deliberate strategy to sustainably grow the indigenous banks' population to direct lending to areas that can unlock the best Zimbabwe has to offer its people and the world.

The “nyika inovakwa nevene vayo” or “the country is built by its citizens” philosophy which the Second Republic is pursuing is timely as it dispels the fallacy that pins the nation’s hopes on foreign investors who are unlikely to put the interests of Zimbabweans ahead of those of their countries of origin. Just imagine the bliss of what could have been if William Nyemba, et-al, had continued to make the investments they were making in agriculture whilst at Trust Bank or if Takura Tande had not been frustrated from pumping resources into the development of housing infrastructure in areas where they had purchased land creating land banks.

A safe bet going forward, would be to allow those locals with the financial wherewithal and competencies to get their hands on key assets across industries through a transparent, auditable and competitive bidding process instead of putting our fate in the hands of foreign-owned institutions that are known to take instructions from their principals who call the shots from their offshore bases.

By virtue of their role in capital formation, locally-owned banks and insurance companies, for instance, are better placed to understand what works and what doesn’t in the economy and would efficiently channel scarce resources, including their dividends, towards investment areas where the multiplier effect is high.

With the past behind us, now is the best time to start laying a solid foundation for strong corporates that will contribute to the growth and development of the nation one hundred years from now, to end the vicious cycle of poverty that is holding the country from realising its full potential. By establishing stronger indigenous institutions in the financial services sector, the emergent banks would be able to serve as engines to achieve the cherished growth and development in other capital-intensive sectors such as mining, energy, agriculture and infrastructural development in the same way that Hamilton, Desai and other iconic figures were able to create strong financial systems in their countries.

In fact, it is not as difficult to build strong economies on the back of insurance companies because of their ability to mobilise reasonably priced resources from the market for investment in long-term projects, which, if properly managed, can be the catalysts for economic development.

But in as much as governments are well-positioned to advance the interests of their indigenous people in the mainstream economy, their efforts will count for nothing if the targeted beneficiaries of their policies sit on their laurels by not seizing the opportunities so created. At any rate, an economy does not necessarily need many heads or iconic companies to be counted amongst the community of nations that are doing well globally, like the USA, China, Singapore, Japan, the United Kingdom (UK) and others.

Starting in the UK, the industrial revolution would not be complete without the mention of individuals whose technical skills and business acumen shaped the great advantage that Britain enjoyed in this realm.

These individuals include Matthew Boulton, who had the business knowledge and James Watt, who had the engineering knowledge, founding Boulton & Watt in 1775, an engineering firm which designed and manufactured marine and stationary steam engines. Sir William Fothergill Cooke, an inventor, and Sir Charles Wheatstone, a Scientist, combined their talents to develop and patent the Cooke-Wheatstone electrical telegraph, the first telegraph system to be put into commercial service.

In India, Jamsetji Nusserwanji, founder of the Tata group in 1868 is revered as a visionary, entrepreneur extraordinaire and philanthropist, whose pioneering work in trading, textiles and steel laid the industrial foundations in India. In the latter part of his life, he focused on three great ideas – setting up an iron and steel company, generating hydroelectric power and creating a world-class educational institution that would tutor Indians in the sciences. India prides itself with other luminaries such as Walchand Hirachand, who laid the foundations of The Scindia Steam Navigation Company in 1919, a pioneer in Indian-owned shipping which began an India-Europe service at a time when all major sea routes to and from India were controlled by the British.

The Parsis, Marwaris and Nattukottai Chettiars, India's dominant mercantile communities during the colonial period, played a similar pioneering role and continue to do so today. These individuals set in motion the forces that would eventually produce Dhirubhai Ambani, founder of India's largest private sector company Reliance Industries Limited or even a Jagdish Chandra Mahindra, who founded Mahindra & Mahindra Limited.

In the USA, such talents are the main reason why the country's economy is far bigger than that of any other rich and advanced nation. According to recent data available from the World Bank, in terms of purchasing power, the USA economy is four times as big as Japan's, five times Germany's, and seven times that of the UK.

Respected American Economist, Martin Feldstein, who is the George F. Baker Professor of Economics at Harvard University and President Emeritus of the National Bureau of Economic Research, stated, "The USA has developed more than any other economy because, individuals in the United States demonstrate a desire to start businesses and grow them, and a willingness to take risks. There is no penalty in the USA for failure and for starting again. Even students who have gone to college or to business school show this entrepreneurial desire. The successes in Silicon Valley by such firms as Facebook, Google, Microsoft and others inspire entrepreneurial activities."

The great men and women who masterminded the emergence of the USA as the bastion of entrepreneurship included Cornelius Vanderbilt, John Davison Rockefeller (Senior), Andrew Carnegie, John Pierpont Morgan and Henry Ford.

A business magnate and industrial capitalist who built his wealth in railroads and shipping, Vanderbilt (May 27, 1794 – January 4, 1877), was a self-made multi-millionaire who became one of the wealthiest Americans of the 19th century. He is best remembered for providing the first rail service between New York and Chicago. His investments in the railroad and transportation industry completely changed society as before his rail service, transporting products across the country with speed was unheard of. Thanks to Vanderbilt's rail service, farmers who were located far from markets were now empowered to transport agricultural produce to markets quickly.

Rockefeller (July 8, 1839–May 23, 1937) qualifies as another billionaire whose contribution to the USA and the world is legendary. Some regard Rockefeller as the richest person to ever live. Along with his associates, Samuel Andrews and Henry M. Flagler, Rockefeller founded Standard Oil in 1870.

Within two years the company had a monopoly on the refinement of oil in the Cleveland area and by 1882 it had a virtual monopoly on the oil business in the USA. He also invested in iron, steel, copper, railroads, general stores, and newspapers. Rockefeller's monopoly on the oil business prompted the USA government to pass the Sherman Antitrust Act in 1890 to break up Standard Oil, sparking a long legal battle that the government finally won in 1911.

When Rockefeller retired from business, he devoted his life to philanthropy, donating hundreds of millions of dollars to charity during his lifetime. He set up the Rockefeller Foundation which is still operational to this day. According to Forbes, when he died in 1937, his assets equalled 1.5% of the total USA economic output for that year. To demonstrate how rich Rockefeller was, in 2018 Bill Gates' wealth was 0.45% of the gross domestic product for that year.

Scottish-born, Carnegie (1835-1919), is another revered American entrepreneur who left an indelible mark on the USA economy. His entrepreneurial ventures in America's steel industry were a catalyst to America's participation in the Industrial Revolution. Carnegie produced the steel to make machinery and transportation possible throughout the nation. He earned millions of dollars, which enabled him to contribute significantly to social causes such as public libraries, education and international peace.

The mere mention of the word finance brings to mind the name of JP Morgan (1837 – 1913). Born John Pierpont Morgan, he is widely remembered as a banking icon and one of American capitalism's most influential people. He left behind a powerful legacy, including his international banking firm, a vast art collection, and was renown to be the man who twice bailed out the US Treasury in the late 1800s. He made a name for himself by founding private banks and reorganising businesses to make them more stable and profitable. Among other things, JP Morgan financed industrial consolidations that led to the creation of General Electric, International Harvester and US Steel.

Yet another American industrialist who is owed a debt of gratitude by the world is Ford Motor Company founder Henry Ford (1863 –1947). Apart from developing the Model T vehicle in 1908, Ford also developed the assembly line mode of production which revolutionised the automotive industry. No one can forget his famous line, "Any customer can have a car painted in any colour that they want, as long as it is black."

The world-famous American industrialist is also credited for being the father of the middle class. In 1914, Ford began paying his workers US$5 a day, which was double the average wage at the time. The salary hike helped ensure a stable workforce in addition to boosting sales since the workers could now afford to buy the cars they were making.

Inspired by the American dream, most countries throughout the world have had their own men and women who continue to inspire generations in the same way Vanderbilt, Rockefeller (Senior), Carnegie, JP Morgan and Ford have done in the USA.

A common thread that runs across these incredible stories is that these entrepreneurs thrived where their interests and those of their governments intersected and would not have hit their rich vein of form in an environment of needless conflict between them. They also identified a unique product that filled a gap in their market and created a value proposition that drove their clients to support their businesses in their numbers.

While competition was able to copy their business models, they made full use of the first-mover advantage and by the time the market became saturated by copycats, they were already streets ahead with other new innovations and inventions that continued to give them the edge over their competitors.

Although I am not in the same league as the “Men who built America”, their stories inspired me to take a leaf from their extraordinary journeys despite the obstacles that were routinely thrown their way.

Through these larger-than-life visionary entrepreneurs, who understood the importance of working hard and were committed to that which they believed in, I was encouraged to follow my dream abandoning, Westgate Refrigeration and other side hustles that held me hostage despite the fact that they were not scalable. Reading their stories inspired me to leave my job at Old Mutual even when it wasn’t initially clear that I could succeed.