

Shadrack Kiratu

## **Project Report**

I have always had a passion for entrepreneurship. In high school I started a 'micro-finance' bank that took deposits from students and student-run organizations and gave personal loans to them when they needed to spend more than they had. I didn't know anything about finance or how banks worked at the time but that didn't stop me from reading up online and teaching myself all I needed on the subject. It was an exhilarating experience seeing your idea grow into a fully-fledged business.

This passion stayed with me ever since and manifested itself again in 2014 when I started Growing Africa (GA) Capital in collaboration with four of my very close friends. We had just graduated from college and wanted a vehicle to maintain our entrepreneurial spirit, keep us connected and do good for the society as well. GA Capital would be a venture capital fund that invests in small and medium scale enterprises in Kenya. In addition to providing investment capital we would also utilize the networks and experience we were building from our professional careers to enable the companies improve their operations. As Chairman I ensured that we were keeping to our objectives and led the investment analysis because of my professional experience in consulting. To give a sense of how GA Capital has evolved over time I will showcase our approach to our first investment, our most successful investment to date and discuss our mentorship outreach.

Our first investment was in an apparel company called ABC (*real name withheld*). It was founded by two young and gifted fashion designers who hoped to create a quality and affordable clothing items. We were attracted to the opportunity not only because of the people and the opportunity as well. The designers were artistically gifted and had incredible passion for their work. In addition, they were exploring a new opportunity to export to the US where they had identified a ready market. This would also create additional job opportunities for young people as ABC expanded its business to keep up with demand. As GA Capital we would provide some of the capital needed to expand,

governance and control advice and connect them with our networks in the US since two of the partners in GA Capital were living and working in the US.

Unfortunately, this investment was not successful. Shortly after we invested in the business the CEO of ABC became ill and quit the business. Since this was a young enterprise with no organizational structure there was no one left to take up the reins and steer the company back on course. While the other lead designer was creatively gifted she was unable to manage the team of tailors, suppliers and distributors so the company was forced to shut down. As a result, GA Capital lost its capital investment. Our key takeaway from this experience was that we should do a lot more risk assessment on the company's management before investing. In this case while we were aware of the weak controls we didn't explicitly identify risk mitigation measures and were therefore caught off-guard when the CEO resigned.

We were a lot more cautious after that and it took us almost a year to make a second investment. During that time, we examined a lot of ideas across a variety of industries including advertising, agriculture, sports etc. but declined to invest in them because they had very similar attributes to ABC. Our next investment was in a US based start-up XYZ (real name withheld) that was deploying facial recognition technology through mobile phones in developing markets. This technology would help banks, telecoms companies and financial services companies verify the identity of their customers and as such deploy better products to them through mobile phones.

XYZ was particularly attractive to us for several reasons. The founding team was older and a lot more experienced. They had left their comfortable jobs to work on XYZ which showed a high level of commitment. In addition, they had a clear rationale for partnering with us; they had identified Kenya as one of their key growth markets and wanted partners with local expertise. We have been working with XYZ successfully for two years now and have helped them grow into Kenya, Tanzania and Ghana as well by utilizing GA Capital's networks across Africa. When reflecting on why the partnership with

XYZ was successful we realized that it all came down to the commitment and ambition of the founding team. This is one thing that we now critically search for when analyzing investments.

Beyond active investment GA Capital also provides mentorship to young entrepreneurs. This allows us to have a wider impact than we would if we were committing capital. One of the companies we have been working with and providing mentorship is called EFG (real name withheld). EFG provides personalized branding services in Kampala, Uganda. One of EFG's two founders is in his second year of university but despite that the company has been growing incredibly fast through use of social media to market themselves to a young population. They have also developed an internal order management database system that enables efficient order placement and allows for follow-on relationship with their clients.

GA Capital has worked with the founders to bolster their internal controls and helped connect them with sources of supplies. We reviewed their financial accounts and realized that they were they were very lax with their accounts; for instance, they were incorrectly allocating some key expenses which could have a significant impact on their tax liabilities. We encouraged them to take it seriously since it could have a significant impact from a tax perspective but even more so from an investment perspective. If EFG wanted to raise additional funding for growth either from a bank or new shareholders, the state of financial accounts could be a huge stumbling block. In addition, we connected them with a large branding company in Kenya that was able to give them advice on how to get affordable but high-quality supplies. Our engagement with them is on-going.

Working with GA Capital reinforced my passion for entrepreneurship but also made me realize that I was not fully equipped to run but especially advise other companies. My academic background was in engineering and as a result I did not have a solid foundation in business and finance despite teaching myself many concepts online. This gap in my expertise might limit my ability to effectively contribute to the companies GA Capital invests in especially as they grow and become more

complex. Considering this I decided to pursue an MBA to build my general management toolkit and correct for these blind spots.

I therefore enrolled at INSEAD in France in January 2018 and will be finishing my MBA in December 2018. Because of my relocation to France, GA Capital operations slowed down as we didn't have as many "boots on the ground" in Kenya. We have focused this year on maintaining support to our investments and partnerships we had made before. Once I am done with my MBA I intend to go back to Kenya and explore new ways of growing GA Capital. Armed with my business knowledge and the new networks I will have created at INSEAD I believe numerous opportunities will open for us to create impact through entrepreneurship.