FAMILY & BUSINESS

An AFBE Publication

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Association of Family Business Enterprises

Cover story

She's got you covered

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Amidst Uncertainty, Focus on what you can control

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Mental Health and Well-being

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Welcome address

Welcome to the 2nd edition of Family & Business. It has been 2 months since we were ordered to stay at home to 'flatten the curve'. As societies globally are becoming increasingly restless and clamouring to return to normalcy, we are now caught up in a dichotomy of lives versus livelihoods.

The numbers of those affected by the Coronavirus is still rising. To date, over 4.7m people cases have been confirmed with over 300,000 deaths. The experts inform us that the pandemic will be with us for a long time. We cannot afford to throw caution to the wind.

On the other hand, economies are being battered. In a New York Times article, according to the World Bank, for the first time since 1998, global poverty rates are forecast to rise. By the end of the year, half a billion people may be pushed into destitution, largely because of the pandemic, estimates the United Nations. The same article says that more than 90 countries have asked the International Monetary Fund for assistance. However, with all countries hurting, well-to-do nations may be too strapped to provide the aid the developing world needs or offer debt forgiveness, which some countries and aid organizations are calling for.

As family business owners, we are the backbone of many economies globally. Many of us work in our businesses and work closely with all our key stakeholders. At this time of crisis, we have to step –up and exhibit positive leadership skills. Family businesses are known to take decisions quickly and whereas this may be beneficial, we must also make sure we take the right decisions; those that align with our visions.

It is clear that things are not going to be the same. AFBE prides itself on having many social gatherings, but with the current pandemic, we now have to embrace different media in order to engage with our members. We aim to utilize the appropriate digital channels that are available to us.

As we adapt to a new normal, it is imperative that we will all have to pivot and look for new opportunities or for new and alternative ways to do what we are currently doing. We must be innovative, creative and optimistic. Things may look different, but we must adapt and be agile. Meanwhile, stay safe and healthy. We will bounce back.

JOE OKELO

Chairperson - Association of Family Business Enterprises

Cover Photo: Irene Wanjiku

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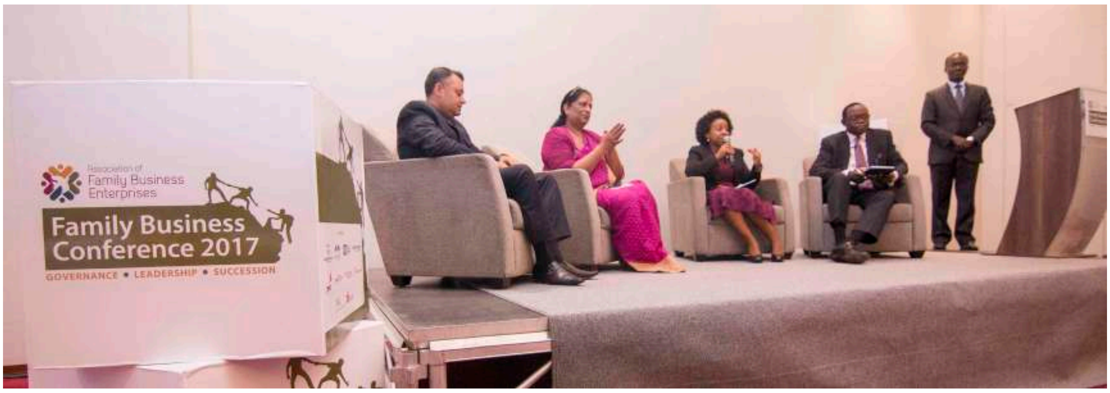

WHO WE ARE

The AFBE was founded in 2015 to strengthen the success of family businesses over generations. We provide family businesses with a safe space to share experiences, challenges, skills and knowledge and address common issues that family businesses face.

MISSION

To provide a nurturing, enriching and empowering environment through which Family-Owned Businesses can flourish over generations.

OUR VISION

To promote and support family businesses to prosper into future generations.

Family and business is a publication of the The Association of Family Business Enterprises (AFBE)

Editor
Joseph Okelo

Writers
Wandia Maina
Anne Mugwere-Agimba

Design
Willart Productions

Family Business; Amidst Uncertainty, Focus on what you can control

BY ANNE MUGWERE-AGIMBA

"There will be interruptions, and I don't know when they will occur, and I don't how deep they will occur, I do know they will occur from time to time, and I also know that we'll come out better on the other end"

WARREN BUFFET

FAMILY BUSINESS

The challenges and disruption caused by the coronavirus (COVID-19) that owners of Family Businesses are facing in the short to medium term is immense. However, by focusing on what can be controlled rather than what cannot, in the three areas of financial capital, human capital and social capital is critical.

The pointers below can give you some practical guidance on navigating the business of Family during this uncertain times.

1. What is the purpose for your wealth?

Use this time to consider what the role of your wealth is. This is a good time to articulate your values as a family. In times of a crisis, those values often become more apparent and act as an important base for decision making and ensuring that the family seeks to do the right thing for itself and the family business moving forward.

2. Practise patience

"All things come to an end"

The term 'patient capital' is often applied to the way family business owners think about business strategy and stakeholders. In many cases, families have already started to establish pools of liquidity by reallocating capital towards sheltering the family from economic shocks and the business shocks in this indefinite period of uncertainty.

If you're worried about the volatility in the market, and what the long term impacts may be, remember you can't control the short-term financial impact , but you can control your own reactions. Now is the time to practice patience. Many of you would have implemented a strategy to manage the capital, and that strategy probably extends over a time period which far exceeds the likely length of the current coronavirus (COVID-19) situation. Revisit your business strategy and your family's investment strategy with your financial adviser. If your current portfolio is set up to fund your lifestyle, consider what your current cash flow needs are, how they may change and how this will be met. It would be good to understand how third parties are managing your assets. Ask them how accessible your capital is should there be a short-term liquidity crisis.

3. Family First

Dealing with the effects of significant shocks can, to a large extent, be a function of your own mindset. Focusing on your family's health and wellbeing as

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a priority can increase the overall resilience of the family. Just a simple check in can help them feel more secure, and could open up the opportunity for broader conversations. Doing this could also help you feel like you're doing something positive, which in turn can help your own perspective as you navigate through turbulent times.

Many family business owners have concerns around how they will manage the transition of wealth from generation to generation. Now may be an opportunity to engage with the family about their thinking on matters that are important, but not urgent, and help you to focus less on the short term and more on the longer term.

Many families may have previously put in place family governance structures to aid in decision making. Now would be a good time to use these forums to help the family feel updated and supported. Also consider if your family already has some form of risk policy in place/ adequate insurance. Review the policy and implement as necessary.

In times of high stress and uncertainty, it's important to use a supported decision making framework to enable all members of the family to be comfortable with the choices being made.

The current environment might give you the time to become really clear on your family businesses current situation. Map out and identify the family's networks and advisory ecosystem, and take this time to reconnect with networks to help inform you and your reaction to the situation.

4. Time to take stock

With many businesses closed or operating at a minimum and many of us staying at home, you may have some extra time to really take stock and ensure you have a good grasp of how your wealth is held. As a suggestion, consider the following:

- Establish a complete register of business, financial records, title deeds and other relevant legal documentation, such as powers of attorney or guardianship directions.
- Consider if any owned assets through separate legal entities such as companies and partnerships are still fit for purpose.
- Take the opportunity to reassess family budgets and limit drawdowns.
- Understand the family's liquidity needs and how those needs have traditionally been met from the family's capital base. Are there any asset based income streams such as real estate incomes , stocks and shares heavily affected? How can these be adjusted to meet your short term requirements?

PREPARE FOR A VISIT FROM THE KRA

You will be asked at some point to explain your personal tax affairs and those of entities you control. Review your tax compliance and the systems that support this to help reduce the level of scrutiny by the KRA. Consider:

- how you oversee the management and oversight of your tax responsibilities
- your recognition of tax risks
- how often you seek advice
- the quality of your reporting mechanisms
- the existence of professional and productive working relationships
- timely lodgements and payments
- demonstration of ethical and responsible behaviour.

Our experience is that these reviews involve the KRA requesting an extensive amount of information in a relatively short period of time, so start preparing the relevant information now.

Consider how you may use your social capital

At these times, your sense of charity and philanthropic capital provides vital support to the not-for-profit sector which may currently be facing additional strain. While it might be possible that the value of what you may be able to give has fallen, it's important to remember that for many charities, you may be their lifeline.

Take the time to check in with the charities you support to find out how you may be able to better help in the short-term. You may be able to bring forward future grant commitments in some cases. It would also be worth encouraging your network and broader community to support more local initiatives.

During times of crisis, it can be tempting to think in the short term, however you should remember the benefit of investing in your family for the long term. Making investments now in your family governance, development of social capital and family education will have a compound effect on the overall value of your family capital.

In other words, take control of what you can control.

About the Author

Anne Mugwere-Agimba is a Senior Partner at **Agimba & Associates, Advocates.** She heads the Commercial Law Department. Anne advises high net worth individuals and overseas clients, family businesses, banks and trust companies, both on-shore and off-shore, on related trust and probate matters. She has over fifteen (15) years experience within the Private Client and Wealth Structuring team advising Clients onshore and offshore on succession and tax planning.

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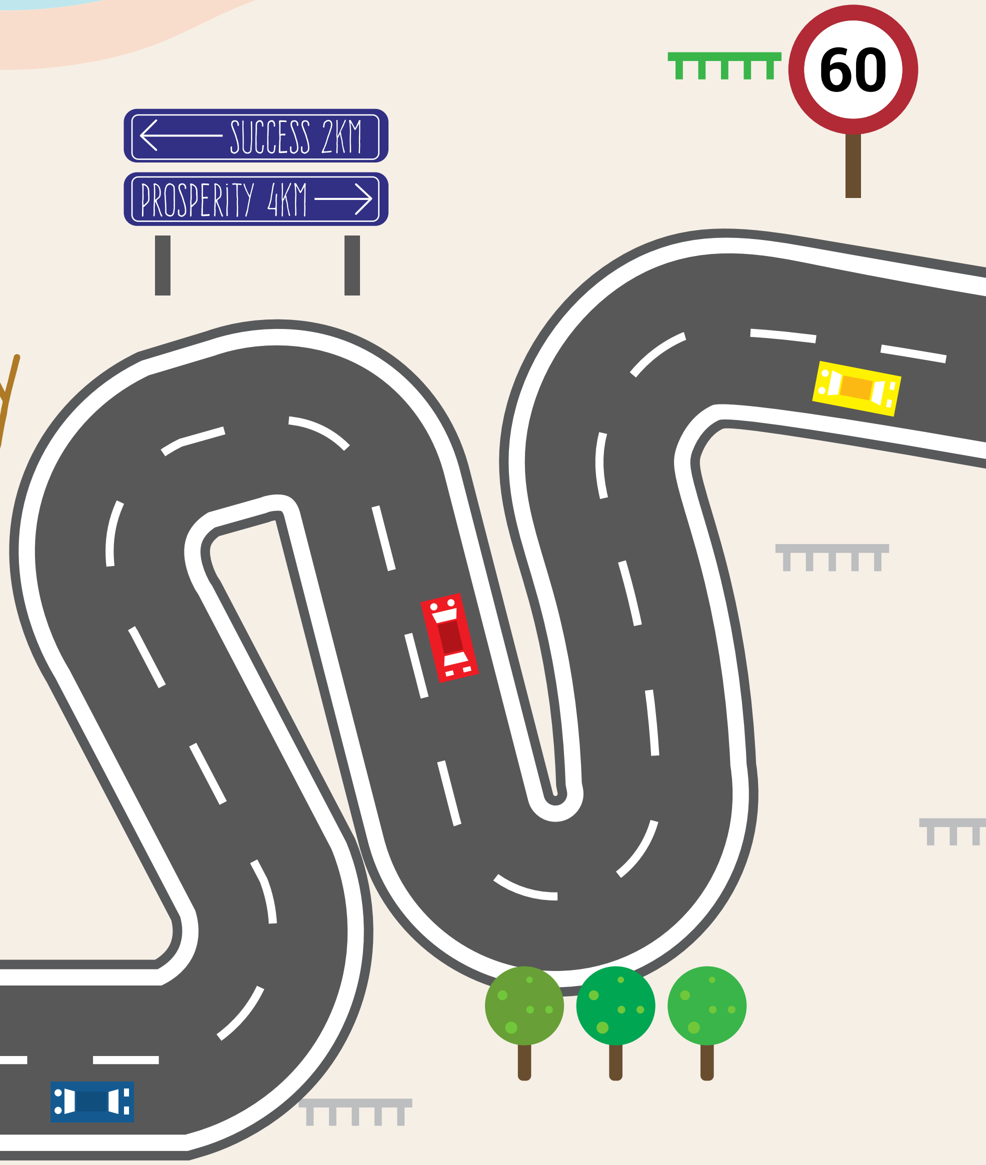

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Association of Family Business Enterprises

5 Pandemic Silver Linings for FamBiz

BY STEVE LEGLER

Photo/Freepik

Our new shared reality has shaken up a lot of things in everyone's world, and many of the negatives remain at the forefront.

Being a **"glass half-full"** kind of guy, I'm always on the lookout for the bright side of things.

So, with that in mind, here are 5 **"silver linings"** for family businesses that could come out of this pandemic, for those families that are **ready, willing, and able to take advantage** of them.

Reflect on, and Learn from, Previous Challenges

Any family business that has survived to include more than one generation has probably gone through some sort of crisis before.

The younger family members may not have been around or old enough to understand everything then, so this is a great time to bring them up to speed with the lessons about the historical resilience of the family and its business.

Knowing that the family has held together before, and reflecting on what strengths that required, will help everyone as they look forward together.

Co-Create the Pivot

This crisis is creating an opportunity for different generations to work together and co-create the changes that will bring the enterprise forward for the coming decades.

A family with younger members involved in the business has the chance to bring in newer, fresher ideas, that can be led by younger members with more energy, more tech-savvy, and a longer view into the future.

By combining these strengths with the wisdom and patience of their parents' generation, they can co-create whatever pivot they need to, to adapt to the new realities of the world.

Diversity is an asset, and being able to harness the best of all their **human capital** is something that many business families are particularly good at doing

Bolster the Family Brand

Since this crisis began, there have been so many examples of family businesses doing the right things for the right reasons.

Especially in smaller communities, the long term support that this creates for the **family brand** should last a while. While this isn't the reason to do any of these things, it can be a nice side effect.

Family companies need to find subtle and balanced ways of getting the message out there about their efforts for the common good, and in the long run they will be rewarded by customer loyalty.

Surrender the Baton (Or at Least Part of It)

Many families put off serious discussions about the future and who will become future leaders as one generation eventually steps aside and another takes the lead. It's what many call "continuity planning".

Given what's been going on recently, the current leadership may get a jump on, or at least have some more reasons to consider, moving towards their next life chapter, knowing that things are in good hands.

Crises create opportunities for new leaders to step up, which may be just what the current generation was hoping for.

Someone who has taken on the hard choices you've all been facing recently just may be catching the eye of a leader who has been waiting for the opportunity to begin backing away, and surrendering some of the roles to them.

Many advisors are advocating for this quite strongly, for a great example, see **The Next Generation Should Get Their Licence to Operate Now**

Re-Emphasize Family Governance

As I wrote about a couple of weeks ago in **The Crisis as a Test of your Family Governance,** many families have recently realized that things were not set up exactly as they had assumed and imagined.

So, the family's governance systems and structures may have been tested in the past couple of months. What better time than now to revisit and re-invigorate efforts in this direction?

Might it be a time for the current business leadership to shift their focus from w**orking IN the family business** to **working ON the business family?**

Plenty of Clouds, Even More Silver Linings

There's no question that everyone's lives have been affected, mostly for the worse.

But, for the families that are little bit more forward-looking, there are many opportunities that just suddenly landed on our proverbial doorsteps.

What does it take to seize them?

Well, important things don't typically just happen by themselves, not even in the best of times.

I believe that the key lies in the family's ability to tap into all of its human capital, from every generation.

That all starts with a family meeting to discuss all of this, and if it has to be done over Zoom, that's OK too.

A family with younger members involved in the business has the chance to bring in newer, fresher ideas, that can be led by younger members with more energy, more tech-savvy, and a longer view into the future.

5 Pandemic Silver Linings for FamBiz 2020, Steve Legler, accessed 15 May 2020, <https://shiftyourfamilybusiness.com/2020/05/03/5-pandemic-silver-linings-for-fambiz/>

About the Author

Steve Legler is a proud FEA Designate (IFEA) and holds ACBFA and ACFWA certifications (FFI), in addition to having an MBA (UWO-Ivey) He is also a CFA charterholder (CFA Institute), and the author of Shift your Family Business (Friesen Press, 2014).

Depression & Suicide

© Freepik

BY WANDIA MAINA

Suicide is a word that is talked about in low hush tones. With embarrassment. With shame. With disappointment or even with anger. When someone we know chooses the suicide route, we are left dealing with guilt or what we like to call, 'survivors remorse'. Could you have done something to prevent it? Did you ignore the warning signs? And the truth of the matter is that indeed there are warning signs. A little more on that later.

In the recent past, there have been many reports of suicide and homicide in the media. The common thread is that those choosing suicide are people who, from the outside looking in, seem to have a lot to live for and who were possibly the envy of many. There are a number of reasons why people commit suicide; psychosis, depression, impulsive behaviour (motivated by drug use & abuse), accidental death or crying out for help. No matter the reason-suicidal is final.

The number of suicide cases in Kenya is increasing as people are taking their lives because they believe this is the only way out. Life is such that we get busy and get caught up in chasing our goals and dreams. There is nothing wrong with that, after all, why go through the motions of life if there is no promise, whether real or false, of a better future. The problem I have is when we become so busy that we forget to touch base with our support system. We forget to make a phone call, plan a visit, or even send a short message. But here is the thing. As a psychologist, I know that nothing, and I mean nothing beats face to face interaction. I task my clients to make time for the people and things that they hold near and dear. Work will always be there and will continue even after you are gone. We are created as human beings to relate. Relate with one another and our environment at large.

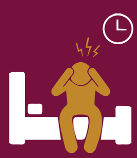
Suicide does not happen in isolation, more often than not there is a significant change in the mood and behaviour of a person, behaviour that indicates that one is battling with depression. Here are some signs that we need to be aware of and to look out for:

Depression is a mental illness that gradually creeps on people and without the proper and timely support can escalate. Diagnostic Statistical Manual (DSM 5) gives the following criteria that if 5 or more occur for more than 2 weeks straight, one can be said to be clinically depressed.

Depressed mood most of the day, nearly every day, as indicated by either subjective report (e.g., feeling sad, low, "down in the dumps," or empty) or observation made by others (e.g., appears tearful or about to cry). (In children and adolescents, this may present as an irritable or cranky, rather than sad, mood.)

Markedly diminished interest or pleasure in all, or almost all, activities every day, such as no interest in hobbies, sports, or other things the person used to enjoy doing.

Significant weight loss when not dieting or weight gain (e.g., a change of more than 5 percent of body weight in a month), or decrease or increase in appetite nearly every day.



Insomnia ((inability to get to sleep or difficulty staying asleep) or hypersomnia (sleeping too much) nearly every day

Psychomotor agitation (e.g., restlessness, inability to sit still, pacing, pulling at clothes or clothes) or retardation (e.g., slowed speech, movements, quiet talking) nearly every day

Fatigue, tiredness, or loss of energy nearly every day (e.g., even the smallest tasks, like dressing or washing, seem difficult to do and take longer than usual).

Feelings of worthlessness or excessive or inappropriate guilt nearly every day (e.g., ruminating over minor past failings).

Diminished ability to think or concentrate, or indecisiveness, nearly every day (e.g. appears easily distracted, complains of memory difficulties).

Recurrent thoughts of death (not just fear of dying), recurrent suicidal ideas without a specific plan, or a suicide attempt or a specific plan for committing suicide

(https://psychcentral.com/disorders/depression/depression-symptoms-major-depressive-disorder/)

These are just a few signs that one should look out for. If you suspect that you, your colleague or even loved one is struggling with life, encourage them to see a mental health professional. One other thing that we do as psychologists, is take a keen history of our clients to understand their background. If there is evidence of addiction, mental illness or suicide in the family- we take note of this because it could mean that the client may be pre-disposed or at risk to whatever is common in the family line.

As the 'society' gives your family and friends a safe, non-judgemental space where they can be and feel without any pressure. Allow them to feel their emotions, but then also help them to see that the world is not all bleak. There is a lot of good around you, if only you choose to see it and not focus on what is not working out for you. Above all, talk. Do not keep quiet if you notice something is amiss with yourself or someone close to you. Reach out to a friend and talk.

About the Author:

Wandia Maina MA is a Counselling Psychologist with over 15 years experience, she is a Member of Kenya Psychological Association and the Co Clinical Director of Intrapersonal Health.
www.intrapersonalhealth.com

If you have any questions regarding mental health or would like to see a professional psychologist email:
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COVER STORY

She's got You Covered!

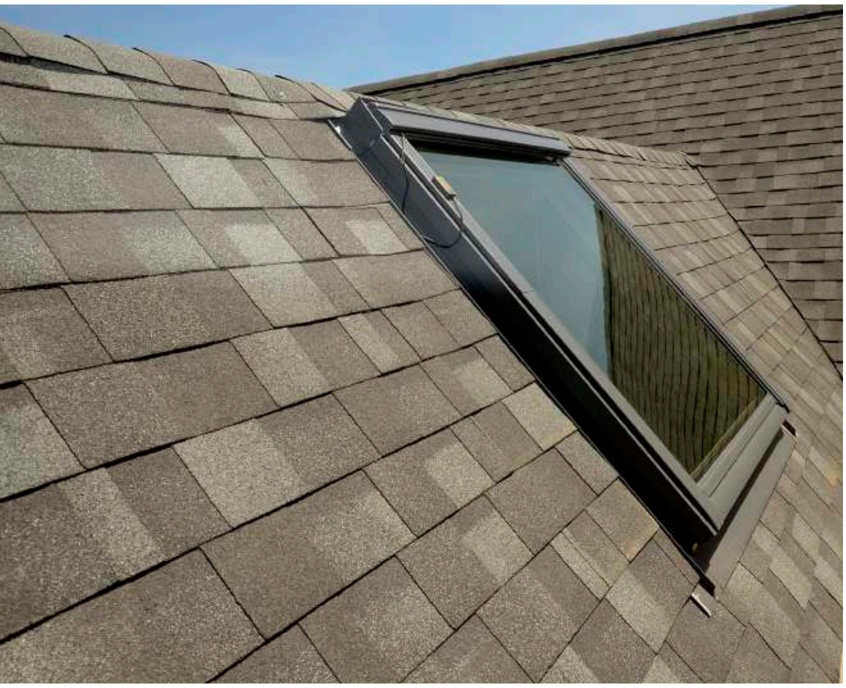
INTERVIEW WITH IRENE WANJIKU THE MANAGING DIRECTOR OF REXE ROOFING PRODUCTS LTD.

1. Tell us a little bit about yourself.

I was born in Nyeri and later moved to Nairobi to live with my maternal aunt.

At an early age, I wanted to become a lawyer as I was fascinated by debates and legal dramas that I watched on T.V., during school holidays. I also loved the architecture surrounding most palatial homes which I came across whilst perusing international magazines.

After completing my high school education, I asked my aunt to get me a job from one of her networks as I waited for my results. By the time my results came out, I had already realized the joy of working and instead enrolled in evening classes to study Purchasing & Supplies management to understand the supply chain and how goods reached consumers from the manufacturing source.



Roofing Cambridge-xpress-shingle - Karen, Nairobi

After graduating, I got my second job in a construction firm as a receptionist, and this gave me the opportunity to continue with my studies in Business Administration. This led to several promotions within the organization. During the 6 years I worked there, I dedicated myself to learning about different aspects of the business, from customer care, logistics, project costing and marketing.

2. Tell us a little about your family business and your role?

Rexe Roofing, our family business, was founded in 2011, I founded the company from a need to provide customised products and services to both private and commercial developers in roofing and water-proofing in the construction and manufacturing industry.

I am the Managing Director and have 3 family members taking up managerial roles.

3. How did you start the business?

I started by introducing our unique roofing solutions to the developers and consultants in the industry. Most of our clients were willing to put up a deposit for the solutions and the rest of the funding was by inviting my aunt and uncle to purchase shares in the company.

4. Describe your journey so far in the family business?

It has been an exciting journey to discover the potential of the business, initially in the first 3 years, I was the only one involved in the day-to-day running of

Photos courtesy of Rexe Roofing Ltd

the business. As we got more demanding projects, it was clear to me that I needed more dependable pairs of hands to help me handle the different departments in the business. At this point I asked my family members to apply for positions based on their key competencies and the skills. I felt I was not strong in some areas such as Human Resource Management, Strategy Development and Financial Management.

5. What role do you see yourself playing in the future ?

I hope to play a more advisory role in the future. Currently, I am the Managing Director involved in the implementation of our strategic plans, and day-to-day management.

6. Does your family business have a succession plan. If no, do you foresee yourselves having one?

We have several discussions around this but nothing concrete yet, it is however in our strategic plan and we are working on it.

7. How would you describe your relationship with other family members in the business?

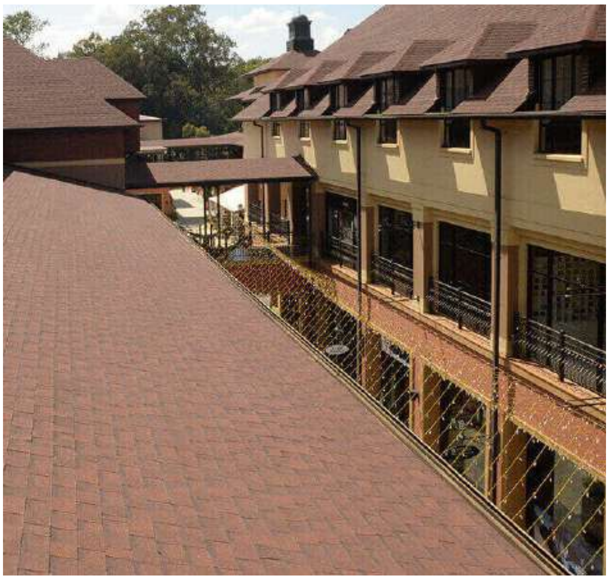
We have a strong working relationship, and we are able to have different points of view without becoming adversarial. This has helped us by bringing diversified ideas into the business some of which have turned out to be very successful.

8. How do your resolve disputes among family members?

We have an advisory board that we consult when disputes arise for guidance and objectivity.

9. What advice would you give to family members?

In order to reduce areas of conflict, it is important to have a working company policy in place. This can stipulate among other procedures, who is eligible to join the family business, the requisite qualifications as well as promotion within the family business. This eliminates favouritism and emotionally-based decisions when matters arise.



Roofing Shingles (Cambridge Xpress) Project - The Hub-Karen, Nairobi

Roofing Shingle (Cambridge Xpress laminate) Projects - Brookhouse School Runda

Roofing Shingles Project - Rund

10. You are a member of the Association. What has your experience been like?

I was impressed by various family owned businesses that we work with in North America, whose businesses are now in the 4th generation, with over 100 years in business. I then started to research on family-owned businesses in Kenya and that is how I came across AFBE. I was happy that the resources, answers and guidance I was looking for, were now within my reach.

The Association has met and exceeded my expectations, we have created resourceful networks, listened to founders advise us candidly about creating and running successful family businesses. We have also put a stronger corporate governance system in place from the various seminars that AFBE has organized and we look forward to continue growing together.

Pictorial

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Michael Mugassa-Partner PWC Kenya

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Esporao - Portugal Family Business Visit

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Maanzoni Lodge - Members listen to the story of how the business begun

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Maanzoni Lodge **Family Business Visit Group Photo**

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