

Investors must understand leadership of borrowing firms



RICKY'S MYTHS

RICHARD GITONGA



It is said that the best run companies are literally a reflection of their leadership. If a company is run efficiently, it is most probably a reflection of a leader's focus on minimising waste at all costs. If a company is expanding rapidly into new market segments and geographies, it is most probably a reflection of a leader's appetite for risk and his or her ability to rally their troops behind a compelling vision. If a company is growing steadily in a rapidly expanding market, it is most probably a reflection of the leader's conservative and cautious approach to doing business.

It is in this regard that is extremely important for potential investors and employees alike to spend a lot more time studying the character and inclination of leaders before they opt to es-

tablish binding relationships.

A visit to progressive SMEs (Small and Medium Enterprises) provides good case studies of leadership. Because most have few employees and relatively small operations, it is quite easy to assess the likely character, personality and business inclination of the owner cum founders.

Control freak

In some of these SMEs, it is interesting to find the business owner behind the cash counter waiting for customers to make payment for purchases. The owner in this instance is most likely to be a control freak of sorts and either does not trust his staff at all or simply does not have good business systems for venture to run in his absence.

More often than not, the owner cum

control freak scenario results in a business that is unable to expand rapidly as the owner is unable to create an organisation which he is unable to manage without him being physically present. It is for this reason that most of the "dukawalla" type businesses always reach a certain predetermined threshold despite having being in existence for decades. They give the concept of "Key Man Risk" a whole new meaning to the challenge of business risk.

On the other hand, there are other SMEs whose vision far outstrips their current balance sheets in terms of magnitude and potential. These entrepreneurs are a true reflection of what business leadership is all about and even if some did not go to graduate business schools, their ability to execute their businesses models successfully would be the envy of graduate business school students who take two years to learn that strategy is execution. These small businesses tend to regurgitate a feeling of health and vibrancy that

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larger businesses have since forgotten. Their healthy status is analogous to a healthy human being who tends to be more agile, flexible and faster than an unhealthy counterpart.

Leadership works in a similar way. When leaders are healthy, the people they lead tend to be healthy. When leaders are unhealthy, so are their followers. As one wise statesman quipped, "people may teach what they know, but they produce what they are." It is for this reason that organisations that are failing or poorly run are a direct reflection on their leaders.

Their followers understand that their current condition is a result of who their leader is. If they do not like their condition, they either try to change their leaders, as in the case of political leadership, or they leave the organisations that they work for. As it is said, people do not leave organisations for their own sake, it is because of poor leadership and management.

People often attribute the success of organisations to many things: opportunities, the economy, personnel, teamwork, resources, timing, chemistry, luck.

And while it's true that any of these things can come into play, the one thing that good organisations have in common is good leadership.

And that is why to understand how a leader is doing, look at the people he is leading.

Outstanding leadership

Within this context in mind, potential Kenyan investors have to be more critical and bearish about the emerging local bond market that will now be easily accessed by retail investors. Potential investors should be advised to take a closer look at the leadership of the organisations that are very keen to raise capital by issuing corporate bonds.

Take some time to talk to staff and other stakeholders associated with these organisations as the signs of outstanding leadership will appear primarily among the followers.