Quarter 1, 2018 Issue

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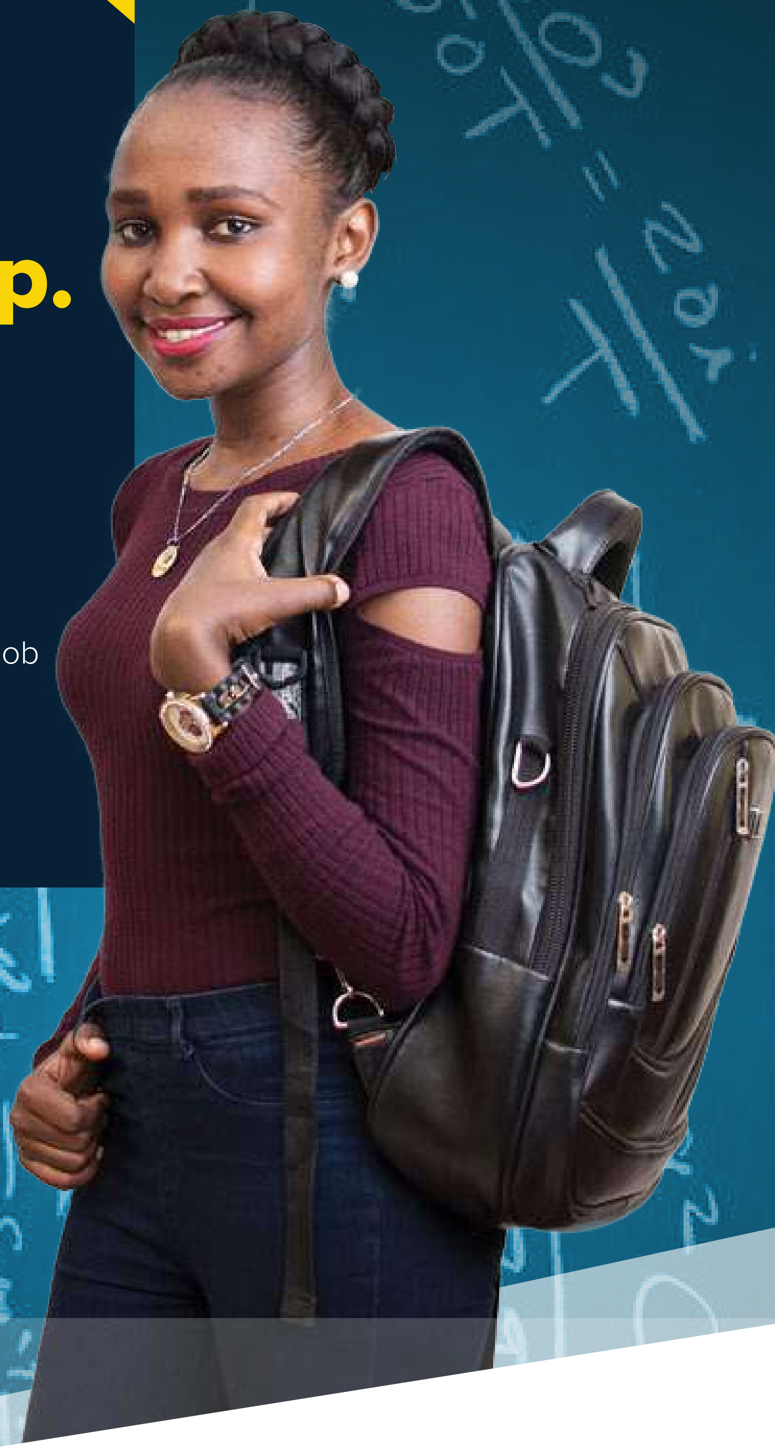

Opening in June 2018

Cytonn
EDUCATION SERVICES
Creating Sharp Minds

Table of **Contents**

Editor’s note

Warren Buffet is famously quoted as saying ‘Risk comes from not knowing what you are doing.’ As it is in virtually any other field, in the investment sector, knowledge is power. The more information we have available to us, the higher the probability that we will make investments that are worthwhile. Of course there are other factors that come into play, but these should be considered from a point of knowledge.

The year is still young, which means there is plenty of time to get our finances and investments right. We still have time to seek as much data as we need to help us make decisions that are more informed as far as money matters are concerned.

Investment opportunities are rife in 2018, with market trends being favorable for the most part. There has been increased activity in private equity and all facets of real estate investment as well as an observed upward trend in the equities market.

In this issue, we explore how you can get your investments right. You really have no excuse not to grow your money this year.

Enjoy!

From the editors’ desk.

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The Expected Impact of the New Curriculum on Basic and Tertiary Education in Kenya

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"Each of us has more intelligence than we are trained to use and the part that we get graded on in school doesn't amount to much" **- Laurie Nadel, Ph.D.**

The above quote by Laurie Nadel, a renown psychotherapist and the author of "Sixth Sense: Unlocking Your Ultimate Mind Power", makes it easy to identify the failures of Kenya's education system post-independence, that has led to a flurry of unemployed 'graduates', with no guarantee of blue collar employment, let alone white collar. We have all heard of the new curriculum, the 2-6-3-3-3 system, which is said to be the saving grace of Kenya's education system. It will be competency based, focused more on learners' skills rather than their ability to retain knowledge, its supporters say. The new curriculum is expected to correct the flaws of the current education system and reduce the unemployment rate, recorded at 39.1% in 2016 according to UNDP's Human Development Indicators Report, by focusing on training individuals on skills that are aligned to Kenya's economic needs. However, in the past we have had changes in the curriculum, with the same aim, but 54-years' post-independence, we are back to square one. How good is this new education system? How well can it correct the failures of its predecessors? Are we prepared adequately for its implementation? Most importantly, what investment opportunities does it provide?

This article attempts to answer the above questions. We shall start with a brief history of the Kenyan education system, look at the failures of the previous systems, and finally conclude with expected impact of the new curriculum and the investment opportunities it provides. Let us begin by understanding the history of the Kenyan education system. Depending on their age, many Kenyans have either gone through the 4-4-4-3 education system, the 7-4-2-3 education curriculum or the 8-4-4 curriculum. The 7-4-2-3 curriculum was introduced after independence in 1964

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Handover event held at Friends high school in Dandora

and was used until 1985. During this period, a number of factors led to the growth of the education sector in the country. Firstly, it was cited as one of the key pillars that the government would focus on to build the nation in the post-colonial rule. A lot of effort was put in place to ease accessibility of education, leading to a rise in the number of schools and enrolment. Secondly, The Ominde Commission, which was tasked with restructuring the entire education spectrum, proposed a switch from the 4-4-4-3 system used during colonial rule to 7-4-2-3 curriculum. The proposed curriculum was aimed at creating an education system that would unite all Kenyans, irrespective of their race, religion or ethnicity. The above 2 factors led to an unforeseen problem: by 1970, there was an influx in the number of unemployed graduates in Kenya. There existed a skill gap between what the country needed as employable persons and what the education system produced. The 7-4-2-3 structure had focused on mathematics and sciences, and pushed students to degrees leading to white collar jobs, and as a result the economy could not absorb them all. We needed an education system that developed more technical skills, one that aligned more to the country's economic position as a rapidly developing economy.

In came the McKay Commission, which recommended a change in curriculum, leading to the implementation of the 8-4-4 system in January 1985. This new system was meant to cure for the failures of the previous one by training individuals that could engage in sustainable employment by embracing careers that drive the economy such as agriculture, sports, real estate, business and technology. This curriculum was supposed to put emphasis on technical training, which in turn saw the rise of Technical Institutions in the country. The 8-4-4 system underwent a number of fundamental changes, mainly due to numerous complaints on its burdensome nature on students and parents. For those who are old enough to remember, primary education included subjects such as art and craft, carpentry and music. These were abolished in 2001 to lessen the students' burden. As for secondary education, very few schools offered lessons on technical skills. Consequently, it failed to meet its initial purpose, which was to reduce unemployment levels in the country. The curriculum looked good on paper but failed immensely when it came to its implementation to the extent of it being likened to the failed Ujamaa in Tanzania.

What should have been done differently, you ask. The following reasons are cited to be the major failures of the 8-4-4 curriculum;

1. Implementation of the Curriculum

On the very year the curriculum was rolled out, the students for sitting their final exam were expected to be examined under it. Maybe a phased approach, with frequent reviews, may have had better results,

2. The "Parent" Factor

Parents felt that the subject load created too much work for their children and subjects like that metalwork and carpentry were inappropriate at such young ages. Additionally, some were of the opinion that having technical subjects meant that their children would fall into these careers and end up spending their lives outside a well-conditioned office. Apparently, this was a sign of failure. For this reason, the parents pushed for a more lenient education system, one that focused on white collar careers. This approach led us to our third problem,

3. The "Teacher" Factor

Parents were pushing for academic success for their children, which invariably meant passing exams and being admitted into university for a bachelor's degree. This pressure to deliver was passed onto teachers. Their performance and that of the primary schools in which they taught was determined by how many pupils qualified to join national secondary schools. In the same way, success for secondary schools was defined by the total number of A's in a given year. For this reason, teachers needed to put in place strategies to do well, and this involved drilling students on passing exams and more extremely, helping them cheat.

4. Corruption

Given that every child was aiming for the same type of job – the white collar job – career choices became limited, and students had to work harder for the grades to allow them to pursue these careers. Inevitably, there were those who were unwilling or unable to follow this route and they bought their university places. Cheating became so rampant and the easiest way to make it. Parents and teachers alike colluded to cheat. It became so rampant that even government officials were involved in mass cheating in the country.

The factors above led us to the current state of affairs in the country. We have a pool of educated graduates, with the degrees they were told they needed so much, but not enough jobs in the market to employ them all. As a growing economy, we will always require more technical skills in the labor market but the supply is limited, with an oversupply of graduates looking for white collar jobs. They say it is easier to get unemployed masters graduates than it is to get a qualified plumber in this country.

With this in mind, our educationists decided to once again alter our education system. This year saw the roll out of the pilot phase of the new 2-6-3-3-3 curriculum. The system will see students go through 2 years of pre-primary education, 6 years of primary education, 3 years of junior secondary, 3 years of senior secondary, where they will specialize in arts and sports sciences, social sciences, or science, technology, engineering and mathematics (STEM). Finally, they will spend at least 3 years in a tertiary institution, either in university or a technical college. The question we keep asking is, have we learnt from our previous failures, and what is the expected impact of this new curriculum? Let us look at the things this system is expected to cure for and how well we think it is capable of doing it.

For starters, it appears that the implementation this time round has been well thought out, having begun with a pilot phase I program in 2017 across 470 schools and a pilot phase II this year in all primary schools for grade one and two, former standard 1 and 2. Full implementation is expected to be complete by 2027.

The new curriculum is meant to be competence-based and is expected produce employable individuals, especially in sectors that are spurring economic growth such as agriculture, real estate and manufacturing. The curriculum is structured in a way that learners are able to identify a skill they are good at and career paths they wish to take by the time they join junior secondary, and are guided to undertake subjects that relate to what they want to pursue. The curriculum is expected to give emphasis on talent and skills, arts and STEM subjects.

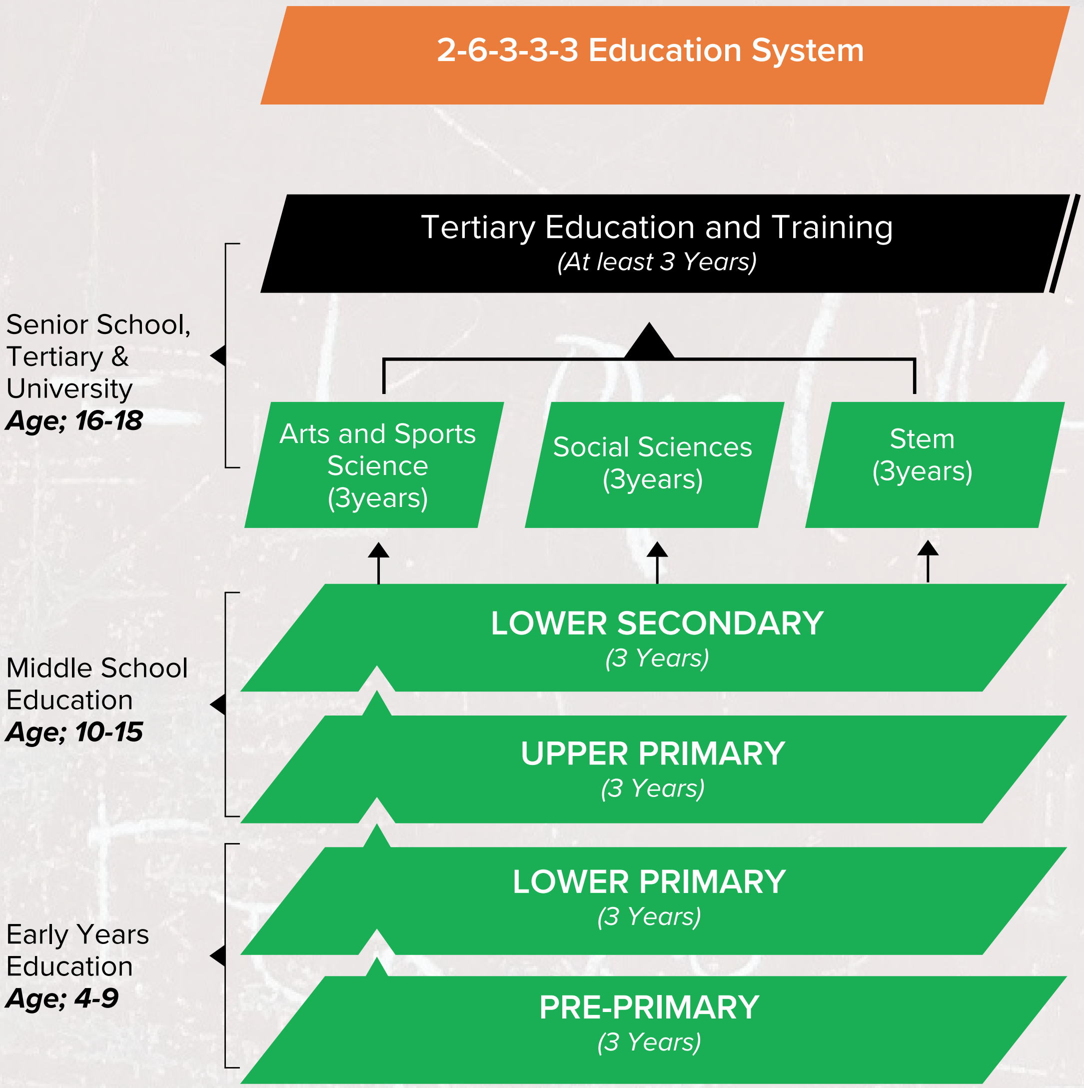
Many agree that examinations have become irrelevant in a country where until recently cheating was quite rampant. The new system will replace examination with Continuous Assessment Tests, which will focus on testing the skills acquired by learners instead of content retention capabilities. With the curbing of examination cheating over the last 2-years, the number of students eligible to join Universities has greatly reduced. As if on cue, the new curriculum emphasizes on the need for technical and vocational training so as to align the education system with our economic needs as a country. This will be a great avenue to absorb those who do not meet minimum university grades.

It looks like the new curriculum has covered all its bases when it comes to the shortcomings of the previous system.
What setbacks is the new curriculum likely to face? The implementation of the new curriculum will take time and will require training of teachers on the expected delivery methods. The changeover is also expected to be capital intensive as it will require purchase of equipment, training of teachers and even employing more teachers as the curriculum expects lower student-teacher ratio to ensure quality delivery. Considering these, the government looks like it is well prepared on the roll out process. In my view, the only thing that would lead to the failure of the new curriculum is lack of sufficient resources to implement it as planned.

Where does that leave us as investors? If there was ever a gap in the education sector that provided an opportunity for investment, it just widened and the opportunity became bigger. Private investors have a chance to take up the challenge and implement the new curriculum, even as the government does it. Private schools have always been well funded and delivered quality above public institutions, meaning that their move to the new curriculum will be easier and faster. The greatest opportunities are viewed to be in Early Childhood Development education and tertiary institutions, especially those offering technical and vocational training. This is driven by the fact that pre-primary education is now compulsory and will be important in forming the basis for primary education and that the curriculum will be skill based and will encourage the growth of institutions offering technical training that is aligned to our economic needs. For the above reasons, if you are an investor wondering where the best return on investment will be in the coming years, you should probably consider investing in education.

In conclusion, we all have to agree that there exists a need to improve our education system as a country. If properly implemented, the new curriculum should deliver on its promise and save us from another commission enquiry, another report and another curriculum in future. As investors, let us take the opportunities that are presenting themselves in the transition and make the best out of them.

Kenya Education Curriculum Model



Investing Sharp in 2018: Providing Options for your Legal Vehicle

Holiness K. Lumbi
Legal Analyst

You have a killer business idea. Well, you really do not need it to be "killer" or "great" at this point. According to Jim Collins, it might be better to not obsess on finding a great idea before launching a business because the "great-idea approach" shifts your attention away from seeing the business as your ultimate creation. Anyway, having had the idea, you do the requisite market research, identify the gap in the market and zero in on the product or service that you want to offer. In addition, you go ahead and work out the operations and funding you will need in order to grow your business. Are you ready to start? Not quite yet.

Inasmuch as all the ground work has been done with regard to what the business will be doing, one of the most crucial decisions is the structure of the business and it needs to be made before the business is launched. Many entrepreneurs make the mistake of spending all their time choosing a logo, business premises and even meeting staffing needs without first making a concrete decision as to the legal structure of the business. Unfortunately, they are not aware that the choice made will have long lasting legal and tax implications. For this reason, it needs to be well thought out so that it is gotten right.

Factors to Consider when Selecting the Right Business Structure

Here are some of the factors that should be considered when choosing the legal structure of any business:

1. Risk

Every venture has some level of risk. However, it is crucial to choose a structure where your personal assets are protected. For instance, a sole proprietorship does not protect your personal assets from creditors or litigation in the event the business incurs liabilities. A company on the other hand has limited liability.

2. Taxation

Various taxes are levied on legal structures differently as discussed below. A corporate structure like that of a company will incur more tax than a limited liability partnership structure which is a tax transparent vehicle – meaning that tax is levied on the share of profit earned by the different partners.

3. Complexity

You will need to consider the ease of operating the business. For instance, according to the 2016 Report on Micro, Small and Medium Enterprises by the Kenya National Bureau of Statistics, sole proprietors owned most of the establishments across all the categories of MSMEs. This is due to the fact that a sole proprietorship is the simplest business form under which one can operate a business.

4. Control

What level of control do you want to have on the business? If you wish to go the journey alone i.e. to own and operate the business completely as the sole decision maker, then the sole proprietorship model will work as opposed to the company structure where there will be other shareholders and a board of directors to consider each time a crucial decision needs to be made.

5. Cost of Formation

Each legal structure has a separate cost as discussed below. The procedure for formation of the legal entity also varies and it is important to consider the duration it will take to form the desired structure.

6. Flexibility and Future Needs

At the point of formation, you will need to consider or envision where you want your business to be in the future. Are you planning on just a short term venture after which you will exit the market? Do you plan to list in the securities exchange five years from now? You need to ensure you start with the end goal in mind.

7. Continuity of existence

In the event that you are no longer around, what is the plan for the business? If you wish for the business to terminate in the event of your demise, then forming a sole proprietorship or a partnership is the most appropriate option. However, if you want to pass on the business to your family and secure their financial future, it is more appropriate to select a legal structure that does not come to an end if anything happens to you.

8. Investors

It is important to consider the kind of investors that you will seek out in the future. Note that investors like to minimize their risk and this generally means that a business entity that provides a liability shield is most preferable.provides a liability shield is most preferable.

Types of Legal Structures for Businesses

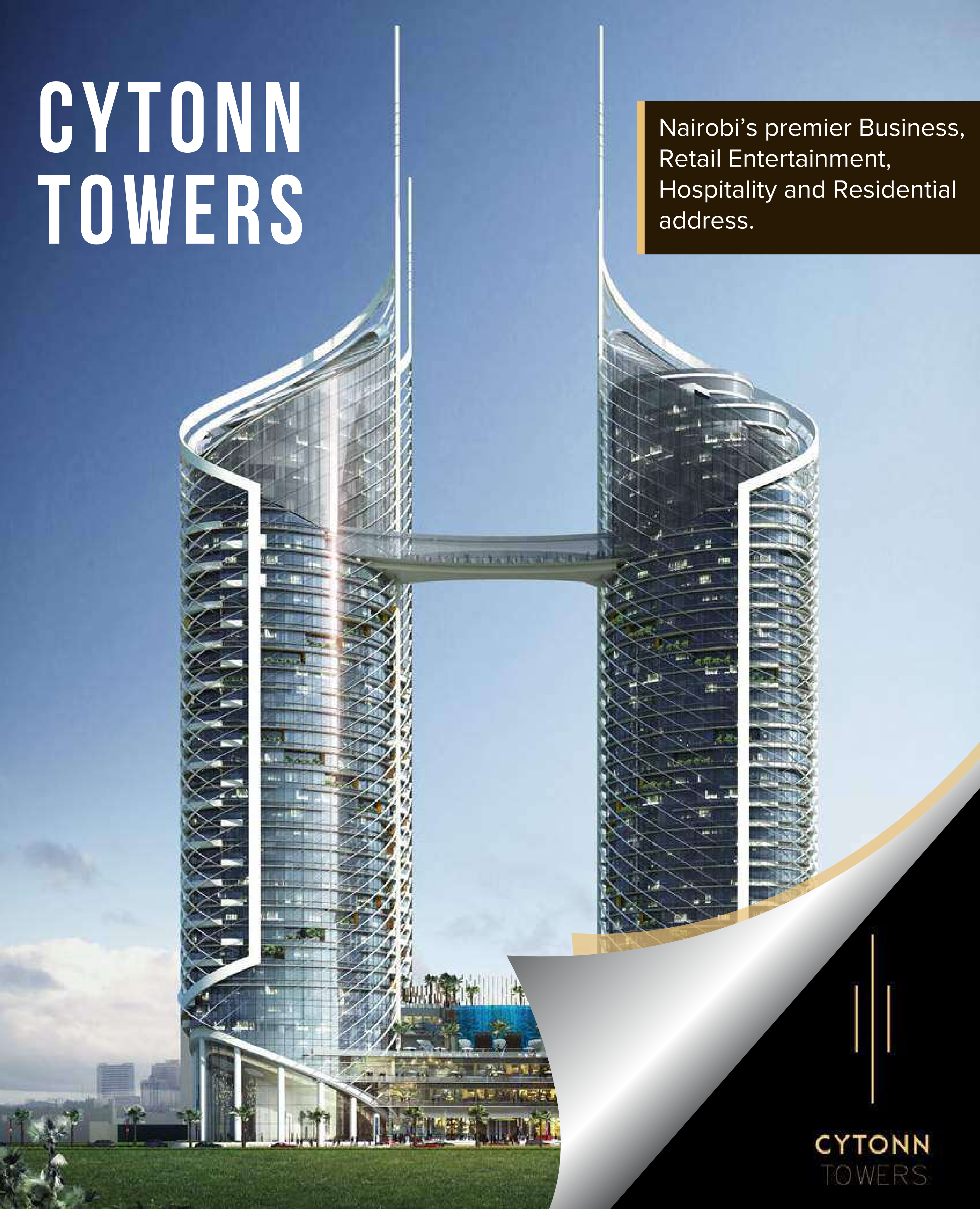
Now that we have looked at the factors you will consider to start your business, lets discuss the most common structures used:

	Limited Liability Company (LTD)	General Partnership	Limited Liability Partnership (LLP)	Sole Proprietorship
Cost of Formation	Name reservation Kshs. 150 Registration Kshs. 10,000	Name reservation Kshs. 150, Registration Kshs. 1,000	Name reservation Kshs. 150, Registration Kshs. 25,000	Name Reservation Kshs. 150, Registration Kshs. 1,000
Timeline	Name search:1 day Registration: 1-2weeks done on e-citizen	Name search:1 day Registration: 1-2weeks done on e-citizen	Name search:1 day Registration: 1-2weeks done on e-citizen	Name search:1 day Registration: 5 days done on e-citizen
Documents required for registration	Company Registration Form; Form CR 2-model memorandum for a company limited by shares or (Form CR3) model memorandum for a company limited by guarantee of (Form CR4) for a company whose liability is unlimited; Statement of nominal share capital form; Notification of directors' residential address (CR8); Form CR 6 - Notice of Appointment of Directors Articles of Association (if those in regulations are not adopted); and Passport photos, IDs and KRA pins of directors	Filing a statement of particulars with the Registrar (BN2 form); Passport photos, copy of IDs and KRA pin of the Partners/Manager as the case may be Issuing certificate of registration; and Drafting of partnership deed (if necessary)	Filing a statement of particulars with the Registrar (LLP1 form); Passport photos, copy of IDs and KRA pin of the Partners and Manager; Issuing certificate of registration; and Drafting of partnership agreement (if necessary)	Filing a statement of particulars with the Registrar; Passport photo, copy of ID and KRA PIN of Proprietor; Issuance of certificate
Liability	Liability to pay the companies' debts is limited to the amount unpaid on shares (for a company limited by shares) or the amount guaranteed (for a company limited by guarantee)	The partners are liable to pay the partnership's debts	Liabilities are payable out of the property of the limited liability partnership.	Sole proprietors are personally liable for the entity's liabilities
Taxation	30% Corporate tax Carry forward losses capped at 10 years	No corporate tax on entity. Tax passed to partners based on profits distribution using the income tax bands	No corporate tax on entity. Tax passed to partners based on profits distribution using the income tax bands	Taxed using the PAYE tax bands on the owner of business from profits

	Limited Liability Company (LTD)	General Partnership	Limited Liability Partnership (LLP)	Sole Proprietorship
Taxation	Withholding tax (WHT) on specific transaction such as: Dividends (5%), Interest (15%), Contractual Fee (3%)	WHT on specific transaction such as: Dividends (5%), Interest (15%), Contractual Fee (3%)	WHT on specific transaction such as: Dividends (5%), Interest (15%), Contractual Fee (3%)	WHT on specific transaction such as: Dividends (5%), Interest (15%), Contractual Fee (3%)
	Value Added Tax (VAT) charged on supply on taxable good/service (registration if supplies>Kshs5mn p.a.)	VAT charged on supply on taxable good/service	VAT charged on supply on taxable good/service	VAT charged on supply on taxable good/service
Control	Subject to the board of directors and shareholder meetings	Dependent on the Partnership Deed	Dependent on the Partnership Agreement	Sole decision maker
Perpetual Succession	Continuation of the company despite death of a director or shareholder	Wound up if number of partners fall below two partners	Continuation of the LLP despite death of a partner	No continuation of the business
Complexity	Strict filing oblations as per the Companies Act eg filing of annual returns, and financials	No filing obligations	Required to file annual declaration of solvency	No filing obligations
Number of members	For a private company, not more than 50 shareholders. For a public company, shareholders are unlimited	Not more than 20 partners	Unlimited number of partners	Only one proprietor
Trading in the securities Exchange	Yes, subject to meeting the minimum requirements under the listing rules	No	No	No

Conclusion

Deciding on the proper legal structure to be used for any business can be quite daunting, especially for new entrepreneurs. However, making the right choice at the start will ensure that complications are avoided further down the line. It is advisable to consult a a lawyer to not only advise on the appropriate structure for the business but also to draft the relevant documentation. However, even after you settle on a business structure, remember that the circumstances that make one structure favorable are always subject to change in legislation passed by Parliament. It is therefore prudent to reassess the structure every now and then to make sure you are using the best structure for your business.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Gender Diversification in the Construction Industry

Linda Nyaseda
QA/ QC Assistant

Pioneer-thinking, ethical businesses with strong core values are already striving to achieve gender diversity and inclusivity. This is because even as we move to actualization of one of Kenya's vision 2030 goals on gender diversity, businesses recognize that it is the right thing to do and understand the value it brings on board. Gender diversity is about striving to grant equity to both genders. For this to happen, there is a strong need to create a working environment and a culture that allows female talent to thrive.

Cytonn Photography

Our very own Linda S. Nyaseda, Quality assurance and control assistant on site at Taraji heights in Ruaka

It is notable to say that women have made immense strides in the workplace over the last few decades when it comes to career progression and the fight for equality in pay. Lying subtly below all this progression in the workplace for women, is the stereotypical assignment of gender roles and unconscious biases that no one wants to talk about. While most industries have had a gradual increase in the number of women employees, getting women into construction has been considerably difficult. According to a construction capacity survey held by NCA in 2014, it was found that women were underrepresented in the construction industry occupying only 19% with only 7% of them owning construction contracting firms. Another article published by the standard in 2012 pointed out that according to a survey carried out by BORAQS in 2012, women professionals in the industry accounted for only 6% of the construction industry professionals.

To get it right in the construction industry, one of the things that needs to be tackled is the unconscious bias and sexism. Women who want to venture or have ventured into construction have either been deterred or discouraged by sexism. It is notable that men are accorded more respect and do not need validation when it comes to this industry.

In order to therefore challenge the existing sexist ideologies, it has to be dealt with in the same way that we would challenge behavior which was patently unsafe or dangerous. Higher positions such as construction managers and construction site inspectors allow women to utilize their communications and management skills. While there is growing recognition of the importance of gender diversity within academia, professional bodies and to some extent professional service organizations, it is imperative that this is also driven down throughout the supply chain so that the impact and benefits are felt at site level. While this topic is gaining more coverage, it is imperative to note that merely talking about it will not solve any issues. Proactivity and innovative action with regard to gender diversity will greatly shape the industry significantly.

According to an article published by daily nation in September 2017, it was pointed out that part of our society has developed ideas of who belongs to a construction site. Even with experience gathered, some women are still viewed as outsiders, having their industry qualifications and experience questioned. Others have reported cases of insubordination, sabotage or discrimination just because of their gender.

In order to change the idea of who belongs to a site, there has to be provision of equal access of opportunities in the industry. One such project that has continued to empower women in the industry by providing equal access for opportunities is the Greenspan estate in Eastlands, this is according to an article published by the standard in December 2010.

Despite the challenges however, it is encouraging to see more and more women getting into the industry with active field jobs. Construction is a great industry to be in and it allows a woman to engage in more active roles and challenge their physical and intellectual skills on a daily basis.

To further get it right in the construction industry and promote gender diversity it is important to encourage and train more women, encouraging them to take positions that they are qualified for. Women empowerment in the industry can also be fostered by encouraging them to join professional bodies like the Association of Kenyan Women in Construction. Such a body provides a platform to motivate more and more women to get into the construction business.

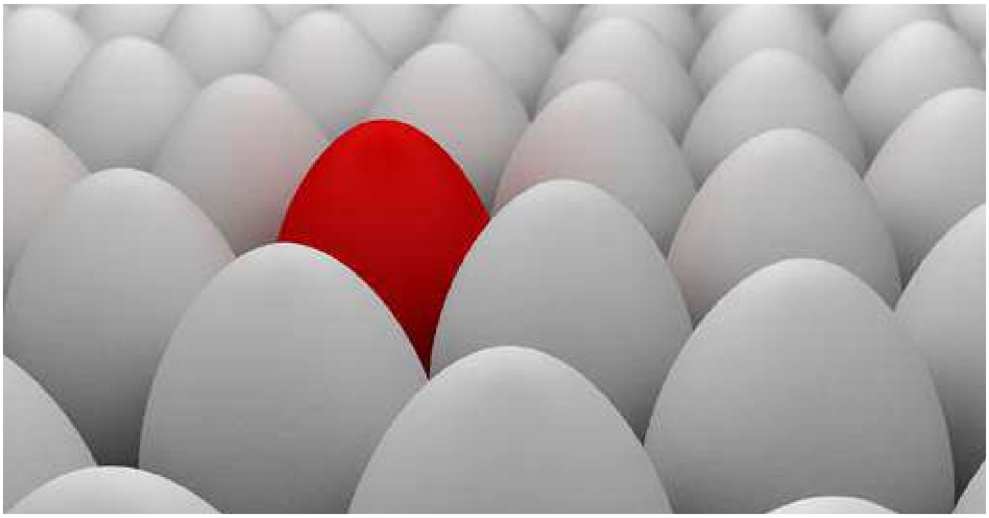
> To get it right in the construction industry, one of the things that needs to be tackled is the unconscious bias and sexism.

Real estate cannot be lost or stolen, nor can it be carried away. Purchased with common sense, paid for in full, and managed with reasonable care, it is about the safest investment in the world.

-- Franklin D. Roosevelt, 32nd U.S. president

How to Brand Effectively in Contemporary Times

Mike Okindah
Trainer - Cytonn eHub Season 2



According to Anne M. Mulcahy, a company's most valued asset is its employees. They provide a company with a competitive edge in defining its organizational culture. This ultimately defines the company's brand. In essence, therefore, the brand forms a company's core. Any business serious about creating sustained market dominance should invest heavily in defining its brand and increasing awareness among its target audience.

Take for instance Apple, one of the world's most valued brands. The business has invested heavily to create products that resonate with convenience and simplicity. The euphoria that follows the release of their gadgets enables them to capture the moment and hence, evokes prestige amongst consumers. This explains why Apple product users openly flaunt the bitten apple, the company's trademark for all to see! Through heavy investment in research and analysing client feedback, Apple has been able to capture the imagination of its potential and existing users.

How then can a company brand its elements so as to have sustained brand experience amongst users? The most essential thing to have in mind is to understand the times – we are in the information age; the digital age. It is characterised by heavy influence of digital media on human behaviour and connections. But then, as times change, as they surely do, how best can one keep up with the dynamics?

There are some fundamental realities that an enterprise needs to take into consideration as it undertakes implementation of a branding strategy.

First, they need to appreciate that consumers are endowed with information. Clients and potential clients continually research and try to get information about companies and their associated entities. They are always in search of perspectives, assessments and opinions on products before and after the purchase process. Characteristic of the contemporary times, social connections have become the focal point of decision making. The bulk of these fact-finding processes and information sourcing occur on digital platforms. This requires brands to forge a way of converging with consumer interests on these platforms rather than seeking them out. Enhanced interactivity and engagement between a brand and its audience on social media is just a must in this age!

Secondly, it must be acknowledged that the traditional channels of corporate authority have lost a considerable level of confidence in the eyes of the public. This is the reason why the public believes what a blogger posts morethan the official account from a company. It is worth notingthat employees have become more trustworthy than their seniors as information sources. To compound this, these peripheral voices of opinion have the potential to reach a wider audience than the traditional structured channels of company communication. For this reason, it would be indispensable for companies to leverage their employees and these fora to disseminate information about their brands.

It is interesting to note that business firms are losing grasp on monopoly of information. Through widespread information sharing on digital platforms, the public can get wind of facts about a product or a company without the involvement of the official communication structure of a company. And this is where Public Relations comes in, to attempt to correct any defective image whenever destructive information leaks. Third party sources e.g. websites, social media channels, and other channels that exist outside of the structured communication channels must be considered when crafting a brand strategy in this age. This is the main reason why pundits argue that a company that lacks a social media presence commits suicide.

Above all, the most basic fact that a company should consider is that human needs, as much as they are varied, remain the same over time. Necessities, desires and their stimulation have stayed constant for time immemorial. For instance, the good taste and appeal of water will always make one who has not taken any for some time thirsty. What changes is human mannerisms. A firm would therefore need to study demographic changes to keep abreast with the dynamics of the society. If they fail to adjust accordingly, they become less marketable. Consider Kodak, the once hailed camera manufacturer. In 1975, it invented the digital camera. Instead of marketing the new invention, it held back in fear of disrupting its market. Sony and Canon saw the opportunity,went full throttle and took the market by storm. It is said that dinosaurs did not become extinct because they were weak but died due to their inability to adapt to to ecological changes. What are you doing as a brand to keep abreast with dynamics in the market?

The digital age, too, has enhanced transparency as far as sharing information is concerned. A visit to any digital platform will reveal plenty of reviews for companies and products. Any individual can review a product and broadcast the information to millions who have access to their platform. This therefore forces companies to be transparent as the only way to survive.

How then can a company brand effectively in these dynamic times? Several means exist but these depend on the target audience and the available resources. However, it is imperative to note that there are specific essential concerns a firm must address to ensure prosper and effective communication of a brand identity and experience.

The basic requirement is the brand should have a story. I usually refer to it as the "why" of the firm. What is the motivation behind your product development, for example? For Apple, it is simplicity and convenience. Because of this, clients buy their products to be seen. Apple therefore sells prestige by availing convenience and simplicity! Your story has to be consistent, easy to relate to and provide a sense of direction. Through this, you ensure you have firm control of your brand or some other business will, like Kodak's case!

Another way to build your brand effectively is utilising your employees. It has been observed that the public has waning confidence in formal company communication structures but tend to believe third party sources. As a brand keen on building your brand, leverage on your employees. For example, it pays to portray the unique abilities of your employees on public media as a way of showing confidence in the talent you have in delivery of value to consumers. Give motivation to employees to think and act as experts to make the brand values come alive in their interaction with stakeholders. Employees are better brand advocates since they have a wider scope of effect.

Another worthy factor to consider is to resolve to build your brand on ideas worth sharing. For instance, what values does your brand stand for? Do your brand elements (identity, experience, etc.) only serve as channels of product promotion or do they stand for something? A brand that is built on values can utilise these as the foundation of spreading influence amongst its target audience. It carries the possibility of creating a culture upon which branding content is created and built for a sustained market presence. Coca cola has used this tactic to last through generations with their emotive brand. This explains why, whenever one sees the Coke logo, they instantly feel thirsty. The brand is also associated with family times during Christmas celebrations (Coke Caravan idea). It therefore is synonymous with family values.

Furthermore, one should always think of the ultimate customer experience beforehand. Channels should be integrated their product delivery. Before the digital age, the sales pipeline was heavily used to facilitate the purchase process. It was wearisome and lacked the human touch. In the digital age, tangible aspects of a brand are integrated with digital channels to impact the target audience. Therefore, before a purchase is made, the client would involve themselves with fact finding about the product or company. After purchase, the buyer experiences that brand. This interaction would determine if the buyer would place a positive word of mouth through their associations or not. It also influences repeat purchases. Hence, a firm should create a mechanism of integrating physical aspects of branding (product, visuals, etc.) with leveraging their digital aspects for an effective branding strategy (social media influence, reviews, etc.).

"The basic requirement is the brand should have a story. I usually refer to it as the "why" of the firm."

Lastly, most businesses anchor their brand experience on technology. Have you ever noticed that many banks have ticketing systems yet clients still complain about long queues? This is an indication of over reliance on systems. It would be imperative for firms to marry systems with the brand story to have an influential brand experience. Having a strong technological system without a story results into a mechanical, out of touch, shell of a brand. It evokes no feeling. In as much as technology is a must have, it should serve as a brand enabler of the main brand infrastructure – the brand story. To have a firm brand experience, technology should complement the brand story.

Building a brand in this day and age would require effort, diligence and heavy investment of time and financial resources. All dominant brands have their ear on the ground to monitor any changes and shift their strategy accordingly. With digitisation of the world, the dynamics are even more fluid than ever before and hence the need for brands to be versatile in keeping with these changes.

Otherwise, like the dinosaurs of old, they risk extinction and having their places taken over by more adaptive and flexible companies! If you do not take care of your brand, some other entity will surely come and take it over.

How FinTech is Shaping Asset and Wealth Management

Dennis Muriuki Maina
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Technology has been a major player and game changer in most industries in the past decade, disrupting business models and overhauling entire industries. The financial services sector has had its fair share of this upheaval. Banks were first to experience it, with the emergence of fintech (financial technology) startups that changed how consumers access key facilities such as loans, and consequently forcing banks to rethink their strategies to keep up with the competition. Asset and wealth management, a sector under financial services, is yet to experience evolution caused by new technologies. However, there are early signs that the sector is posed to go through major reorganization caused by fintech. Advancements in artificial intelligence, machine learning and block chain technologies will bring this change to the sector.

Data analytics and risk management forms an important part of portfolio management, and successful investment managers have to master it. This skill makes investment managers and financial advisors valuable assets in the investments industry. Advancement in technology, however, is challenging this norm and redefining this business model. Robo Advisors", computer programs running sophisticated algorithms, are replacing human interactions in giving investment advice and product selection in asset management. These automated advisors are a product of artificial intelligence, and they not only run analytics to evaluate investment options but also choose and recommend products based on the clients' risk appetite. While some remain skeptical of entrusting a machine to manage their wealth, it is happening in the world today. In fact, NMRQL Research, based in South Africa, has pioneered a machine-learning Unit for the country's market. The company prides itself in developing adaptive machine learning algorithms that continuously learn how to exploit market patterns.

Robo Advisors will be the next new thing in the industry. So what? An important aspect to internalize about these automated advisors is their ability to learn. Recent breakthroughs in machine learning have seen machines make better decisions than human experts, demonstrating that Robo Advisors can compete against the best. Algorithms that are run by the programs try out different patterns of reaching an end goal and continuously eliminate those with high error rates, ensuring that the path with the fewest errors is chosen. This clearly indicates that the Robo Advisors are scalable and well suited to the dynamic investment market. Implementation of this technology will result in less human intervention in investment analysis, consequently shifting the focus of human financial advisors from product selection towards client engagement, emotional intelligence and decision support.

Another technology to watch is block chain. It spans across almost all industries and asset and wealth management is one of them. While cryptocurrency is what most people associate block chain technology with, it is just one of its applications. The real deal lies in the distributed ledger technology that comes with block chain. Briefly, this technology allows records of a transaction to be stored in many places (commonly known as nodes) at the same time. Each node verifies the data therefore maintaining the integrity of the data. Additionally, there is no centralized data store and no single individual with control over the data. How does this have anything to do with asset management? One of the most labor-intensive activities in asset and wealth management is data management, more so data reconciliation. The reconciliation occurs because investment banks maintain their own independent database and to complete transactions, client data must be reconciled with other stakeholders in the industry.

A shared distributed database provides better integration hence reduces reconciliation costs and overall operating costs for asset and wealth management firms. Increased transparency of the data may also increase data quality while reducing costs associated with other activities such as reporting. Other benefits to be realized with this technology is the ease in auditability. The distributed ledger system has internal processes that provide checks and balances especially in verifying data, significantly reducing compliance costs. This technology provides the industry with an opportunity to reinvent cost structures to optimize profitability.

To wrap it up, these new technologies promise good times ahead for the industry, improving efficiency and tackling the challenge of operation costs haunting it. How fast stakeholders in the industry adopt these technologies and the investment the industry commits to develop them will influence how fast the benefits can be realized. Currently, the concept is ripe and ready for large-scale production and implementation but generally, the industry is still a bit gun-shy about it, only adopting it at an experimental level. As usual, the early bird catches the worm and those who grab the opportunity and hedge on the differentiated technology will stay ahead of competition.

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Opportunities in the Real Estate Sector in 2018

John Keya
Real Estate Research Assistant

Investing in Real Estate has several advantages to investors, key among them being regular and guaranteedincome streams, preservation of initial capital, protection against inflation, high returns and diversification of investment portfolios.

The advantages above have thus led to increased real estate development in Kenya with the value of building approvals increasing with a 4-year CAGR of 31.7% from Kshs. 135.1bn in 2012 to Kshs. 308.4bn in 2016 in Nairobi alone. The sector has, however, faced a number of challenges including:

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Two bedroom Alma interior

over supply in some segments such as the commercial office with the oversupply expected to hit 3.9mn SQFT in 2018 from 3.2mn SQFT in 2017

There is also reduced credit supply as a result of the capping of interest rates that saw private sector credit growth average at 2.4% between January and October, leading to a decline in private sector from a five-year average of 14.4% affecting both development and off take the inadequate supply of investment class land at affordable prices. Land prices have appreciated by a CAGR of 17.4% in the last 6 years.

Despite this, real estate is buoyed by fundamentals such as:

Positive demographic trends such as rapid population growth rates of 2.6% as compared to global rates of 1.2% and urbanization rates that stand at 4.4% p.a compared to the global average of 2.1%. The fundamentals above are expected to sustain demand across all real estate themes as developers strive to satisfy their housing, work, and entertainment needs.

Infrastructural development, is another advantage which opens up regions for real estate development through provision of trunk infrastructure essential for real estate development such as roads and sewer connection.

A better operating environment characterized by the return of political calm and government incentives to cushion the sector such as a 15.0% tax relief for developers delivering at least 100 affordable units p.a that over and above all benefits Kenyans.

The huge housing deficit that stands at approximately 2.0 million units with an effective annual shortfall of 200,000 units.

The real estate sector thus remains vibrant with opportunities for the discerning investor across all the real estate themes that is residential, commercial office, retail, industrial and hospitality as outlined below;

Opportunities in the Residential Sector

Residential real estate can be broadly classified into single dwelling units (maisonettes or bungalows) or multiple dwelling units (apartments). The key drivers of the residential real estate theme in Kenya are:

Sustained demand due to the growing population at 2.6% p.a and urbanization at 4.4% p.a this has resulted in a huge housing deficit of approximately 2.0mn housing units according to the National Housing Corporation (NHC).

Government initiatives such as focus on affordable housing with the initiative being named as one of the governments' big four pillars for 2017- 2022 and a tax cut of 15% for developers constructing more than 100 affordable housing units p.a . Over the last five years, the sector has recorded attractive returns with rental yields of 5.2% and average capital appreciation of 5.1% as of 2017.

The main pockets of value and hence opportunities in the residential sector in 2018 are;

Affordable Housing Units

Market consensus defines affordable housing as houses generally with a price point of less than Kshs 5mn a unit. Kenya has an annual deficit of 2.0mn houses growing at 200,000 units p.a and according to the National Housing Corporation (NHC), this deficit is expected to reach 3.8 mn units in 2019 if unchecked. The government has thus embarked on an ambitious program to construct 1.0mn affordable housing units by 2022 under its Big Four Initiatives. To support this, the government has undertaken various initiatives such as corporate tax relief to the tune of 15.0% to developers who construct at least 100 low cost housing developments annually, the digitization of the lands ministry, the scrapping of NCA as well as NEMA levies and Public-Private Partnerships (PPPs) arrangement, with 35 construction firms already shortlisted. The high demand in addition to the incentives by the government make affordable housing attractive for investment.

Luxury Real Estate

Luxury real estate refers to the highest class of real estate residential units in terms of amenities, location and features and consequently prices, with a minimum price of Kshs 30mn for a 3-bed apartment and Kshs 80mn for a 4-bedroom villa. Luxury real estate in general and apartments in particular are a great investment in 2018 due to the growth of high net worth individuals with the number expected to increase to 16,900 in the next 10 years from 9,400 in 2016 according to the 2017 issue of Knight Frank's Wealth Report, changing tastes as a result of increasing incomes and exposure of the market to global trends and designs, and Kenya as a regional hub with the presence of global firms such as Hewlett Packard and General Electric creating demand for upmarket housing for expatriates. Luxury apartments have high rental yields of on average 8.1% compared to 5.2% for standard apartments and thus present an attractive investment opportunity in real estate this year,

Opportunities in Commercial Office Theme

Commercial office refers to spaces mainly reserved for work or professional purposes. The commercial office sector in Kenya has matured over the last couple of years with rental yields averaging at 9.2% and occupancy rates at 84.6% as at 2017. Despite these attractive returns, the sector is experiencing an oversupply expected to be 3.9 mn SQFT in 2018 and thus an investor ought to carefully research and identify specific pockets of value before investing in the sector. For an investor seeking exposure in the commercial office sector, the main investment opportunities in the sector in 2018 are in:

Serviced offices

Serviced offices refer to fully equipped offices managed by an operator and let out to clients on a need basis. As a concept, it has gained traction due to convenience as the user accesses the office immediately the need arises and only for the time needed, cost-effectiveness in the long run as one acquires the spaces required and can expand or reduce depending on the needs of the business, and flexibility. To investors, serviced offices are attractive due to high yields of 13.4% on average in Nairobi, compared to 9.2% for conventional office spaces,

Grade A office space

Compared to other office spaces, Grade A office spaces are differentiated by their state of the art systems, high-quality finishes, ease of accessibility, 24 hrs access card, perimeter security wall, manned control rooms and closed circuit surveillance (CCTV). There exist an opportunity in Grade A office spaces due to high returns, with an average rental yield of 10.0% as compared to an average market yield of 9.2% and low supply with Grade A office spaces having a market share of 10.0%.

Green buildings

Green buildings are buildings constructed using processes and structures that are environmentally responsible and resource efficient throughout the building's life cycle. They are slowly defining the commercial office market as they are energy efficient, smart, have expected lower costs of maintenance, protect the health of the users, and increase the productivity of users. Therefore, they are in high demand leading to higher rental rates. In Kenya for instance, Vienna Court a Grade A green building in Kilimani has net asking rents of Kshs 124 per SQFT, 10.9% higher than that of Grade A offices in the market which averaged at Kshs 112 per SQFT per month in 2017 and thus offer an attractive investment opportunity.

> "Luxury real estate in general and apartments, in particular, are a great investment in 2018"

Mixed Use Developments (MUD's)

MUD's incorporate more than one real estate theme such as commercial office and retail, or residential and retail or all three in one development. In recent years, we have witnessed the rise of integrated mixed-use developments offering a comprehensive lifestyle such as Garden City and Two River. Such developments offer a live, work, shop and play environment and have hence grown in popularity. Mixed-use developments outperform conventional real estate themes. In Kilimani for instance, MUD's with office and retail have an average rental yield of 11.0% against an average yield of 9.4% for commercial office buildings alone and 10.3% for malls alone.

Opportunities in the Retail Theme

The retail sector had the highest yields compared to the other themes. In 2017, the sector recorded average rental yields of 9.6%, higher than both commercial office and residential, which had average rental yields of 9.2% and 5.2%, respectively. The sector's attractive performance has been boosted by e-commerce as retailers seek to grow and provide convenience to their respective clients, positive demographics, and increased foreign investment with foreign retailers trying cash in on the sector attracted by a stable macro-economic environment. Despite the returns, the sector has experienced some challenges such as an increase in supply with mall space supply growing by 41.6% from 3.9mn SQFT in 2016 to 5.6mn SQFT in 2017, a tough operating environment characterized by reduced credit supply and internal challenges facing retailers on corporate governance, finance and supply chain management especially Uchumi and Nakumatt leading to the closure of some of their outlets. However, the sector witnessed increased penetration by international retailers such as French retailer Carrefour and Botswana based retailer Choppies. In 2018, the main opportunity in the retail sector is in market segments with low supply such as Mombasa that currently has a market share of 10.0% of the total retail space in Kenya we sampled and County Government headquarters that have recorded an increase in population without adequate amenities to cater for the population.

Opportunities in the Industrial Real Estate Theme

Industrial real estate is composed mainly of industrial parks encompassing warehouses, distribution centers, and light industries. The key drivers of the theme are; i) increased demand due to the growth of the construction industry with the number of projects increasing by 65.1% y/y to 303 projects from 184 in 2016 in the East African region according to the Africa Construction Trends Report, 2017 by Deloitte and ii) low supply that leads to high occupancy rates of on average 81.0% in Nairobi, iii). Nairobi as a regional hub that has seen several multinational companies such as Isuzu, Gallagher Power Fence Systems, and Peugeot set up assembly plants in Kenya. Yields for the industrial real estate theme stood at 5.9% in 2017. The most attractive areas for the sector are Baba Dogo, Mlolongo and Athi River that recorded yields of 6.8%, 6.5%, and 6.6% respectively. The opportunity in the sector lies in Satellite Towns with improved infrastructure and available land at relatively low costs such as Ruiru where Tatu City Industrial Park is located and Athi River.

Opportunities in the Hospitality Theme

The hospitality industry refers to the service industry. It comprises the tourism industry, hotels, and serviced apartments. Performance in the sector softened slightly in 2017 with Average Daily Rate (ADR) and occupancy rates declining from USD 137.0 and 53.0% in 2016 to USD 125.5 and 49.0% in 2017, respectively. However, we expect the sector to pick up in 2018 after the end of the protracted electioneering period mainly driven by:
i) Increased marketing efforts, with the treasury allocating Kshs 1.0 bn to support the recovery of the tourism sector in the 2017/18 fiscal year

ii) increased international conferences that will result in higher occupancy rates with conferences such as the Global Youth Talent Summit 2018 and Global Innovation Summit set to be held in Nairobi this year

iii) infrastructural developments that will increase travel to the Coast given the completion of the expansion of the Malindi International Airport

iv) domestic tourism that is expected to increase given government incentives, for instance, the removal of VAT from national park fees

v) completion of the Standard Gauge Railway

It is noted that the number of Kenyan bed nights rose by a CAGR of 5.8% from 2012 -2016. In 2018, the main investment opportunities in the sector are in:

i) Serviced Apartments: A serviced apartment is a fully furnished apartment that is available for both long as well as short-term stays. Serviced apartments provide services and amenities that are comparable to a normal hotel. They have high occupancy rates, averaging at 71.7% in 2017 compared to 52.5% for hotels. The main opportunity for serviced apartments are in nodes with low supply of serviced apartments such as Mombasa Road, Limuru Road, and Upperhill,

ii) 4 Star Hotels: 4-star hotels are the best performing hotel typology recording high occupancy rates that averaged at 56.5% in 2017 as compared to 46.0% and 49.4% for 5 star and 3-star hotels, respectively. This is as they have superior amenities compared to 3-star hotels and are relatively cheaper than 5-star hotel. They are thus popular with the discerning traveler seeking top range amenities but is price conscious.

With a number of themes to diversify in, attractive returns of on average 24.3% over the last five years compared to an average of 13.2% for traditional investments, government incentives such as the 15.0% corporate tax relief for developers delivering at least 100 low cost housing units each year and the scrapping off of NCA and NEMA fees, Real Estate is an attractive asset class that every investor should include in his or her portfolio. Care should, however, be taken and proper research and due diligence conducted to ensure that the products are correctly matched to the market, the right type and structure of financing is adopted and the execution is well done to earn the high returns available by taking advantage of the numerous opportunities available in the real estate theme.

Artificial Intelligence is getting down to business

Millicent Jepkoech
Assistant Software Engineer

Artificial Intelligence (AI) is a cutting-edge technology that has been around for a couple of decades but the appetite for AI products has exponentially increased and taken root over the last two years. Generally, AI is the simulation of human intelligence processes by machines, especially computer systems. The AI revolution is gradually creeping into all sectors with its value additions becoming evident through the delivery of real-world results. It takes a savvy company or investor to take advantage of new technology as early as possible. Some companies are already reaping the benefits of AI investments while many others including big tech companies are yet to see AI revenue related revenue. According to a research report from Tractica, the spending on AI is projected to rise from USD 643.7 million in 2016 to USD 36.8 billion by 2025.

AI is a catalyst for key market players in various industries to stay ahead of the competition. Some AI-based solutions that are deployed currently include:

Predictive Analytics and Diagnostics

AI has caused a chain of evolution in analytics, changing the game as a whole. AI analytics solutions are being introduced in every business domain and its progression is becoming natural and pragmatic. Being able to get reports, drill downs all the way to ad-hoc queries and getting recommendations on what to do is becoming quite exciting with AI. That said, there is a need for solid analytics foundations for any company that thinks it can run ahead with Artificial Intelligence solutions.

Chatbots and Voice Assistants

An inordinate amount of attention to chatbots (computer programs that conduct conversations via auditory or textual methods) may be necessary since it is not a common term, and voice assistance has made it seem like it is a common service with cloud providers and third parties looking to offer this technology. Their capability to handle several tasks such as customer support, office management, bookings, payments, task management, and many others, are expanding every day.

Recognition of Images, Processing and Diagnostics

AI makes it possible to accurately, quickly and easily analyze digital images. The health and financial sectors are examples of industries that have greatly benefited from this. It is also improving the real estate sector as well making the life of online shoppers easier given that the solutions can match humans in some image recognition benchmarks.

Sector-wise Adoption of AI

Although there is an uneven adoption of AI solutions across various sectors, those companies still waiting for AI dust to settle risk lagging behind because AI is a wave sweeping across all sectors. As early adopters such as tech companies, healthcare, banks and financial services are already using AI solutions to expand market share and increase revenue, the adoption is gradually increasing on a broader scale.

So what will be the future of Artificial Intelligence? There are captivating conversations about the future of AI, and some are even tempted to believe that AI can do anything. How the future of AI will pan out to be is very unpredictable because it can either make human life easier or destroy the society and the world at large. While early evidence shows that there is real value delivered with the use of AI, there is a need for adopter firms to combine their proactive firm strategies with a strong background of digital capability and be willing to use AI solutions across their operations and core functions. With numerous significant gains, which are there for taking, it could mean a digital transformation acceleration for many companies.

> “AI is a catalyst for key market players in various industries to stay ahead of the competition.”

Getting your Investments Right this Year

Caleb Mugendi
Investments Analyst

The year 2018 promises to be better compared to 2017, which was partly marred by a slow-down in business activity following the prolonged electioneering period, as well as drought at the beginning of the year. So far, business activity is picking up and optimism is high, but the key question that presents itself is: how do you take advantage of this renewed optimism to make profitable investment decisions?

To fully take advantage of the investment opportunities that are bound to present themselves, arming yourself with the right tools and ammunition will go a long way in getting you ahead of the pack. One such tool is creating an investment plan. Below are five simple pointers that will ensure your plan is on the right track.

1. Determine your investment objectives

When coming up with an investment plan, you must have a main investment objective in mind. Three common ones are safety, income and growth. As a potential investor, you need to rank these in their order of importance to you. For instance, if you require money to sustain you in your retirement years, a constant stream of income may be your top priority. On the other hand, if you are still working and need to grow your investments, riskier investments that offer long-term growth are of the greatest importance. Once you have determined your main investment objective, you can create a plan that will help you achieve your goals.

2. Come up with an investment strategy

An investment strategy is an approach that guides investment decisions based on your individual goals, risk tolerance and future capital needs. Investment strategies can differ greatly; from a rapid growth strategy that focuses on capital appreciation to a safety strategy whose priority is wealth protection. Choosing which strategy to employ is dependent on your individual investment objectives, risk tolerance, and liquidity needs. You may choose to work with an investment advisor for this step, who will help you design an investor policy statement that outlines the strategies the investment manager shall employ in order to achieve your goals.

3. Don't put all your eggs in one basket

Diversify your investments. Investing in different asset categories that are not positively correlated can help protect against significant losses, as no adverse occurrence will negatively affect all your investments to the same extent. In addition, asset allocation helps you to balance risk and reward, thereby enabling you to make enough returns to meet your goals.

4. Let your money work for you

Regular investment every month grows your wealth, so your money is making money for you. To this end, have a diversified portfolio with a mix of growth investments in equities and alternative investments and income investments in fixed income solutions or structured products. Additionally, have a strategy that allows for regular top-ups to your investments. If you want to earn more money, make your money work for you.

5. Pay off your high interest debt

There is no investment strategy that pays off as well as, or with less risk than merely paying off all high interest debt you may have. If you owe money on high interest credit cards, the wisest thing you can do under any market conditions is to pay off the balance in full as quickly as possible. Pay off credit cards and personal loans first to free up additional cash to save and invest.

That being said, adhering to an investment plan is never a walk in the park. It requires sacrifice, discipline and determination, and sometimes, it might help to have someone walk with you - a partner who will guide and show you the way. One who has your best interests at heart and you trust. A partner that will get your investments kicking again in 2018.

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Getting the Right Contractor

Bravin Machuka
QA/QC Assistant

Investing sharp in real estate requires precision and in-depth discernment of the construction industry. Getting it right from the onset is consequently vital to conceiving and executing a fruitful project. For the most part, this comes down to the type of contractor you hire to get the job done. Since you are entrusting the execution of your investment dreams to this individual or entity, the choice you make could be the difference between success or failure. On that note, some criteria that should guide your choice of contractor include:

1. Financial and Technical Bid.

A technical bid an instrument used to assess the technical competency of a contractor's organization to actualize the project. It outlines the qualifications of key personnel within the company. A financial bid contains details of costs that will be incurred during the project. The financial and technical bids provide crucial information on potential contractors. They form the basis for your decision, upon which your success or failure will be determined. During evaluation, consider the bidders who offer you value for your money. Be wary of low bids, which may be the result of stiff competition and could turn out to be a tragedy of time overruns and unending claims. On the other hand, avoid the most expensive bids because they obviously have an impact on the margin of returns. Therefore, the final choice should be a trade-off, guided by the investor's budget and the technical capability and track record of the contractor.

2. NCA Registration and Company Finances.

A discreet investor ought to always verify the validity of the contractor's National Construction Authority (NCA) registration as well as the company's financial performance trends. The NCA is the body that accredits and oversees construction in Kenya and thus establishes contractors' legitimacy. Company finances on the other hand are indicative of the financial health of a company, a factor that can help predict the possibility of abandonment of work or insolvency during the course of the project.

3. Development Portfolio (Track Record).

The contractor's track record is an indicator of the company's technical expertise and ability to handle projects of a certain value threshold, which should be relevant to the kind of project you wish to undertake. The development portfolio is also integral in establishing the quality of the contractor's workmanship. It also highlights other aspects of their operation whose impact on a project is quite significant, such as dispute resolution, dispute involvement and handling, and time of delivery.

4. Quality and Environment, Health, Security and Safety Proposals.

The investor should make a point of assessing the bidders based on their proposals and history of quality, mitigation of environmental pollution, health and safety of the work environment and management of stakeholders. These particular proposals establish a framework for evaluation and demonstrate the contractor's ability to manage project deliverables and safety in the work environment. Furthermore, these proposals must resonate with the provisions of the legal framework i.e. the Building Code, Environmental Management and Coordination Act, and the Occupational Safety and Health Act of 2007.

5. Resources at the Contractor's Disposal.

The kind of resources that the contractors have at their disposal is significant in the execution of the project. However, the resources have to be relevant to the type of project. For instance, a project inclined towards civil works would consume different resources from one that specializes in building works. Hence, any investor should be cautious when assessing bids to ensuring that the resources required are available to the prospective contractor.

In conclusion, choosing a contractor is an action that could either make or break an investor's dreams. You therefore have to get it right. Having an experienced project manager on board, backed by an array of consultants should increase your chances of getting the right contractor. Nevertheless, it is vital that you, the investor, know what to look out for because at the end of the day, it is your investment on the line.

The 5Rs of Supply Chain Management

Faith Nyapara
Procurement Analyst

Demand and supply are the key drivers in any supply chain. This is because supply chain involves three major players; consumer who drives the demand, the manufacturer who drives the supply and supply chain players among them wholesalers, the retailers, the importers, the shippers among others. There is a misconception that the only role of procurement is to save cost. However, there are other key deliverables for a procurement professional; among them is to ensure best quality products are bought, ensure goods are supplied on time and finally ensure the best value for money.

Today's procurement professional needs to think smart and act strategically requiring them to look beyond the procurement process and use predictive analysis to better anticipate a company's purchasing needs. So, how do procurement teams achieve this level of success? We focus on one of the tried and tested supply chain strategies - the 5 rights of procurement. At all times the procurement person must ensure that the goods are delivered at the **right time, right place, right quantity, right quality** and at the **right price.** This seems a little simplistic but we all know that supply chain is way more complicated than that.

The supply chain management and procurement function needs to add value and that is why it has evolved to be a key strategic function of any organization. Most times, procurement often gets bad press due to costs overruns, selection of wrong suppliers, untimely delivery of goods and not to forget the kickbacks from suppliers if culture not right. So the 5 rights are a neat and simple way of reminding you what procurement should be doing.

Getting the 5Rs right is key for any institution and it entails getting the right people in the right positions and creating the right processes to ensure that the delivery of services and goods is seamless.

The 5R's can be seen in both direct and indirect procurement. Every procurement professional would agree that most buyers face a balancing act to play between the 5 criteria. For example, right quality might determine the price to be paid (which may not be palatable with budget holders). You may have a supplier that can only provide a certain economic order quantity in order to satisfy another criterion. The trick is to get the 5 criteria working in harmony to satisfy the business.

"If the company can identify early enough its purchase needs, the procurement team has a massive opportunity to control costs."

Ultimately, the 5Rs as supply chain strategies must achieve these two things; cost management and people management. The trick here is simple; planning. If the company can identify early enough its purchase needs, the procurement team has a massive opportunity to control costs. Planned Procurement ensures that there are less budget overruns. Delivery is given ample time, reducing risks of increased costs. People Management is about leading people to make good decisions. It is about onboarding people that are aligned to the company goals and objective; suppliers who value what you sell and produce. Given the expectations of maintaining a culture of high integrity and aiming to provide the best services, onboarding the right people and letting go of the bad ones goes a long way in solving half of your procurement problems.

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Attracting the Top Talent

Victor Ondiwo
Human Resource Assistant

Talent acquisition is increasingly becoming a big concern not only for startup companies but also for the established ones. With the increase in number of college graduates, a single opportunity attracts tens of thousands of applicants. Sifting through a chunk of received applications that come in for a single opportunity becomes a headache for the human resources team and hiring managers. Even more worrying is the fact that given the volume of applicants, it is easy for the qualified minority to slip through the cracks. As a matter of fact, about 82 percent of actively recruiting companies don't believe that the workforce they are hiring is made up of good talent and out of the few companies that actually hire the talented individuals, only 7 percent are confident of talent retention. This said, how then can companies attract the right talent? Several factors play a part finding the right individuals for specific positions:

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Cytonn Young Leaders Programme (CYLP) graduants pose for a photo

1. The job description

No highly talented individual is going to put in an application for a position that has a generic job description. Pay attention when drafting your job description. Put in points that have been well thought out and that will set apart your position in the market from a similar one from other recruiters. Ever wonder why two identical positions in different companies will attract a disproportionate number of applicants? The answer lies in the details provided in the job description; this is the first bait to a candidate ceteris paribus.

2. The talent acquisition system and strategy

Previously, it was standard practice for candidates to apply through an email address. However, recruitment methods have become more sophisticated, and companies that want to attract the best workforce have integrated them into their talent acquisition systems. Currently, such systems are interactive and they engage candidates' intelligence and creativity in processes that are well organized and easy to use. Most candidates expect a simple, error free framework that incorporates the human touch. They may also have other considerations. How long does it take to fill in personal and professional details? How long to upload a resume? How many errors will be encountered in the process? The strategy used to drive traffic to the talent acquisition system will also determine the quality of applications received.

3. The effectiveness of prescreening methods

When a position is created or becomes vacant, the company already knows the qualities it needs the ideal recruit to have. These include academic qualifications and certifications, professional experience, skills, and personal attributes. Since large applicant volumes and current methods limit direct interaction with applicants, you need to ensure that your acquisition framework collects useful information. Ask only relevant questions during the prescreening process in order to get an accurate depiction of the applicant. Involve artificial intelligence in the initial stages to whittle down the number that will proceed to direct human interaction. This increases the chances of hiring the desired type of employee.

4. The recruitment niche

Where you source for your workforce plays an important role in the kind of talent you will acquire at the end of the process. First, begin by understanding your area of operation and objectives and then outline the kind of human capital you will require to achieve this. Having done this, you need to create for yourself a recruitment niche, through which you will acquire all your new employees. This may require a lot of testing of the various available markets until you are able to settle on what works best for you. Is it hiring straight from college or finding experienced hires? Is it from the local market or will you hire expatriates, or is it a mixture of both? Note that this might consume your energy and resources but once you get it right, everything else will fall in to place.

5. How you treat your current workforce

Nothing beats referrals from your current employees or individuals in close interaction with your company. This does not necessarily mean paying your current workforce very high salaries; it simply involves doing whatever is in your power to make the employees' lives better, providing recognition and appreciation, customizing packages depending on the workforce diversity, and incorporating flexibility as much as there is space for it.

The kind of productivity an organization can get out of a highly talented workforce is estimated to be 8 times more than from an average workforce. This number doubles as the complexity of tasks performed increases. For an organization to gain a competitive advantage, it has to design, acquire and retain the right people.

Project Management: Meeting Construction Timelines

Victoria Wanyanga
Project Management Assistant

Inside the maze that is the construction world, there are a thousand micro-activities that contribute towards the actual work one sees on site. And just as there are 'a thousand activities', there are 'a thousand schedules' and 'a thousand deadlines' all to bring a project to fruition. But how can we ensure that these 'a thousand activities' are not a waste of time and effort?

Anyone who has interacted with the construction world is very familiar with construction schedule setbacks, which could become very expensive. The contractor or developer promises to deliver a functional project within a given timeline but if they fail, the owner could lose tenants or buyers, financing opportunities or face increased interest on construction loans. Similarly, contractors would grapple with increased overhead costs and be limited in engaging in other projects. With this in mind, how can we ensure that projects remain within the stipulated timelines?

To start with, there's a need for well defined pre-development phase activities. Pre-development is usually the phase where a project is still a concept and has yet to go live on site. Have a game plan ready during this period; don't just jump into construction blindly. Typical activities within this phase involve obtaining various approvals, conducting the required surveys as well as firming up on the design. At this stage, it is common practice to get bills of quantities, drawings, as well as prepare for tenders. For a successful project, it is important to freeze the design as much as possible to avoid any unnecessary alterations during the construction period. The general direction of the project is necessary at this point.

Some key documents that one would need to obtain prior to commencement of construction include NCC approvals for architectural and structural drawings, a NEMA license assisted by an Environmental Impact Assessment report and WRMA approval from the Water Resources Management Authority, which controls all underground water. One would also be required to have the full set of construction drawings from the necessary consultants as well as indicative cost estimates. If these are all obtained before construction a lot of time is saved, not to mention that they are all mandatory requirements for construction to commence.

Additionally, set realistic timelines. Many times, the need to please or win a tender will make some contractors short-change the client and state timelines that do not match the type of development undertaken or are impossible to meet. Any contractor who promises unrealistic timelines will cost the project not only resources but also reputation. Pick the contractors who give the most realistic timelines; they are most likely the ones with the most experience or at the very least, the most honest.

Be sure that the contractor provides a detailed program of works that you as the client can critique based on practicality and easily track as the construction continues. This program will assist in identifying any red flags in the course of the project or indicate when the main contractor is not within the program.

Moreover, ensure there is timely procurement of client-supplied items. A rising trend in the construction industry is clients preferring to supply their own finishes such as tiles, light fittings and sanitary fittings, among others. This has been brought on by the trend of poor quality finishes exhibited for contractor-supplied items as well as the need to manage the costs of the project. From industry experience, high savings can be achieved by the client choosing to supply their own finishes as well as having control of the quality of finishes.

If you choose to go the client-supplied way, then it is imperative that you set up a procurement schedule outlining the project's procurement needs and when they will be required on site. Be sure to consult on the production period and the delivery time to determine the optimal lead time such that when the contractor requires sanitary fittings, they are on site. As the client, at no time should there be any delays attributable to you.

Adequate funding is also important. The construction industry is a funds guzzler, even as

the returns prove to be well worth it. In this case, before the actual construction begins, clearly define the sources of funding and when they will be required as per agreements with the contractor and consultants. The Bill of Quantities usually helps to provide a rough estimate of the construction costs. It is upon the quantity surveyor to get estimates that are as close to actual ones as possible. Once the funding is available, then the construction process can take place smoothly. The contractor is responsible for availing cashflow projections at the time of appointment that will assist in forecasting future cash requirements. The client should however ensure that they have adequate funding sources during the predevelopment stage. Predevelopment is the avenue for carrying out fundraising ventures and engaging various banks for support, if needed.

On-site coordination needs to be considered as well. Once the site is handed over to the main contractor, the site belongs to him or her. Therefore, any subcontractors; whether domestic or nominated; are under the main contractor. It is very important for there to be coordination among all the team players on site.

In conclusion, the key to successful project management is adequate planning and risk mapping. Every project requires a risk plan and risk log to advice on any risks that may occur during the project life as well as measures to mitigate the same.

CYLP

About Cytonn Young Leaders Programme

Cytonn Young Leaders Programme (CYLP) is an intensive, competitive 12-week training programme that exposes fresh university graduates to the office environment and culture. It exposes participants to challenging and fulfilling career options, with an emphasis on leadership and problem solving. The programme commenced in January 2015, with an inaugural class of 6 investment interns. So far, CYLP has trained over 485 fresh graduates, with Cytonn absorbing 31% of the said graduates, while others have joined reputable organizations. We have collaborated with various universities and we always take the opportunity to mentor university students on career growth and leadership.

Nancy Murule
Research Analyst

Tell us what job position you hold and what it entails on a day to day basis.

I am a research and deal origination analyst. I am a service provider to Cytonn Real Estate and thus on a day to day basis I conduct real estate research to identify markets with good returns that we can venture into and develop. Once I have identified the markets, I look for land on which to develop the concepts identified from the research and engage with the landowners to either purchase or get into joint venture agreements. The data collected from the research is not for internal purposes only as we also package it into research reports and share with the public and thus I also work on real estate research reports.

What did CYLP present for you?

An opportunity to learn, grow, meet new people most of them young, smart and astute who have grown from just colleagues to lifelong friends and a chance to join one of the most dynamic and fast growing companies in Sub Saharan Africa.

Highlight of CYLP?

The steep learning curve. You join the company fresh from campus very green and naive and hit the ground running from the first day. By the end of the program you are a professional capable of “running” with whichever task allocated to you and delivering quality work. My biggest takeouts were delivering quality work with a sense of urgency and taking personal responsibility for it. These have shaped my professional life so far and I believe will continue to do so in the future.

*- **Nancy Murule,** Research Analyst*

Highlight of CYLP?

My highlight of CYLP was learning the art of the game by interacting with awesome brilliant minds who were willing to share their experience and assistance in handling my daily deliverables.

*- **Jamlick N. Kiria,** Business Development and Administration Assistant*

Tell us what job position you hold and what it entails on a day to day basis.

Currently, I am a Business Development and Administration Assistant. I am responsible for the administrative tasks in the corporate department. On a day to day basis, this entails managing internal and external communications for the department, scheduling and coordinating meetings, managing information regarding external stakeholders and ensuring periodic updates and closure of tasks assigned to the members in the department.

What did CYLP present for you?

CYLP exposed me to the real work environment which enabled me to enhance my skills in time management, administration as well as working in a strong team context. The programme also offered an interactive avenue where I handled challenging tasks and meeting tight deadlines, which eventually challenged my capabilities and opened me to a whole new world of opportunities.

Jamlick N. Kiria
Business Development and Administration Assistant

Judy Muthoni
QA/QC Analyst

Tell us what job position you hold and what it entails on a day to day basis.

I am a Quality Control and Assurance Analyst. A typical day for me involves conducting visits to our ongoing construction sites where I perform quality, health and safety audits to ensure that the project delivery is in accordance with the specifications, and in a safe and conducive environment. I also perform cost and schedule audits to ensure the project is delivered within the budget, and agreed upon timelines.

What did CYLP present for you?

A learning opportunity. I got to learn more on job training than I probably did in my 5 years of undergraduate training and got to acquire more skills than just academic and at the end of the program I knew I could work in more fields than just real estate. The most interesting training was on the fundamentals of investments, which before then were rocket science.

Highlight of CYLP?

Presentations, unlearning and relearning. You join the programme thinking you know, only to find out there is a lot you. So I had to relearn a lot what I came with from school and the few internships I had taken up before joining Cytonn.

*- **Judy Muthoni,** QA/QC Analyst*

The Right Real Estate Marketing Collateral

Victor O. Ooko
Digital Marketing Assistant

Real estate is a lucrative industry whose returns are always worth writing home about. Despite the volatility and unpredictability involved, real estate remains a key industry and realtors continue to smile all the way to the bank! The secret to success in real estate is measured by an investor's ability to exit the development, and this lies in how one conducts their marketing. This is because the products are visual and should therefore be packaged to appeal to the senses of the target market. From knowing who your target audience is to understanding your industry of operation, there are factors that must be fulfilled so that real estate marketing is effective.

In order to achieve this, it is essential to ask oneself whether the marketing collateral chosen for the business is really a match for one's offering. The market may be "bubbling" with softwares and templates, but a business should adapt means that match its offerings. Nothing screams louder than a collateral designed for office space being used for industry offerings!

Brand representation sits at the heart of all marketing efforts. While considering a certain collateral, its ability to properly represent and deliver home what your brand is and stands for is paramount. Asking oneself, "Is my brand properly represented here?" determines the success of a collateral.

The real estate industry is ever changing thus creating the need to stay ahead of the competition. Here, quality is key. A business should go beyond merely using graphic designs since a good number of their competitors do that. Using high quality pictures and graphics, and most importantly laying these out neatly ensures the brand stands out from others.

Having ensured the process is correct, we get to the copy itself. This is the point where the rubber meets the road. A design may have beautiful and appealing colors and shapes but for it to go past being admired to hooking a potential lead, the copy should be clearly written, original and well-worded. A target customer needs to feel a touch of professionalism while interacting with the brochures and flyers of a certain brand for them to eventually make a purchase decision.

With all said and done, having a team with the right skill set is fundamental. It pays to ensure a business has a team with standard knowledge of industry software and understands commercial real estate inside and out. A business may consider hiring a professional organization that sufficiently understands the market and is able to deliver with minimal direction.

A realtor should keep in mind that the goal of every marketing effort is to convince the customers that they can meet their unique requirements. If you look right, you manage to convince the customers that you have what it takes to satisfy their unique needs and ultimately, they stay loyal to your brand.

Key Areas of Assurance for an Investment Partner

Loise Kariuki
Audit Assistant

Investments is a risky venture. The risk is even higher when intangible assets are involved. Such is the case with investment partnerships. An investment partnership is a business arrangement where approximately 90% of the assets owned are in form of intangible assets such as stocks, bonds or alternative investments. An investment partner, popularly known as an investor, therefore requires a great level of assurance with regard to their investments. There are three key areas of assurance that a partner needs: corporate governance, risk assessment and corporate culture.

Corporate Governance

Investors are keen on the corporate governance measures of the company they have invested in due to the intangibility of their investments. They need more insight into the risks associated with their investments. Although auditors use a risk based approach in doing their audits, this information is not made available to the investors. To add more insight, there needs to be enhanced communication between auditors, the company and investors. Auditors need to play a more active role in the annual general meetings to help answer any questions that investors may have. The mandate of auditors, therefore, needs to be expanded.

Risk Assessment

The risks inherent to a private equity firm can go beyond unpredictable business cycles. A minor disruptive force can wash everything away in a split second. For this reason, an investor needs assurance that the company has adequate measures put in place to deal with the various risks including:

1. Technological risks

The investor needs to know that the company's technological practices are changing with the current trends as this helps promote the firm's growth.

2. Crisis management risks

When the corporation faces a crisis, the ability to respond quickly is paramount for preserving reputation and ensuring continued success. Investors need an assurance that the crisis management committee has put in place measures that allow timely response to crises.

> To add more insights, there needs to be enhanced communication between the auditors, the company and the investors.

3. Compliance risks

Private equity firms are subject to regulation and oversight, to which they must closely adhere. Failure to do that may cost a business its reputation as well as clients. Investors therefore need assurance that the company is compliant to the set standards and procedures.

Corporate Culture

Investors need assurance that the management's focus is not only on short term goals, but also medium term and long term ones. They also need to know that the internal performance of the firm is aligned to what the company portrays on the outside. The challenge therefore goes to the internal auditors to come up with ways of evaluating the company's culture. It may look simple but it is actually a daunting task, which the investors view as instrumental.

THE RIDGE
LUXURIOUS LIFESTYLE

Cytonn
REAL ESTATE

Pictorials 2018 Q1

1. Professor Daniel Mugendi (left) the Board Chairperson - Cytonn Investments Management Plc and Patricia Wanjama, Company Secretary, Cytonn Investments take a tour of Friends Secondary School during the handover of newly built classes at the school by Cytonn Real Estate.

2. Edwin H. Dande, the C.E.O and Managing Partner, Cytonn Investments, gives his remarks to the company staff during the company end year retreat held in Elementaita Country Lodge in Nakuru.

3. The team from Cytonn Investments takes part in some warm up exercises during the end year company retreat held at Elementaita Country Lodge in Nakuru.

4. Elizabeth N. Nkukuu, Chief Investments Officer, awards the top performing Financial Advisor, Edith Kerubo (left) with a dummy for a trip to Dubai during the Quarter Four Financial Advisors' awards held at The Chancery.

5. (R-L) Anne Thiong'o and Lucia Muhandick, Unit Managers at Cytonn Investments receive the award for Best Alternative Investments Manager 2017 from the chief guest at International Finance Magazine Awards in Dubai.

6. A section of the guests following speeches during the Quarter Four Financial Advisors Awards Ceremony held at The Chancery.

7. George Ngingo, Independent Financial Advisors coordinator giving his remarks during the Quarter Four Financial Advisors awards held at The Chancery.

8. Edwin H. Dande, (Left) Managing Partner and C.E.O Cytonn Investments Awards Martin Muthengi for being the top producing FA trainee during the Financial Advisors Quarter Four Awards held at The Chancery.

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9. Lyn Nduta, Human Resource Assistant, Cytonn Investments, holds a child during the CSR visit to Christ Chapel Home in Huruma by a section of Cytonn Investments employees.

10. Anne Joseph, Human Resource Associate, Cytonn Investments, hands over the food items donated to Christ Chapel Home in Huruma by Cytonn Investments as part of the Company's CSR.

11. (L-R) Karen Kamau and Vanessa Orinda, Cytonn Investments employees have fun with the children at Christ Chapel home as part of the Company's CSR.

12. A group photo of the Children at Christ Chapel home together with some employees of Cytonn Investments during CSR initiative at the Children's home.

13. Mutahi Kahiga, Nyeri Governor signs the visitors book and Edwin H. Dande (Right) looks on during the official opening ceremony of our branch office at Mt. Kenya Region.

14. James Maina, Cytonn Investments Management Plc Board member, giving his remarks at the Mt. Kenya Office opening ceremony by Cytonn investments.

15. A guest tees off during a golf session sponsored by Cytonn Investments Management Plc at Nyeri golf Club in Nyeri County.

16. Elizabeth N. Nkukuu, Chief Investments Officer, has a light moment with Students of Friends Secondary School Dandora in one of the fully furnished classrooms of the newly built block at the school by Cytonn Real Estate.

17. Elizabeth N. Nkukuu, Chief Investments Officer, Cytonn Investments, gives a speech at Friends Secondary School in Dandora during the handover of the newly build classroom block at the School by Cytonn Real Estate.

18. Edwin H. Dande, awards Albert Kilonzo a team member for winning the Staff of the Year Awards during the end year retreat held at Elementaita Country Lodge in Nakuru.

19. A team of Financial Advisors from Cytonn Investments welcome guests at Safari Park Hotel on Thika road during the Client End year appreciation dinner.

20. Safari Cat dancers entertain clients during the Cytonn Investments client end year party held at Safari Park Hotel on Thika road.

INTERVIEW SECTION

Interview Questions for the Partners at **Little Einsteins**

Interviewed by:
Teresiah King'ara - *PR and Communications Assistant*

1. Tell us a little bit about Little Einsteins East Africa?

Little Einsteins East Africa is a STEM Edutainment Company. The company believes that Science Exploration in young children begins with fun, and sets the basis for a lifelong interest and knowledge of Science, Technology, Engineering and Mathematics (STEM) Learning.

2. Why the name Little Einsteins East Africa?

We named the company after an easily recognizable scientist, Albert Einstein. The name Little Einsteins refers to the next generation of scientists and innovators. Einstein was a German-born theoretical physicist. He developed the general theory of relativity, one of the two pillars of modern physics. Little Einsteins East Africa's vision is in line with Einstein's belief that imagination is the key to unlocking new discoveries. **"The true sign of intelligence is not knowledge but imagination." –** ***Albert Einstein***

3. How did the two of you come together?

The two directors of the firm, Sandra Nduati and Mugure Njendu have been friends for over 20 years. We met in Kenya High School and have always been good friends. The progression into running a children-oriented business came after we both became mothers and identified an absence of hands-on STEM learning activities in the East African region. A mutual partnership focused on edutaining young children was born.

4. Tell us a little bit of each of your backgrounds.

Mugure Njendu is the Founding Director of Little Einsteins East Africa and takes a lead in Business Development, Brand Management and Marketing strategy. Her background is in Architecture and Urban Planning, with teaching experience in higher learning institutions. She has a diverse background as an entrepreneur and a leader. She is the founder of various initiatives that give back to the community including the Ex-Bomarian Educational Fund, a scholarship foundation, Action not Reaction, a team that focused on building homes for internally displaced persons in Mai Mahiu, among others.

Sandra Nduati is the Managing Director of Little Einsteins East Africa. She oversees the daily operations, human resources and financial aspects of the company. She has a bachelor's degree in Psychology from the University of Texas at Dallas and a Master of Business Administration degree. She has a diverse background in human resources, manufacturing, business management and operations management. She is also a director at an investment group known as Harbinger International Group.

5. How did the different backgrounds come into play when starting Little Einsteins?

They have worked perfectly! Mugure has a creative, big picture mind and is the risk taker. Sandra is detail oriented, versatile and keeps things running. We balance each other out very well.

6. You were the winners of e-Hub season 2, tell us about that.

That was a pleasant surprise! It was surreal in that we did not expect the turnout for the pitch to be that large, so nerves came into play when we got on the stage. However, we love our product and what we do, and it translated into our pitch. Wambui Murimi, the Little Einsteins Manager, was deeply moved by the win. It was a testament to the hard work she and the rest of the team put into the brand and business.

7. What are the future plans for Little Einsteins East Africa?

We plan to grow from little to teenage-hood! The need for STEM learning regionally is high. We are one of the few institutions that offers hands-on activities for children in Science, Technology, Engineering and Mathematics, and to do so in a fun and easy way for children to grasp concepts and reapply them. We further have a YouTube Channel (https://www.youtube.com/channel/UCUo2N5VL-MapIlLE09_BG7Uw) which has purely regional content focused on the same learning. We are looking forward to expanding our company's reach, in various cities across Kenya and the East African region. We have our premiere annual event coming up: 'The Little Einsteins East Africa Science Fair' themed Mind, Matter and Materials. It is scheduled for March 17th. The fair will feature projects from our young innovators. We expect more than 300 guests to attend the event, both parents and children.

8. What advice would you give to any aspiring entrepreneurs?

There really isn't one-stop advice for entrepreneurs but if we were to advise, it would be knowing your product and market. The market is saturated with cookie cutter products. Know what makes the service or product you are selling unique. Also, resilience is everything. Entrepreneurship takes your life and soul. You are up at night worrying; obstacles will come your way. Take each day and problem at a time.

BUILT TO LAST
BOOK REVIEW

Successful Habits Of Visionary Companies

Reviewed by:
Naum J. Kosgei *(Human Resource Assistant)*

Author
Jim Collins

The book describes the visionary companies. Visionary companies are less likely to start life with great ideas. These companies have an exemplary reputation in the society; they are widely admired by other companies within the industry. The visionary companies export their core values and purpose to all of their operations. They believe that there is no right set of core values but believe that the secret of the endurance of the visionary companies is the ability to manage their continuity and change.

Jim and Jerry further describe the longevity of the companies by likening them to time telling and clock building. The authors explain the importance of building companies with a core value system instead of depending on charismatic leaders, great products and profit concentration. Clock building is described as the ability of the company to run smoothly without relying on a single leader and product cycle. The leaders of visionary companies tend to be clock builders.

The companies should be ready for change and recognize that core ideology alone cannot make a visionary company. Visionary companies believe that core ideology is beyond profit making but guides and inspires people. Core values must be preserved and allow room for a manifestation of ideological change. They should be ready to adapt to change over time with the change in market trends. Core ideology should remain intact even as strategies, competencies and goals change over time. The authors point out that drive for change for visionary companies is internal, where it sets precedence over external forces, for example, profit motives.

Visionary companies have cultures that set out the core ideologies which must be followed by employees. This may be a challenge for some, thus it is the management's responsibility to introduce and encourage proper work culture to all employees.

Visionary companies encourage home-grown leaders. They believe in excellent leadership from individuals who have developed within the organization. Such individuals understand the company's ideologies and they move through the ranks.

The authors also describe how visionary companies can translate core ideology into strategies, practices and goals. Core ideologies are translated by providing realistic and well defined objectives to employees and allow freedom as they work towards achieving the goals.

They further point out vision building and how it is achieved. This is done by rearranging the goals so as to stimulate progress; it encourages companies towards self-improvement. Companies should be ready for change and recognize the core values and ideologies which set precedence beyond external factors.

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Transforming your imagination to reality

We are a real estate development firm that seeks to develop institutional grade real estate having a team with extensive and deep experience in real estate development and finance. We work to deliver quality and aspirational real estate developments that encourage great community living.

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Cytonn REAL ESTATE