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Francis Okomo-Okello, Chairman, TPS Eastern Africa Ltd. (Serena Group)
Interviewed by Henry McGee, Professor, Harvard Business School
February 28, 2014 in Boston, Massachusetts, USA
Video interview conducted in English

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HM: *I am Henry McGee and I'm on the faculty of Harvard Business School. I am hugely honored to welcome one of Africa's most distinguished businessmen to campus, Francis Okello. Welcome, Francis.*

FO: The pleasure is mine.

HM: *There are so many areas, Francis, that we can talk about, but the one that comes to mind first really comes from a headline in today's* Wall Street Journal*, which sadly points out that, as a result of the shopping mall bombings, tourism in Kenya may drop by as much as 20 percent this year. Now, I know in the past you wrestled with the drop in tourism after the violence associated with the 2007–2008 elections. I wonder if you could talk with us as a person who's an expert in the business, how you managed through the crisis of 2007–2008, and what you see happening in the years ahead in Kenya, but take us back to 2007–2008 when it came as quite a shock.*

FO: Professor, I would not feel comfortable being described as an “expert” in the tourism business or in any other business for that matter. So let us just position this conversation as that of sharing my experiences. Yes, the 2007–2008 hiccup was a serious challenge to tourism in Kenya. It was really the aftermath of the general elections that we had in 2007, popularly referred to as the 2007–2008 post-election violence (PEV). It was a real test for tourism in Kenya because it jolted the sector to the core.

Tourism as you know is a very, very fickle industry, and when this happened, we saw a lot of cancellations of bookings. Kenya, as a destination, became very unpopular as a result of that, but within the tourism sector itself, I think there are some features that we don’t talk about often. It is a fickle industry, yes. But it’s also equally resilient in the sense that, although you’d have these kind of serious hiccups, it really does not depress the industry for longer than is necessary.

In our own case, as a group, and this is the Serena Group of hotels and lodges, we decided as a matter of strategy some seven or eight years back, to diversify our presence in the East African region, knowing very well that as important as Kenya is, we needed to have a diversified portfolio in terms of our regional geographical footprint. So around 2004–2005, we decided to start developing and/or integrating our businesses across East Africa, not just in Kenya.

As a result of our diversification initiatives, we now have properties in neighboring Tanzania, Zanzibar, Uganda, Rwanda, and Mozambique. I’m mentioning this because, as a result of the hiccup that we witnessed during the PEV, our diversification strategy gave us a cushion. In fact, in 2008, our profitability in Kenya declined drastically, but this was more than compensated for by the revenue streams that we were generating out of our Tanzania business.

In terms of numbers, I would say that we have seven properties in Kenya; comprising one city hotel in Nairobi, Nairobi Serena Hotel; a resort in Mombasa, Serena Beach Hotel and Spa; and the rest of the properties are lodges. In Tanzania, we have ten properties including a city hotel in Dar es Salaam and several lodges. We also have a hotel in Zanzibar, the Zanzibar Serena Hotel, which you could classify as a resort hotel. Down south in Mozambique, we have an iconic hotel going by the name Polana Serena Hotel, and further east in Rwanda, we have a hotel in Kigali and another resort at Lake Kivu. In Uganda, we also have a city hotel, Kampala Serena Hotel, and we have another resort on the lake, Lake Victoria Serena Resort. Currently, in all, we have 24 establishments in Eastern and Southern Africa with a total of 1,921 bed night capacity, 4,450 employees (male to female ratio of 70 percent to 30 percent) and generating total tax revenues of US$157.8 million (2007–2013). So it's quite a diversified kind of portfolio and if you ask me the question, how did we survive in the PEV, my simple answer would be that pursuit of a geographic diversification strategy made it possible for us to weather the storm, so to speak.

HM: *In terms of expanding throughout East Africa, were there any challenges you encountered, either in terms of getting the capital to* *expand, or regulation? Or was it as simple as showing up, finding a property, writing a check, and it was done? Were there any particular challenges you faced in the geographic expansion of the Serena chain?*

FO: There are always challenges in establishing a business because, in each jurisdiction, the business environments are quite different in terms of the levels of sophistication and the regulatory environment, as well as cultural sensitivities. In Kenya, you'd say that the hospitality industry is fairly well developed and there are historical reasons for this. You wouldn't say the same of other jurisdictions, so it is that every time you go into a jurisdiction, you are grappling with some challenges around the regulatory and general business environment, for example. In the context of East Africa, I have to say that, within the initiatives being taken through the East African Community (EAC) integration agenda, there's quite a bit of work that's being done on improving and standardizing the regulatory frameworks, especially for the tourism sector.

This is born of the fact that the natural resources that Africa relies on for its tourism, especially in terms of wildlife and other biodiversity-related resources, are transboundary in nature. We have, for example, the Serengeti-Mara ecosystem. This as you know is the seventh wonder of the world and actually straddles Kenya and Tanzania. In Uganda, you have the mountain gorillas, for example, which reside in the Virunga volcanic range straddling Uganda, Rwanda, and the Democratic Republic of Congo. Down south we have, for example, the Kanza National Park, which borders

Namibia, Angola, Zambia, Zimbabwe, and Botswana. In West and Central Africa, we have the Minkebele National Park in Gabon and Cameroon. So there are some common tourism sites, locations and assets which the member states have to actually cooperate in the management of, as part of the transboundary natural resources. That has helped. But even with that, you still have unique challenges, jurisdiction by jurisdiction, and you really have to work through that in order to establish the kind of levels of acceptance and credibility that you need to have to operate effectively. Given our Group's track record, capital has never been a problem because as a public company listed in the Nairobi Securities Exchange, with a base of over 9,000 shareholders, we have the institutional capacity to mobilize equity and debt capital both from domestic and international sources. We also collaborate with IFC, DEG, Proparco, Norfund, and several international investment banks, as well as domestic banks and other institutions to fund our projects.

One is also talking about community engagements as forming part of our business strategy, because tourism as a business quite often is located within communities, and you really then have to work out programs that will ensure that your community engagement initiatives have meaning and relevance to these communities, and such engagements are normally driven through our corporate social responsibility programs, which we can discuss later in detail. This strategy has stood us in good stead in terms of establishing emotional bonds with hosting communities by creating a sense of belonging and ownership, while getting the local communities to understand what it is we are all about.

HM: *No matter what country you're working in?*

FO: No matter what country we are in, there are certain basic common basic elements that run across all our businesses.

HM: *Have you run into any problems, any resistance to a Kenyan company showing up in Uganda and trying to engage with the communities there?*

FO: That is not a real problem because, as I said, within the several initiatives which are being undertaken under the auspices of the East African Community (EAC), there are a lot of commonalities in what businesses do across the region. It's not therefore unusual to find Tanzanian businesses being present in Kenya and vice versa, but initially there could have been problems borne out of sibling rivalries and lack of trust within and among the EAC member states, given their geographical proximity and common historical antecedents. The only difference is that, in our own case, our group companies operating under the auspices of the Aga Khan Development Network (AKDN), has a long history in the region and traditionally, have been operating in these three countries. So it's not like it's an unknown business; it's a known business, it's a household name in terms of its social and economic development track record, and it comes through as a credible development partner within the region. As already noted, the Serena Group's business which is structurally organized as TPS Eastern Africa Ltd. is a truly East African business.

In any case, out of your engagements with governments across the region, you also earn some credibility as a significant player and contributor to the region's economic and social development and that helps in terms of how quickly, then, you can establish your businesses across the East African region.

HM: *Tell me a little bit about your community engagement efforts. What does that entail? What does that look like?*

FO: Tourism traditionally has been quite misunderstood. I think misunderstood in the sense that oftentimes hosting communities do not see it as a part of them. The only way they can see tourism as a part of them is when they can see the impact, the benefits which the tourism business you are talking about is creating in their subeconomies. And the way we handle that in our own case is to ensure that, as far as possible, we offer employment opportunities to local people, which means we invest in training them. We have programs that ensure that, where we need to, we provide some amenities like health services. We also extend some amenities like water services, using our properties as platforms for that. We also try to source locally as much as we can. And that way, the integration process in terms of our involvement with the communities provides a channel for us to make some kind of meaningful impact in the way that these communities evolve or develop, but more importantly, in the way in which then they start to relate to the businesses. In addition, as responsible corporate citizens, we strictly adhere to and respect the laws of the countries in which we operate; dutifully pay taxes to exchequers and royalties to the hosting local authorities and as far as possible; we get involved with the local authorities to ensure that these royalties are properly managed in terms of the impact that the royalty payments create in spurring economic development in the subeconomies.

I can tell you, for example, that in the case of our tourism business in East Africa, IFC commissioned a study in 2012 to demonstrate the estimated local economic activity in monetary terms using Kigali Serena Hotel (KiSH) in Rwanda as an illustration to establish the impact of our business activities in Rwanda's economic development. The study, entitled "Investing in Hotels and Demonstrating Development Impact," was undertaken by the Overseas Development Institute (ODI) and used the supply value chain impact concept to evaluate the impact of KiSH on Rwanda's economy. They, of course, used different parameters: the direct benefits, like the employment opportunities that get created, the indirect benefits like the interlinkages that tourism has with the other industries such as banking, logistics, and other services that get linked into the tourism supply chain, and of course through the induced benefits, that is, the benefits that accrue into the subeconomies where the property may be located. We have actually extrapolated this study to estimate the impact which our group's operations in Kenya, Uganda, Tanzania, Zanzibar, Rwanda, and Mozambique have had during the seven year period from 2007 to 2013. The extrapolations confirm that the group's presence in Africa during the period in question has generated an estimated monetary value of US$1.237 billion, using the supply value chain impact concept as a basis for measurement.

One of the key findings of the IFC study that gives us a lot of satisfaction is that, in terms of employment creation, the study confirms that, in the case of KiSH, the multiplier effect in terms of employment generation is one to four. It will vary, of course, from one country to the other, because Rwanda still depends very much on imported inputs, whether it is in the form of labor or capital goods, but in an economy like Kenya, I think the multiplier effect could be as high as one to eight.

In my experience, quite often corporate social responsibility programs are normally managed top-down and as pure philanthropies. You go into an area and you think you know what the local people really need. The fact of the matter is that this is not always the case. So when I talk about community engagements, it's really about getting involved with these communities and understanding what it is that they would require in terms of projects that might create the required social and economic transformation for these communities. It has to be a participatory process. In most of these communities, programs like scholarships, in my view, don't make sense, because in the case of a scholarship, you may be talking about only a few individuals that get the scholarship and go to school, university or whatever the case is, and, after that, that's the end of the story. Now on graduation, the beneficiaries may not necessarily come back and work within the community. We therefore go for programs that are public in nature and facilities which are more widespread in terms of their outreach within the communities and are economically empowering to those communities. We also don't approach CSR purely as a philanthropic undertaking or a palliative, but as a business strategic imperative. And we think that this has helped in terms of giving us the necessary buy-in and credibility.

HM: *One of the things that are sometimes said about tourism in developing nations is that it's a bunch of people who come through, they take pictures, and then leave. It sounds like you've taken pains to do something very different, but where did that come from? What led you to manage it in that way? It's not as if everyone is managing tourism like you are.*

FO: I have to place this in context. As alluded to above, the Serena Group of Hotels and Lodges is part of a larger group; it's part of the group known as the Aga Khan Development Network (AKDN). AKDN is an international group of private institutions working to improve living conditions and opportunities in specific regions of the developing world, principally in Asia and Africa. It carries out programs and activities in three main areas namely; social development, economic development and culture. AKDN comprises for-profit and not-for-profit institutions. For-profit institutions are organized under the umbrella of the Aga Khan Fund for Economic Development (AKFED). Now, the hotels, or the tourism sector are a subset of AKFED, but within AKFED, there are other entities that carry out different activities. For instance, there are entities that are involved in the provision of financial services—that is, banks and insurance businesses, while others are involved in media, aviation, property development and management, and industrial and infrastructure development. Now that is on the for-profit side.

On the not-for-profit side, we have entities that are involved in social development like education, health, and culture as well. Under the guidance and visionary leadership of His Highness the Aga Khan, who is the spiritual leader of the Ismaili community, the Group takes a holistic view to human development as a process that requires simultaneous social and economic interventions. The group believes in human-centered development which does not only serve an economic purpose but also uplifts the quality of life. So the group has a very solid, if you like, philosophical foundation to guide its activities, which is that we should be focusing on holistic human development and the implicit need to build human capital and that human development by its very nature is very multidimensional. You cannot seriously talk about economic development in isolation from, for example, education and health, because although artificially compartmentalized, the three dimensions often go together. So it is that the businesses we conduct are actually anchored on some philosophical foundation, which is all about creating developmental impact through responsible and ethical business practices. We aim to build sustainable and responsible enterprises.

It is therefore quite logical for us in the tourism sector of the Group's business, for example, to embrace the concept of sustainable development and its correlate, corporate sustainability, as a critical pillar to our business strategies. To us, sustainable development requires that people become sensitive to their environment in terms of ensuring that the natural resources domiciled in the environment are used judiciously. As generally understood and from a business perspective, sustainable development means development which ensures long-term business success while contributing towards economic and social development, a healthy environment and stable society and doing so in a manner that addresses the needs of the present generations without jeopardizing the needs of future generations (International Finance Corporation, Report on Banking on Sustainability: Financing). This is based on the realization that the resources that we are using to promote the businesses that we run are not inexhaustible, and therefore, responsible use of these resources is important. To us, it is a matter of adopting sustainable and responsible business practices that touch on ecotourism, environmental conservation, education, public health, and community development. This is what then informs our strategies in terms of how we manage the various businesses in the kind of manner that I described earlier.

HM: *It's a melding of private for-profit entities with organizations which also have a social aim. I'm trying to figure out if there are any similar models; none come to mind. So tell me about the history of the organization. How did that come together, coming up with that sort of business and social model? Were you there from the beginning? Did you help put that together? Give us some history about that.*

FO: Now it's a history that goes beyond my time; I joined the group way back in 1975. I started my career in the banking side of the Group. Around 2000, I started yearning for a change and greater challenges. I then moved into industrial and infrastructure development, all within the same group. And the industrial and infrastructure development part of the group is housed under the business entity known as Industrial Promotion Services (IPS). At the time, I was already involved with the media side of the business and hotels because although I was not chairing the tourism board, I was already a member of the tourism board as well as the media board at the time.

HM: *So the hotels were always part of the organization, even back in the '70s?*

FO: Yes. In fact, we established the first city hotel in Kenya, Nairobi Serena Hotel, in 1976 by which time we already had two lodges which had been established in 1973 as well a Beach Resort and Spa in Mombasa in 1974. I was invited to join the tourism board in 1986 and the media board in 1989 so most of the activities in the tourism side of the business go beyond my time. We have a presence not just in Africa, but also in Asia. Like in the hotels, we have hotels in Asia in terms of Pakistan, Afghanistan, and Tajikistan, but the business model is the same and so is the philosophy that drives these businesses; that human development is multifaceted and therefore you have to look at it not purely from an economic perspective, but also from the social as well as cultural dimensions.

So it is part of the history of this group that we organize ourselves in this way, but of course, with the passage of time and with new economic development ideas that come to the fore, we get better in our execution of the unique development model. And so it is that although the basic principles could have predated my time in the group, over time, these principles have been fine-tuned, depending on the development challenges which countries that we operate in have experienced over time.

HM: *So you've really been with the company now for close to forty years?*

FO: Yes, absolutely and by 2nd May this year I shall have done my forty years with the Group, but performing different functions as already explained.

HM: *If we turn back to the clock forty years, how did you find yourself on the doorstep of the company applying for a job there in Nairobi? Tell me a little bit about you. Were you born in Nairobi? Where did this all begin?*

FO: Yes, I was born—not in Nairobi—I was born in a village some sixty miles west of Kisumu; Kisumu is a city on the Lake Victoria side of Kenya.

HM: *Your parents, what did they do for a living?*

FO: My own Dad was a chief, an administrator during the colonial era. My Mom was a peasant farmer and housewife.

HM: *Did you have a big family or small?*

FO: Yes, a big family because, in the olden days, chiefs were very resourceful guys, so it is that my Dad, Chief Jairo Okello Anam, had many wives. He reigned as a Chief of our region from 1913 to 1927. As a leader in his time, he was expected to marry from all the clans under his jurisdiction except for his own clan where the African traditional rules and norms around incest prohibited such unions. I suspect that it was their way of ensuring clan loyalty through indirect rule or social/cultural assimilation. So our family is a fairly sizeable one in terms of numbers. My Grandfather, that is my father's dad, Anam Osunga, was also a chief and he reigned from 1902 to 1913.

HM: *So are you a chief?*

FO: I'm not one… but how I wish I could have been one in the original setting! (Laughs.) However, there's a sense in which you can say that because of social structures which were existing at that time, my Dad and my Grandfather before him were fairly well-resourced people. They were cattle barons in their own right partly by virtue of family inheritance and partly through their own industry and application. Furthermore, being salaried "civil servants," at the time they both had the advantage of early participation in the monetary economy which together with cattle wealth led to substantial accumulation of traditional wealth over the years. [While researching my family history at the Kenya National Archives as part of writing my autobiography, I recently established from the annual reports and administrative circulars of the time that during his tenure of service my Grandfather was on an annual salary of 240 Rupees while by 1926, my Dad was on annual salary of Shs 996 as opposed to "an ideal" annual salary of Kshs 1320. While the values of the salaries may appear to be derisory, one would want to believe that based on the then purchasing power parities, the salaries had some inherent value, including the introduction of the privileged recipients into the monetary economy.] So with the early exposure and relatively enlightened family background, we were encouraged to take the western form of education quite seriously. So I, along with my other older and younger siblings went to local schools instead of taking the easier option of fishing as a default occupation, as was typically the case during those days.

HM: *Were those schools in English?*

FO: You mean were we being instructed in English? Yes, but in the initial stages the instructions were in our vernacular languages which in my case was the Dholuo dialect. And after completing high school I went to the University of Dar es Salaam in the neighboring Tanzania, where I studied for my law degree.

HM: *Oh, so you left the country?*

FO: Yes. At the time, the East African university education was organized in such a way that if you wanted to study law, you had to go to Dar es Salaam University because that was the only university offering law degrees at that time. If you wanted to do medicine, then you had to go to Makerere University in Uganda, and those of us who were interested in pursuing engineering degree courses had to go to Nairobi University because it was a follow-up arrangement from the structure of the University of East Africa which had constituent Universities in the three territories focusing on different disciplines. That's how I ended up in Dar es Salaam University (formerly the University College of Dar es Salaam) to study for my law degree.

HM: *But why law and not medicine, engineering, some of the other subjects you talked about?*

FO: Well, in my youth I actually wanted to be a medical doctor, but for my fear of dissecting things in the biology classes, with raw blood oozing from everywhere and the poor objects of dissection such as rats and rabbits protesting and wriggling all the way through. That gave me quite a bit of a scare, but I mainly ended up doing law because I had a sister-in-law, my elder brother's wife, who was a lawyer and was arguably the first Kenyan African lady to qualify as a lawyer. She was and remains my mentor and a great source of inspiration while my elder brother, her husband, who is a career diplomat, was and remains my role model.

HM: *What was her name?*

FO: Her maiden name was Nellie Akwiri Okaka, but when she got married to my brother, William Odhiambo-Okello, she then, in line with the African patriarchal traditions, adopted the family name, so she became Nellie Akwiri Okello.

HM: *So she inspired you?*

FO: Yes, she inspired me quite a lot. I used to admire the aura and self-confidence around her. Her spoken and written English was and is still impeccable. She is also very knowledgeable and a persuasive debater. So I said to myself, when I grow up, this is what I want to be like. So I decided as early as Form 2 (which is the equivalent of sophomore in the U.S. system of education) that I wanted to be a lawyer, and actually I went to the same university that she went to pursue my dream to be a lawyer.

HM: *And then did you practice law at all or did you go right into business?*

FO: I didn't like practicing law… what we refer to in East Africa as "mainstream lawyering." After my law degree, I did my pupilage or articleship, obtained my diploma, and got enrolled as an Advocate of the High Court of Kenya, but after a short period of mainstream lawyering with a leading firm of lawyers in Nairobi, Kaplan & Stratton, I quickly realized that I didn't belong to the mainstreaming lawyering category. As I had always been interested in business-related law subjects such as law of banking, law of insurance, company law, etc., I joined Diamond Trust Bank of Kenya Limited, which is part of the banking and financial sector of this group (AKFED/AKDN). I joined the Bank as a Legal Executive and Company Secretary (the equivalent of General Counsel in the U.S. system) in May 1975. Yes, that's how I joined the group. With the exposure in the banking business environment, I then realized that, if I was going to be an effective in-house legal advisor, then I really had to understand the banking business that I was advising on at the time.

So I then undertook some selected courses in banking as a profession so that I could have better understanding of banking and therefore be able to render more meaningful legal advice in a banking environment. As part my career at the bank I also veered off from my legal docket and went into mainstream banking operations, general management and that kind of stuff. To get some firmer grounding in economics and finance, I also pursued a mid-career program at the Woodrow Wilson School of Public and International Affairs, Princeton University (1989–90) and at the end of which program I was admitted as an Albert Parvin Fellow of Princeton University. And as I said, after some time, I got tired of banking, and I was then given an opportunity in 2000 to branch off into industrial and infrastructure development within the AKDN/AKFED Group. As already mentioned, the entity that has mandate for industrial and infrastructure development within the group is called Industrial Promotion Services (IPS), and within that platform, I think that we have landed some remarkable achievements.

Together with Sithe Global, of the U.S., we (AKFED/IPS) and other Investors formed a company called SEACOM, which landed the first fiber optic cable that connects the Eastern African rim to Europe and Asia. The successful completion of the Seacom Project resulted in drastic reduction in the cost of bandwidth, by almost 80 percent. The Project is a winner of multiple awards [“Best Pan African Initiative” at the AfricaCom Awards 2011 and 2009; “Africa Investor ICT Deal of the Year” at Africa Investor Infrastructure Awards 2008; “Business Leadership Award” at the 7th

Biennial U.S.-Africa Summit Expo 2009]. We have also undertaken some major projects on the energy sector within East Africa. Our group is behind the Bujagali Hydropower Project in Uganda. This is 250 MW run-off-the-river project in Jinja, Uganda, with a capital cost outlay of US$900 million in equity and debt and has been widely celebrated as a pioneering hydropower project [winner of Euromoney Africa Power Deal of the Year 2007 and regarded as a benchmark IPP for wider replication]. Again, we did that working together with Sithe Global. As you are aware, Sithe Global is a utility company and part of the Blackstone Group based in the U.S., and so it's been quite a diversified experience and while at it, as I said earlier, the larger AKFED group is also involved in media services, which is housed under the business entity known as Nation Media Group Ltd.

The Nation Media Group (NMG) is arguably the largest multimedia organization in East and Central Africa, and again NMG itself has its own history. The company was founded in1960 by His Highness the Aga Khan, when he was in fact a student in this great institution (Harvard University). At the tender age of twenty-four, he decided to launch the Nation Newspapers, because that was the time when Kenya was just about to gain its political independence. It is remarkable that it dawned on him at that youthful age that Kenya required an independent media organization that would give voice to Kenyans, but more importantly, help in transitioning Kenya from a colonial state into a modern democracy. That's how the NMG was born, again out of the vision of the founder of this group, that is, His Highness the Aga Khan.

In the NMG, I sit on the board as a Non-Executive Director, but I also chair the Editorial Board Committee, which is the committee of the board that acts as a custodian of NMG's editorial policies and guidelines and is charged with the responsibility of ensuring that we execute our mandate as a media organization within the set editorial policies and guidelines.

HM: *The role of the press is an important one, yet the government—as we know there's a new constitution, lots of changes; have there been challenges for you, running a media company in a country that's had some of the unrest that you've had, going from a single-party state to a multiparty state? Tell me about the challenges of running a media company.*

FO: Oh, lots of challenges. Lots of challenges. At a conceptual level, the relationship between the media and the state is oftentimes characterized by creative tension, creative tension because the media is supposed to be holding political leaders to account by providing checks and balances in the manner in which the state manages public affairs. So you worry the moment you see a media organization being comfortable with the state. The media is expected to be independent of the state's pervading influence but it's independence that requires that you strike a delicate balance in the way you manage that relationship and ensure that the relationship is managed responsibly and in the interest of the larger public.

In the case of the NMG, I have to say that, being the leading media organization, not just in Kenya but in East and Central Africa, it has a respected voice. It has a voice that has manifested itself in the socioeconomic development of the countries in which NMG operates. In fact, in the early days during the single-party state in Kenya, there were only two institutions that could stand up to the governments of the day. One was the Law Society of Kenya that articulated at the time the need for multipartyism. The other voice of reason was the NMG that also, guided by its own internal editorial policy guidelines, advocated pluralism and stood for the need for a multiparty state. Both institutions also provided constructive criticism to the governments of the day. That, of course, created challenges around how, then, you manage your relationship with the state. Of course, you win friends… many friends… in the process, but you also create enemies… many enemies… in the process.

What I have learned over time is that, if you believe in freedom of speech and freedom of expression, if you believe in independence of the media, then you face these challenges knowing pretty well that there is a raison d'être that propels the way in which you manage your media business. How have we navigated that terrain? I would say that, in the context of East and Central Africa, our group could be the only media group that I know of that has in place a very elaborate and documented editorial policy guidelines which articulates our core values and explains how we manage our business. There are certain core principles that drive our activities.

HM: *What are those?*

FO: We believe in free market economics. We believe in media freedom but tempered by a sense of responsibility. We believe in pluralism and democracy, however you define the term. But in our context the term encompasses good governance; transparency; accountability; regular, free and fair elections, as well as social equity. We believe that democratic governance provides the stability that is required for countries to grow and develop themselves economically. We believe that civil society organizations have a role to play in the democratic process of any given country. We believe in the protection and promotion of human rights and civil liberties and we support and promote sustainable development as well as regional integration. This is the kind of DNA that drives the NMG in its quest to create the democratic space that a country like Kenya would need to prosper.

How have we fared? I think the jury is still out and I also think that it would be quite immodest and presumptuous of me if I were to pass any specific favorable judgment at this stage. However, I think that it would be fair to say that yes, we have played a modest role in opening the democratic space in Kenya and the greater East African region and in the process have spurred Kenya's and East Africa's economic development. We have been a fairly responsible media organization when it comes to that, and our operations again, like is the case in tourism, it's not just in Kenya; we have a presence in Uganda and Tanzania. Both countries are also going through some fundamental social transformations in terms of democratic governance as well as economic development challenges and how that should be managed. Yes, we have had headwinds, several headwinds. In the case of Uganda and Tanzania, sometimes the headwinds have resulted in the shut-down of our operations.

HM: *They would come in and just shut down the office? You seem to take that with calm and ease.*

FO: Yes, you run a story which may not be very palatable and somebody feels that you have violated certain laws or principles and they come and close you down without necessarily and strictly going through the due process. In Kenya, I have to say that the threshold of tolerance in terms of the ability of the government to take on criticism, is relatively higher, so we have escaped being shut down in Kenya but we have not completely escaped serious tongue-lashing and other forms of disapproval as well as censure for our reportage and news coverage.

HM: *Right, but now for many years, it was written into the constitution that there can only be one party, but you championed a two-party or multiparty government. You were never concerned that they were going to shut you down?*

FO: As already mentioned, it never happened in Kenya but the going has not been easy either. For instance, we were once debarred from covering parliamentary proceedings and have been on the receiving end of the government's reproach, but we have not been as lucky in the case of Uganda and Tanzania.

HM: *Has it led you as a businessperson to feel that it's too much aggravation, why don't we just publish in Kenya?*

FO: No, not really because then you take a view that, given the philosophy or raison d'être that forms the basis of your existence, you have certain responsibilities as a media organization. You really have to—for democracy to thrive, you have to for instance allow for people/citizens to knowledgeably participate in the manner in which they are governed, and as you know, media is quite critical in facilitating such participation. So it's a question of not shying away from taking on the challenge, but doing it in a responsible, fair, objective and balanced manner. Of course in the process, often times you make mistakes… costly mistakes but that is just how the cookie crumbles… it is part of the process. Where mistakes are made or you slip, you accept the mistakes and then take the necessary corrective measures, but the main goal really is to play your role in enabling citizens to effectively participate in the way that they are governed.

HM: *Now of course for there to be a strong press, a healthy press, that's participating in those arguments, you have to be a successful business. Here in the U.S., the media business is being upended every day by the Internet and so many other technological changes. What are the business challenges that you're facing in your media business in East Africa?*

FO: The challenges we're facing in East Africa are not any different. It's a question of scale and timing. The whole area of technology and the challenges and opportunities that come with it are not unknown to us. At the moment, I think we are grappling with the concepts around media convergence in light of the rapidly changing media consumption habits. It's mainly a function of demographic dynamics: issues about age, the size of the youthful population, their preferences in terms of how they want to consume the media, etc. Traditionally we were a print-based kind of media organization, but over the last twenty years or so, we've been shifting to have a product mix that recognizes the market shifts and would make us remain relevant. As such we are developing our digital media platforms in tandem with the print media, because that is the direction that media development is taking globally.

So the challenges then are around how to monetize or commercialize the digital media products, for example. We are still basically print media in terms of revenue streams, but we reckon that, given the direction that the market is taking, digital media has also to be developed as an extension of what we do. But, as I said, the challenges are around, how do you monetize digital media? The result is that, although we are making necessary efforts in that direction, at the moment the revenue stream that is keeping us going is largely from the print media, as opposed to the electronic media. But I believe that this is going to be changing with time and as the market settles.

HM: *Do you think your advertisers are ready to move online?*

FO: Yes, that is a trend that we are seeing. Advertising is moving online and actually it's not just affecting the revenue streams, but the whole market dynamics. After all, advertising follows consumer traffic. Whether you're talking about tourism or banking, changes in consumer preference informed by technological innovations is a game-changer in terms of how businesses are organized; technology is basically challenging the conventional business models that we have been familiar with and really you have to be in that space if you are to remain relevant. The question is, how do you position yourself in that space in a manner that you can keep abreast of the market changes, but do it as profitably as you can? In the context of media, of course, you have to remain profitable if you're going to be able to be and remain independent, because without financial stability, you really cannot be independent, if you see what I mean.

HM: *You talked about the importance of technology and the fact that it's changing all of the businesses, certainly all the businesses that you're* *involved with. When I was in Kenya a year or so ago, you couldn't help but look on every street corner and there was an ad or billboard for mobile banking, and Kenya is obviously known as a country that's been in the forefront of mobile banking. What is it about Kenya? Why did it adopt a technology like that before everyone else? Can you give us a little bit about the history of the impact of technology on banking in Kenya?*

FO: I don't think that anybody consciously planned that mobile banking had to make its maiden entry in Kenya first, but the fact of the matter is that the greatest impact of technology, I think, is in the banking sector.

HM: *Why?*

FO: As already noted, it is not like someone sat down to deliberately plan the pioneering introduction of mobile banking in Kenya, but it is all tied up with the history of M-Pesa; M-Pesa, as a product, was developed by an ICT company called Safaricom in collaboration with its parent, Vodafone Group Plc. of the U.K.

HM: *When Safaricom took over originally, the telecom services were a government service, right? Safaricom is the privatized version of that? Do I have that right?*

FO: Yes. Your understanding is spot on. Safaricom was formed in 1997 as a wholly owned subsidiary of Telecom Kenya which at the time was a state-owned parastatal. During 2000, Vodafone acquired 40 percent equity stake in Safaricom and also took over management responsibility. The Government of Kenya had retained 60 percent of the equity stake, 25 percent of which was floated in the Nairobi Securities Exchange in 2008.

HM: *So the government sold its telecom assets to Safaricom and Safaricom sold its assets to Vodafone?*

FO: Well, as already noted Vodafone partnered with Government of Kenya through a public-private partnership economic development model which was achieved through a privatization process.

HM: *To create Safaricom?*

FO: Yes, it was a privatization kind of process, and the M-Pesa product was actually a product developed by Safaricom through the technical collaboration with Vodafone. The product was rolled out through the Safaricom platform, and it has transformed Kenya's banking industry in a manner that nobody could have anticipated.

HM: *So tell us about that product; how does that work?*

FO: It is basically a mobile money transfer product. You don't need to have a bank account; all you need to do is to have a mobile phone and use it to transfer and receive funds from Point A to Point B. Initially banks saw the M-Pesa phenomenon as a disruptive technology, but it gained popularity in a manner that later on it became inevitable for banks to be partnering with the mobile money transfer institutions such as Safaricom, which was controlling 76.42 percent of the mobile money transfers in Kenya as of June 2012. [*See Money Real Quick: The Story of M-Pesa—Kenya's Disruptive Money Innovation* by Tonny Omwasa and Nicholas Sullivan (2014) and *The Mobile Money Banking Survey* by Kenya Bankers Association's Centre For Research on Financial Markets and Policy (January 2014).] So it is that at the moment, most banks actually plug into the Safaricom link to enable their customers to transfer and receive funds. And one would say that it is now forming an integral and critical part of the national payment system. Incidentally, it's not only M-Pesa and Safaricom you are talking about here. You are also talking about many of these telecom companies such as Airtel and Yu that are also playing in that space and are controlling 19 percent and 2.8 percent of the mobile money transfers respectively as of June 2012. Other players include Tangaza Mobile Money Transfer Agency which is licensed by the Central Bank of Kenya to send and receive money across all mobile operators network such as Safaricom, Airtel, Yu, and Orange. These telecom companies are challenging the conventional financial intermediation role as the exclusive domain for banks. As already noted, the mobile money transfer systems and the underlying technology have transformed banking in Kenya, where customers are increasingly placing considerable premium on convenience, in a manner that nobody could have envisioned.

HM: *So what was it about Kenya and Kenyans that they embraced mobile banking so quickly? Was it something about the society? Do you think it's something that's special to Kenya, and then you've also talked about the importance of your business in Uganda and Tanzania; it hasn't reached the same levels there, so there must be something going on in Kenya.*

FO: Kenya embraced a free enterprise economy, I think, much earlier. If you are familiar with the history of East Africa, in the early '60s, there was quite a bit of debate about socialism/communism vs. capitalism as a model of economic development. The debate was underpinned by the Cold War which was characterized as East vs. West. That formed, if you like, the raging ideological and dogmatic debates about economic development in Africa in the '60s.

In terms of the policy direction that Kenya took, we went in for a mixed hybrid between socialism/communism and capitalism. The philosophical foundation was articulated in a document that is popularly known as African Socialism and its Application to Planning in Kenya—Sessional Paper No. 10 of 1965, which espoused "Democratic African Socialism" in contrast to "Western Capitalism" and "Eastern Communism" and tried to differentiate the socialism we thought we were practicing from the Western kind of capitalism. But what it meant, really, was that Kenya was opting for a free enterprise market-driven approach to economic development that allowed for individuals to organize private businesses, unlike say, Julius Nyerere's Tanzania, which was socialist in its orientation. With its Common Man's Charter of 1969, Uganda, under Milton Obote's presidency, also shifted towards some kind of socialism as the preferred model for economic development. So it is that, if you like, because Kenya allowed more freedom to individuals to organize private businesses, I think the culture of enterprise evolved in Kenya much earlier than was the case with its neighbors. I also think it's because of this early start that saw into the progressive and early maturation of businesses based in Kenya in contrast to the situation obtaining in neighboring Tanzania and Uganda.

In addition, I think that Kenyans by their very nature are fairly aggressive with the "go-getter" type of mindsets, not that it's always a good thing to be aggressive, because sometimes being too aggressive can be counterproductive. However, it creates the need and the drive to be successful, the drive to be enterprising, the drive to look for business opportunities where one can get them, and the drive to expand these businesses. This then forms part of Kenyans' DNA, if you like. That is not to say that you don't have the same kind of drive in neighboring states because after all these are basically common human traits, but I'm talking about the scale and level at which this takes place and the culture that underpins such pursuits.

HM: *The countries have different histories, based on the Cold War, which economic philosophies they decided to embrace. We're now in the early part of the 21st century. You're managing businesses that are spread across different countries with different histories. What challenges do you face knowing that there are different markets with different histories? It's not as if everyone is on the same page, if you will.*

FO: No… it is not like everyone is on the same page. But there are some common threads. However, it calls for an acute understanding of the various business environments that you're operating in. It also calls for a deeper understanding of the varying histories and business cultures in Kenya, Uganda, and Tanzania which were already in some kind of union way before, through the previous EAC experiment that I talked about earlier. So it is not just happening now; it was there actually earlier. The previous EAC broke up in 1977. There are various reasons that contributed to the break-up. Talking to different people, you'll get different kind of responses, but in my view, the overarching reason was the ideological differences that I talked about earlier, which had led to the different orientation that these countries took in their development policies.

What is not talked about often is the personality differences between, for example, the political leaders that we had at that time, namely Julius Nyerere of Tanzania, Jomo Kenyatta of Kenya, and Milton Obote/Amin Dada of Uganda but I think that it's the ideological differences that we are talking about and which was the major cause of the break-up of the EAC. In the breakup of the EAC at that time, the assets which were commonly owned had to be shared amongst the three member states. I think that fortuitously Kenya ran away with the trophy, because it happened that, on the date when the community collapsed, the assets crystallized in the respective states in which they were domiciled at the time. By chance it happened that most of the premium assets were concentrated in Kenya, so you can argue that it was not a very credible or fair way of apportioning the assets. I also think that what happened at that time has been the root cause of the mutual suspicion and mistrust amongst the member states and citizens of the EAC that has lingered on even into the present attempt, the second attempt to regionally integrate these economies.

HM: *The suspicion that maybe the Kenyans are out for themselves?*

FO: Yes… in a way.

HM: *Well, let's talk about leadership, which is something obviously you spend a lot of time thinking about. In a recent speech, and I want to quote you correctly here, you said that the quality of Africa's leadership will be the major determinant of Africa's development trajectory, and you called for a new breed of leadership that would, among other things, have a Pan-African mindset: they'll embrace a multidisciplinary approach to problem-solving, and they'll be ethical and visionary.*

We'll walk through each of those, but you talked just a few months ago—Kenya kicked off its 50th anniversary celebration of independence and, at that time, the President invited leaders from all over Africa to come and join in the celebration. There was a great deal of discussion of Pan-Africanism. You talk about Pan-Africanism in your speech. Given the different histories just in East Africa, where English is a common language, what are both the opportunities for Pan-Africanism and what are the challenges that you see? Because it's obviously something that's being talked about a lot these days.

FO: I think that is a familiar line you are referring to. It seems to be jumping from a speech which I gave at Africa 2.0 Leadership Symposium in the course of 2012 entitled: "Leadership Matters to Africa: Let's Play Our Part to Nurture It." [Africa 2.0 is a Pan-African civil society organization that consists of young and emerging leaders from Africa and the diaspora who share a collective vision for Africa and a commitment to finding and implementing sustainable solutions capable of leapfrogging the development of the continent.] The speech advanced the argument that although Africa is blessed in many ways in terms of natural endowments in the form of biodiversity, culture, minerals, and this kind of stuff, what one has to acknowledge is that, although we are richly endowed, until we sort out issues around leadership, we are not getting anywhere. In fact, without wishing to appear to be cynical, I have to say that oftentimes I feel very disheartened to hear the uncritical regurgitation of such mantra like statements as “Africa is rising,” “Africa poised to take off,” “Africa is the next emerging investment frontier,” and “Africa is on the verge of economic take-off,” etc. … very positive narratives which indeed are backed by such valid statistics as the pace of economic growth expressed in terms of GDP, volumes of FDIs, social indicators such as levels of education, mortality rates, etc. Clearly, the trend is upward.

But then in the process of that kind of uncritical reasoning, we oftentimes forget that it is the forces of nature which have converged in Africa’s favor and that therefore the window of opportunity is not going to remain open forever. Much will depend on how quickly Africa seizes and leverages the historical opportunity and Africa’s execution capacity; critical factors which all rely quite heavily on the quality of leadership, both in the public and private sectors. Needless to say, leadership has been a challenge for us, and when one talks about leadership, one is talking about leadership that can meaningfully participate in a knowledge-based, competitive, and globalizing economy. Africa is a part of the said economy and must play its part in that space. Now to be an effective leader in that space, you need to have certain leadership skill sets and that is what I am referring to in the speech where I talk about visionary leadership that understands the multidimensional nature of development, leadership that places value on ethics, and leadership that appreciates that you are a leader not to self-promote, but that you are a leader to serve, to serve others. Such new breed of leaders should have regional and Pan-African mindsets; recognize and place a premium on technological innovations, the value of discipline, trust, honesty, integrity, diligence, etc. and until that is really addressed and addressed on a regional basis, I think we are not getting far in the pursuit of our development agenda as a continent. The mantra-like regurgitation also tends to overlook the fact that we have some heavy lifting to do and that time is not at a standstill.

In terms of economies of scale, one would like to talk about integrating our markets and economies, whether you're talking about tourism or banking or media or any of the sectors, the fact remains that there's only so much countries can do or achieve on their own. In the tourism sector, I have already talked about the transboundary natural resources, the management and development of which require multistate cooperation. I talked about the mountain gorillas, for example, residing in the Virunga volcanic plains in Uganda, Rwanda, and the Democratic Republic of Congo; the Serengeti-Mara ecosystem which straddles Kenya and Tanzania; I talked about how the Kanza National Park straddles five countries, namely Namibia, Angola, Zambia, Zimbabwe, and Botswana; and Minkebele in Gabon and Cameroon.

So, until these countries can start to integrate their markets and economies through various regional integration initiatives, whether you are doing it via the EAC in the case of Kenya, Uganda, Tanzania, Rwanda, and Burundi, or whether you're doing it through IGAD, COMESA, SADC, or ECOWAS in West Africa, or the Economic Community of Central Africa States (ECCAS)/Economic and Monetary Community of Central Africa, comprising Cameroon, Central African Republic, Chad, Democratic

Republic of Congo, Equatorial Guinea and Gabon… you are basically talking about the need to recognize that economic development requires economies of scale that can only be achieved through regional integration. You simply cannot develop or manage a resource that is transboundary unless there is some kind of coordination/cooperation on a regional basis. That's why I personally feel that initiatives around regional integration are going to be a critical component in the way in which Africa develops going forward, and that pursuing economic development agenda in silos will not do. This may partly explain the Pan-African theme. The resurgence of Pan-Africanism may also be out of the Afro-optimism that is emerging from the various economic opportunities in Africa and the realization that as development is a function of scale, the larger our markets are, the better it is for businesses across jurisdictions. The resurgence may also be speaking to Africa's strategic and political response to the globalization phenomenon. This is why I have been arguing that Africa needs leaders with regional and Pan-African mindsets because that is where the market is. The growth of the market is in size. It's in economies of scale and that is the reason why you really have to stop thinking as a Kenyan or Tanzanian or Ugandan or Rwandan business, etc. You have to think Pan-African and regionally in the way that you grow and position your business and there are no two ways around this challenge.

HM: *What roles do the business and private sector have in promoting Pan-Africanism?*

FO: A great role, because as already noted, business is about markets and markets have to be transboundary and regional in their nature—businesses follow markets. Talking about East Africa, for example, you find that the integration that we talked about earlier may be conceptually flawed because the integration process is driven from the top with the political leadership driving and setting the Agenda. Political leaders see the need for having an integration process going, but you don't see much happening in terms of regional engagements by civil society organizations, including professional associations, businesses, and the general citizenry systematically and consistently pushing the regional integration agenda. It is changing because of the realization that may be it would be easier for us to achieve the East African integration, as an example, if businesses were to first integrate and provide the necessary "push from below" factor to the regional integration agenda. And it's already happening, because like in the field of banking, you have a situation where, out of Kenya, there are banks including indigenous banks such as Kenya Commercial Bank, Equity Bank, and the Cooperative Bank that now have a regional presence, they have expanded into Tanzania, into Uganda, into Rwanda, South Sudan, and Burundi to some extent. Ecobank Transnational Inc. and United Bank for Africa Plc. (UBA) are Pan-African banking conglomerates with banking operations in several African countries. At Pan African level, the Barclays Africa Integration Project, which saw the completion of the Barclays Africa and ABSA corporate integration in July 2013, could be given an example of how businesses are behaving in search of wider markets. The Project places the Group in an enviable position to effectively build synergies and seize opportunities across the various markets in Africa where the Group has a presence. The integration also constitutes and important step in furthering the Barclays "One Bank in Africa" strategy and the goal to become the go-to bank in the African continent. It provides a platform from which the Group can further grow its Africa business to the benefit of the various stakeholders. These businesses are basically searching for regional markets; recognizing as they do the limited growth prospects in the hosting national economies.

I think that through integration of businesses and markets, it's going to be a logical step, in my view, to achieve the kind of political integration that we want to see in our lifetime, because led by the private sector, businesses are talking to one another. Once this happens, then political leaders will have no choice but to meaningfully and consistently engage with one another to accelerate the regional political integration process, because businesses are creating pressure from underneath for an environment to be created that can make it possible for them to grow markets and conduct their businesses regionally. It is these kinds of pressures that will make it possible for leaders in separate countries to think regionally. And in a way you are then saying that for their selfish commercial reasons, businesses are acting as agents for change to promote Pan-Africanism but in an economic sense.

HM: *Place this new trend in some context for me: If you wanted to buy a business in Ghana, for example, how difficult would it be for you now as opposed to ten years ago?*

FO: When you look at the statistics, that is getting generated on the ease of doing business in Africa, and I'm talking here particularly about the indices that get developed by, for instance, the World Economic Forum, working together with the World Bank; or by the Mo Ibrahim African Governance Index, or by the World Travel and Tourism Council, you get a clear sense that businesses located in the diverse regions that we talked about are actually trying to reach out beyond their borders, because as already noted, growth within a national economy is restricted. You can only grow to a certain extent, beyond which the market just does not have the absorptive capacity. This is pushing businesses to think and look for prospects regionally.

In our own experience as the Serena Group, when for example we are exploring business opportunities in jurisdiction X, the first thing that we get concerned about is the business and regulatory environment, including land laws, laws governing foreign investments, etc. because for fundraising purposes, the project would have to be a bankable project from all these perspectives. If I'm going to be developing a business in Burundi, the first thing that comes to mind is whoever is going to be lending me the capital either by way of equity or debt, will require to secure the loan facilities in case of debt and be able to repatriate capital, dividends, and interest. Land, of course, is a critical component of the evaluation process, so land law, in terms of tenure and ownership rights and that kind of stuff, becomes critical. In fact, the interesting thing is you go into a jurisdiction and you start meeting headwinds and resolving such headwinds unwittingly form part of your enduring contribution towards the improvement of the business climate in that given jurisdiction. As the pioneer, you are helping actually to improve the business conditions in a given jurisdiction, whether it is in the field of business law or in the field of land tenure systems, taxation laws, fiscal policies, etc.

So there are, if you like, several hidden fall-out benefits that come out of that as well. But because these countries are at different levels of development and have different systems of governance and laws, it is never easy to break in as quickly as one would like to. And I think that is why, for now, in our case, we have limited ourselves to regions which we are familiar with and are proximate to, geographically; regions that have a common history, like the East African Community, but with time, one sees that, with the direction globalization is taking, I think that integration of economies and markets is inevitable and that directionally, our businesses have to be transnational in the way they are structured, managed and organized.

HM: *As I've talked with other business leaders from Africa, one of the challenges that they cite, which is a historical challenge, is—not in all, but in many countries—they face issues of corruption. And I know Kenya, for* *example, does not rate high in terms of the transparency index, and one of the things you cite in this speech and you talk about often is the importance of ethics in business. I'd like you to address the historical issue of corruption in business, how big an issue that has been historically, and where you see that going forward.*

FO: First of all, I think that corruption is a universal human vice and is therefore blind to geographies. However, it is acknowledged that it forms a serious challenge for businesses across Africa. Fortunately for our group, I would say that, because we are known for what we stand for in terms of our ethical orientation, there are well known no-go areas; there are certain things that our group can never do. And the parties—the people, the stakeholders that we deal with—know that pretty well. I am aware that in certain contexts and jurisdictions we are often jokingly referred as "missionaries." I've now been with the group for forty years. I have had no opportunity where, in negotiating a transaction, I get a sense that somebody is expecting us to do something that is unethical, so maybe it is the fact that our reputation precedes us that helps. However, this does not mean that corruption doesn't exist in these jurisdictions.

It's a problem that must be tackled, but that's why, when you talk about leadership, both in the private and public sectors, you are talking about a leadership that is conscious of the kind of challenges that we are talking about. In a sense therefore, Kenya's ranking in the Transparency International Perception Index may not be very helpful to us as a business destination, because besides distorting the market conditions it's just adding up to the cost of doing business and therefore making Kenya as in investment destination quite unattractive.

Is there a way out of this? It's a journey… a tough journey at that. It's a journey but I think that because there are some businesses which can establish themselves in such environments without going through that route, demonstrates that, with determination and consistency, it's possible that you can still thrive without necessarily getting involved in those kind of retrogressive practices. Is it easy? Not so. It's not easy because you're talking about dealing with a value system that is embedded in an ecosystem that treats the practices as a given, so if your template is different from the majority of the templates that the environment is used to, it's surely going to be a tough and bumpy ride. Yes, it's tough, but our experience tells us that by remaining steadfast and consistent you earn respect and that it is that kind of respect and reputation, coupled with your contribution to the hosting country's economic development that helps you in establishing a track record which then makes it possible for you to face the challenges and breakthrough in most of these situations. However the practical challenges are to be found in the application and adaptation of ethical business practices in the context of circumstances of each geography. It calls for, among other things, dexterity, determination, and deeper understanding of the local conditions and dynamics in a specific geography.

HM: *Corruption is clearly an issue; it's something that, because of the business practices you've been able to historically employ at your company, you've been able to operate in diverse business environments, whether it's Rwanda or Kenya, without it directly affecting your business, yet ethics is something that I know is important to you and it's something that fits into the hallmark of an educational institution that you're involved with, Strathmore Business School, which takes as its motto, if you will, educating ethical entrepreneurs.*

How did you get involved with education? It's not surprising because you've been involved in banking and every other field, but what was your interest in education and how did the school settle on that as its mission?

FO: Let me go back a little bit. The point I was making with the IFC study is that, once the people see the benefits of what your businesses will create in the respective economies, you earn respect. You pay your taxes, you create employment, and you do all that so people will understand what you stand for, and that helps in managing those kind of challenges around acceptance that we talked about. Now, we can go back to my interest in education.

HM: *What's the relationship between public and private education in Kenya? I think people may be surprised to learn how important private schools are in the Kenyan ecosystem.*

FO: Private schools and public schools in Kenya go hand-in-hand. The question really is the quality of education that you get from the two platforms. Strathmore University is a private university, mainly sponsored by the Catholic Church. I was approached to join the advisory board of Strathmore Business School (SBS), which is part of Strathmore University.

HM: *Do you remember what year that was when they approached you?*

FO: I've been on the board now for about five years or so and it was out of the realization that although universities across the world, but particularly in Eastern Africa, are training people for jobs, there is always this gap between what the universities think they are training for and what the market is actually looking for in the university graduates in terms of relevant skills. There is always this dichotomy in terms of the skill sets that universities are able to impart, so that when their graduates then go into the marketplace, they can find relevance, and it's been a dilemma. We then realized that it's going to be fairly meaningless to forever blame universities for their ivory tower approach to training unless one provides a system where there are linkages between universities and industries or the workplace, so to speak.

So SBS then started to experiment with their courses, the programs that they were managing. They said they wanted to organize their programs and courses in a way that could resonate with the market expectations in terms of the skill sets that they would be imparting to their students and that's why, when it came to forming, for example, the advisory board of the SBS, we as business leaders were approached to be part of that, so that we could engage with the School's management in terms of exchanging views with them on what we saw as gaps in their training modules or their curriculum including Executive Education programs that they were developing vis-à-vis the market's needs. In my case and other members of the School's advisory board, in addition to being a member of the board I am also an Executive Fellow of the School under which arrangement I act as an adjunct faculty and I am expected to commit at least a minimum of 20 sessions per year in either teaching, being guest speaker, moderating, or coaching sessions at SBS and publish at least one article per year in a professional or academic, local or international journal in an area of interest and acknowledge my professional association with SBS in such publications.

So it's aimed at bridging these two platforms in terms of developing the required skill sets that we think the market needs and what the university is supposed to be generating in terms of the training programs that they have.

HM: *And what success would you say that you've had so far?*

FO: I think it would be fairly immodest of me to say whether we have been successful or not, but this much I would say… that, going by the demand that I see for graduates from this school and the respect that they command and maintain in the marketplace, at least one could say that there's something that we are doing right in terms of structuring these courses/programs in a way that makes them relevant to the market needs.

HM: *Well, one of the things that the school constantly emphasizes is the issue of business ethics and business connections to society, which I know you've worked hard on in a couple of your businesses, and I want to explore that, where that philosophy is coming from. So for example at Barclays, which you run in Kenya, you've talked about the sense of lender responsibility. What does that mean? What responsibility would a bank have beyond just lending money and getting interest?*

FO: (Laughs.) Yes, the fact of the matter is that, whether you are a bank or you are a hospitality organization or a media organization, you are part of an ecosystem and there are certain responsibilities that you would have as a business and a responsible corporate citizen. Chief amongst such responsibilities is the need to promote sustainable development as you also ensure corporate sustainability for your business. What we have been trying to do, for example in the reference that you've made, is to challenge or encourage banks in Kenya to understand that lending is just part of an economic development process. It's a facilitative role that banks play, but at the end of the day, we are lending so that businesses or enterprises can grow. Thus, lending is not an end in itself but a means to an end. Now these businesses or enterprises are growing within an environment where they have to act responsibly because invariably the projects against which banks lend do undertake activities that directly impact the environment either positively or negatively. You're therefore talking about corporate sustainability within the overall context of sustainable development and sustainable development is all about judicious use of the exhaustible resources that we have. We are essentially public trustees that have been given the responsibility to use these resources during our lifetime, but as already noted we are expected to use them in a manner that is judicious and is responsible, and in a manner that ensures that we address development needs not just about the present, but also the future generations that come after us. The conversation about responsible lending then starts to revolve around environmental stewardship on the part of banks as project proponents and therefore the legitimate expectation that banks should act as surrogate regulators when it comes to compliance and enforcement of environmental laws/regulations. It is all about spreading the gospel about sustainable development to drive corporate sustainability.

That's why responsible lending becomes critical. It's not just a question of lending money and earning interest, but you have to ask yourself some more fundamental questions: The entity to which you are lending, what is it going to be using this money for?—whether the money that you lend is going to be used for purposes of promoting sustainable development in a manner that speaks to that responsible use of natural resources. And that is why, as part of our civic responsibility, we have been engaging with the banks and other corporate entities in Kenya, for example, to debate issues around sustainable development and corporate sustainability as overarching themes warranting serious attention by banks and other corporate entities.

We have to ensure that entities that we lend to observe certain basic rules in terms of how they manage their businesses. It's because of this that we say that, over and above these other liabilities that come with the lending activities, which are statutory or common law based, we have to go the extra mile to ensure that we play our part as banks to promote sustainable development in our business practices. After all, we all have a fiduciary responsibility to protect the goose that lays the golden egg.

At a practical level, responsible banking is then about engaging with your customers in a manner that the message of corporate sustainability as a subset of sustainable development is passed across. It's a question, for example, of banks coming up with credit appraisal criteria that reward businesses that practice sustainable development. It can also come through from how you manage your relationship post-availment of the credit, and it's a whole range of responsibilities that we think banks should carry as responsible corporate citizens as they play their traditional financial intermediation role.

HM: *It's interesting. That's traditionally a role of regulation that would be played by the government, yet you feel the private sector has a role in that as well. How does the government—your counterparts in the government—feel about you stepping in and taking on that role?*

FO: No, you are not stepping in and taking up somebody else's role. You are essentially reinforcing and complimenting that role. Let me put this in context. You have a legal framework, for example; in Kenya under the Environmental and Management Coordination Act, you have a legal framework that requires that all projects should undergo thorough environmental impact assessment and obtain the requisite licenses from the National Environmental Management Authority as part of the regulatory approval process. That is the law. But what we've been arguing is that it's not just going to be a mechanical compliance process that somebody produces an environmental impact assessment license and that you lend money to that entity on this basis. Over and above that, you need to engage with the customer in a manner that ensures that the principle of sustainable development is ingrained in the entire process that that project is going to be involving itself in.

So we are not talking about the private sector competing with the government. There is a regulatory framework requiring compliance and enforcement, but we are saying that there is a civic sense of responsibility that requires that we as banks do much more than what the law minimally provides. And that is where the lender liability or responsibility argument that I've been trying to advocate, over the years through my public speaking engagements and publishing, comes from. The key message being that we should not look at compliance and enforcement purely as a legal responsibility, but also as a fiduciary responsibility based on the fact that as responsible corporate citizens, we should be promoting sustainable development in the manner that I have explained.

HM: *Right. One of the recent hallmarks of the Kenyan economy and Africa in general has been the tremendous amount of foreign direct investment that's coming into the country from other emerging countries and, in particular, China. What sort of situation is that creating in Kenya, in particular, and East Africa? Because some people say that direct investment is good; some people have said it's sort of a new colonialism in a way.*

FO: Kenya has always been a popular investment destination, I think, for direct foreign investments. Of course, it keeps on going up and down depending on the dynamics that may be obtaining at a particular point in time.

To speak specifically to the China factor, traditionally our engagement in terms of direct foreign investments has been largely from the Western world, so to speak, and in recent times there has been a marked shift with China's aggressive foray into Africa which is translating into the visible presence of China, especially in infrastructure development. It's a contentious kind of debate one is engaging in here because there are some of us who believe that, while China is helping in developing Africa's infrastructure, their approach to development is fairly extractive; extractive in the sense that, apart from infrastructure, which they build and then leave behind, the other forms of engagement, whether that is fishing off the West African coast, or logging timber out of Central Africa, or the mining of oil and gas in Angola and Southern Sudan etc., it's fairly extractive. You don't see much value addition forming part of their business strategy in the trade relationships that are emerging.

Secondly, you don't also see due attention being paid to issues around sustainable development, responsible development, in the manner that I've explained. With China occupying the investment space, gone are the days when typically foreign direct investment would be tied to certain conditionalities such as, for instance, issues around governance, sustainable development, and human rights, which do not seem to mean much to China and which China opportunistically views as internal (domestic) affairs for the hosting or investee countries.

So if one talks about a Sino-Africa trade policy, one worries about the nonchalant attitude that China exhibits in the manner in which they manage the interface with African economies, because it's like a short-term kind of engagement that seems to be devoid of any long-term sustainability and predictability. One has therefore to worry about what that portends for the future. It's like an engagement that does not recognize the fact that the natural resource that is forming the medium of that trade is exhaustible, and therefore should be used in a manner that demonstrates sensitivity to that fact. You don't see much of, as I said, value addition going on, and it is extractive, and it is extraction at a fairly fast pace. That becomes worrying. It's easier to deal with China, I think, because China does not insist on many of these conditions that one needs to comply with if one were to receive development assistance from the West, so to speak.

I don't know how true this is but China has been working very closely with the African Development Bank in the development of infrastructure in Africa, including Kenya. And you hear whispers around that the Chinese are importing the materials that get used for construction of roads in Africa, such as cement, from China, and you ask yourself the question, is it because of the inability of the hosting African countries to supply the kind of inputs that are required? How are these economies benefiting from these projects during the construction phase during which you would ordinarily expect inputs like cement, labor, and all this kind of stuff to be locally sourced? And so that there could be some fall-out benefits from such projects during the construction phase?

You worry also about the social dimensions of the postconstruction period. We see it in Southern Africa where the construction labor gets imported from China, they do their work, the work gets done, the project is handed over, but the personnel metamorphose and remain in-country. There is a social tension developing because such personnel start getting involved in the retail business sectors and start to compete with local businesses. We see it happening in Zambia, Angola and in neighboring Uganda, where there are tensions building up, when former Chinese labor force that came in for specific projects, having completed those projects, stay on, but continue then to make inroads into the retail business sectors and start competing with the local enterprises in that space. So that is a worry, but I'm not sure whether my response directly speaks to your question.

HM: *Oh, yes. So putting it in its historic context, is that because the governments changed policies? What's the role of the government in that?*

FO: Well, I think because of the ease with which China comes in, with no conditionalities around such issues as governance, basic human rights, or sustainable development being associated with the investments, probably African governments find it's easier to work with China as opposed to the traditional investors from the West. So, whether it is a change of policy or not will vary from country to country. But I think, typically, if, for instance the World Bank were to be involved in a typical infrastructure development project in Kenya, oh my, you would be sure that they'll come with a host of requirements, which are supposed to be improving the ecosystem, so that it's not just a question of implementing a project, but also implementing it in a manner which ensures that the entire ecosystem is preserved and improved; ingredients which I think are completely lacking in the Chinese templates.

HM: *In terms of the business ecosystem in Kenya and its historical development, the new constitution created 47 different administrative areas and my understanding is that one of the byproducts of that is that each of them has its own budget, each of them has to raise its own tax money, and* *they've been looking for businesses to come up with that tax money; to what extent is the new taxation an impediment to business growth in Kenya and where do you see that headed?*

FO: Although we pride ourselves in owning one of the most progressive constitutions in the world which has been promulgated during peace time, the new constitutional dispensation has created a fairly expensive institutional framework. It's therefore a genuine worry. The new constitution has created a devolved governance structure comprising forty-seven counties. As you say, rightly, each one with its own budget and revenues. There are some functions which are retained by the central government, but there are some functions which are devolved to the county governments. At the national level we raised, for example, some 1.65 trillion Kenyan shillings for the 2013–14 national budget. I don't know what that translates into U.S. dollars, but the exchange rate now is about 86 Kenyan shillings to 1 U.S. dollar. Naturally, to raise that kind of budget, the government must also raises taxes to be able to fund the budget. That is translating into a tax regime that I think is getting fairly regressive and counterproductive. I'll give you an example.

We have a tax called VAT, value-added tax, but for the first time, the VAT-able items—the scope of items covered under the legislation—has been expanded extensively. Everything more or less gets taxed. Even items that were not VAT-able before are now VAT-able. What that has done, for example in the tourism industry, is that the 16 percent VAT is now finding its way into several inputs impacting the hospitality industry in the form of ancillary services by, for instance, tour operators, park and conservancy fees, not to mention extending the taxes to food items, etc. It's tax, tax, tax. Overall, one reckons that, because of the additional items that have been brought into the VAT-able bracket, cost of a package tour into Kenya might have gone up by about 10 percent. That's an additional cost that was not there before, but which now forms part of the taxation regime.

The question then is, at a consumer level, one has to decide, if I have to be paying an additional 10 percent because of choosing Kenya as a destination, would it not make better financial sense that I look for an alternative destination, assuming of course that other things remain constant? So the real issue is that tax, as a policy tool, should be encouraging development and not discouraging development. But if you are going to be taxing people at a level that it becomes a disincentive, then there are issues of concern which the affected stakeholders should be talking about.

Yes, it is an expensive government, because even at a county level, they have responsibilities that require funding, and those would then require that they also levy taxes at county level. Well, you're talking about taxing the same kind of persons or businesses at the various levels of government, and the question that then emerges is whether that tax is bearable or whether it can achieve the objective that taxes are supposed to be universally achieving. The unfortunate thing is that we are talking about high-level incidences of taxes, but we are not really spending as much time and resources in widening or broadening the tax base and growing the economy. The cake is not getting bigger as fast, but you are ending up with situations where the incidence of tax is getting higher and higher and further burdening as it were to the same kind of tax payers. Then, at that point in time, it really becomes a disincentive and indeed counterproductive.

But having said that, I think that the beautiful thing about the new governance system we have is that, through devolution, political inclusion has been broadened as the government gets closer to the people. Decisions are made at county level in a manner that resonates with the expectations of the citizens at grass root levels. Counties are then able also to focus on projects that can create the desired development and the government does not become a remote kind of external agency, if you like. And through that, you'd expect that it would enhance the levels of participatory democracy in terms of citizens being enabled to participate more intimately in the way in which they are governed and decisions are made on issues that impact on them. So there are pluses, but there are also minuses.

My own view is that it's too early in the day to pass any judgment on the new Constitution and the devolved form of government. This is our first or second year of implementation under the new devolved system. There will be teething problems, obviously, but much would depend on how quickly and effectively we can engage ourselves to adjust and smooth these implementation challenges and the related transitional issues. However, I think that the overall the direction is right. One would therefore say that a devolved government system should be able to accelerate the pace of more targeted economic development. However, as already mentioned you worry about such emerging issues such as the low absorptive capacity of the counties to channel the allocated resources towards development, escalating wage bills to keep the heavy bureaucracy afloat and weak public finance management capacity. But one hopes that with time there is going to be a better mix.

HM: *You took your first job in business, in private enterprise, just twelve years after Kenya was independent. You've been in business forty years, most of the life, if you will, of Kenya as a republic. As you reflect back over the history of the republic, essentially, what are the two or three things that you think have changed the most that impact business in Kenya when you look back over a half century?*

FO: You want me to limit myself to just three key events? (Laughs.)

HM: *No, no. (Laughs.)*

FO: Okay. I would first look at what I would call the carry-overs—or the brought-forwards—starting with the key milestone associated with the attainment of Kenya's political independence in the 1960s, 1963 to be precise. So the country goes through a fundamental transformational change in terms of the productive forces being released. If you are to disregard for a while the low base at which we are starting from, early years of our independence saw Kenya attain an annual average rate of 6 to 7 percent GDP growth, I think, for the first five years or so. It was one of the fastest growing economies at the time, but I think that was because what until then were suppressed opportunities opened up all of a sudden. Therefore businesses were thriving and in this brave new world, where people would be rewarded for what they do, our common quest to address the triangulated unholy alliance of poverty, ignorance or illiteracy, and disease became the key driver to Kenya's accelerated economic development. So I think that was a real milestone. You could say the same of Ghana, Tanzania, Uganda, Zambia, Nigeria, etc.—the fact that, with the advent of political independence, the freedom for enterprises to thrive and for the majority to participate in such enterprises was made possible.

The second major milestone in the 1990s was the shift from a single-party state to a multiparty state which saw Kenya harvest considerable reform dividends in terms of political and economic liberalization reforms that followed. Until then, there was a morbid fear about government, and one-party state and, for instance, the president's word was the final word on every critical national issue. We saw a surge in business confidence. We saw enterprises thriving and Kenya developed much faster after the single-party state transitioned into a multiparty state. I also think that as the culture of democratic governance got more ingrained, investors, both local and foreign, developed more confidence in Kenya's economy and its future. I may not readily have the statistics to back up my argument, but it would be fair to say that with the political and economic liberalization, there was a substantial surge in foreign direct investments as well as domestic investments as a consequence of the improved confidence in the business environment and once more Kenya became a popular investment destination.

The other major milestone, really, beyond that, which has been a negative one, are issues to do with the general state of insecurity in Kenya. And insecurity here should be broadly understood to include insecurity arising from politically-instigated tribal conflicts as well as terrorist attacks, that have also defined, in a way, the way businesses have evolved in Kenya.

The fourth key milestone would be the advent of globalization because, unlike before, increasingly the integration of markets and economies is a reality which Kenya has to work with as a part of a globalized economic system and must play in that system. I think it has seen Kenyan businesses adopting international norms and standards, whether it is in the form of international standards on product quality, processes, packaging or labeling under the various ISO Standards Total Quality Management Systems; or whether it is in the form of adoption of International Financial Reporting Standards (IFRS) or International Accounting Standards (IAS) or U.S. Generally Accepted Accounting Principles (USGAAP). We have seen a situation where it's quality that is driving the way businesses organize themselves globally. Our friend, Joseph Stiglitz, has published a lot on globalization and like all of us may have his own views on this phenomenon, but the fact of the matter remains that we are a part of a globalizing economic system and we have to place ourselves in that system. How we place ourselves in the system requires that we think global, and adhere to global standards. That in my view has been a positive factor defining the way Kenyan businesses have evolved over the years.

The fifth key milestone in my view would be issues around global corporate scandals regarding for instance governance issues, generally speaking. Such scandals that the world has witnessed in the recent past include Tyco (2002), executive theft; the Bernie Madoff Ponzi scheme (2008); Worldcom (2002), inflation of asset values; Parmalat (2003), and Freddie Mac (2003), misstatement of earnings and massive accounting frauds; not to mention the global financial crisis (2007–08), which had its genesis in sheer excessive human greed. The scandals and news coverage around them which we are all familiar with have greatly impacted how businesses have evolved in the Kenyan economy from the corporate governance perspective.

HM: *Did it change?*

FO: Yes, the global corporate scandals have changed Kenya's business environment tremendously because of stakeholder activism, for example, which in turn has in my own time clearly defined how corporate boards perceive their roles in the management of businesses. The experiences have resulted in an expanded regulatory framework coming into force in terms of prudential guidelines from, for example, the Central Bank of Kenya and the Capital Markets Authority. The experiences have significantly redefined board-management interfaces. I think that such developments have been largely attributable to the fact that such corporate scandals taking place within or outside Kenya have been impacting the way Kenyans and regulators think about businesses and the way businesses and their role in societies and therefore how they should be structured and are managed. And of course the other key drivers have been the digital/technological revolution; regional integration and promotion of regional trading blocks such as ECOWAS, SADC, COMESA, CEMAC/ECCAS; the end of the Cold War era and the symbolic fall of the Berlin Wall (1989); the 1973–74 oil/energy crisis (Arab oil embargo); the challenges associated with climate change and global warming; and the growing acceptance of the emergence of public-private partnership as the preferred model of economic development across Africa.

I talked earlier about sustainable development as an overarching theme and the supply value chain audit concepts, where consumers are concerned about how you manage your production processes and how you are relating to the environment in terms of achieving corporate sustainability as a subset of sustainable development. They are concerned about human rights in terms of child labor and they want the whole system to be subjected to social audits. If I'm producing horticulture in East Africa, and I'm exporting it into the European Union, there is a whole audit chain to worry about and that to me is positive because it's enhancing global standards in the way businesses are managed and structured. The push is also resulting in the adoption of other voluntary multidimensional sustainable reporting measurement frameworks such as Global Reporting Initiative (GRI), UN Global Compacts Blue Print for Corporate Sustainability Leadership, and International Business Leaders Forum (IBLF) Spheres of Influence, which go beyond the conventional financial or economic matrices but also encompass other equally important non-financial matrices such as social and environmental impacts created by businesses.

In conclusion, please allow me to make the following observation: For me it has been a truly interesting and exciting forty-year journey during which from the privileged and vantage position of involvement in the practice of corporate law; environmental law and policy advocacy; and active board room engagements in the financial, media, tourism, and industrial/infrastructure development sectors, I have been privileged to observe at close range the factors which have been driving changes in Kenya's and East Africa's business landscapes over the years. For me, one of the major takeaways has been to observe the direct correlation between political developments and business development; and how businesses in Kenya and East Africa for that matter are responding to the rapid changes being spurred by globalization and the digital/technological revolution.

HM: *Great. Well, thank you.*