

2019 Survey Results



Be seated among the **great**



Agenda



Survey Background



Geographic Reach



Economic and Industry Outlook



Company Planning



Operational Effectiveness



ESG



01

Survey Background





PARTICIPATION CRITERIA



- Turnover in the range of KES 50 million to KES 1 billion
- Willing to provide audited accounts and auditors confirmation for financial years ending in 2016, 2017 and 2018
- Not listed in the Nairobi Securities exchange (NSE)
- Not a bank, insurance company, law firm or accounting/auditing firm
- Participation is voluntary

METHODOLOGY



- Quantitative (A mix of face-to-face interviewing and self-filling was adopted. This depended on convenience of the firm)
- Data collection tools
 - ✓ General questionnaire: Gives qualitative information about the company
 - ✓ Financial questionnaire: Captures the financial data of the company

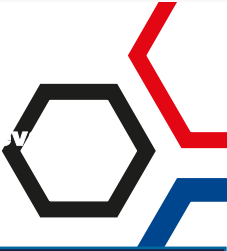
SAMPLE SIZE



Achieved n= 214

- 214 companies participated in the survey
- Complete GQ, FQ & Auditor's confirmation n=186
- Complete GQ & FQ n=19
- Complete GQ only n=9

About the survey



number of
respondents
**214
Companies**

12
number of
competitions

90%
Are in the growth
and maturity
stage



Manufacturing – 18%



Consumer and retail – 24%



Infrastructure/ Construction – 11%



Transport – 7%



ICT- 7%

Others – 34%

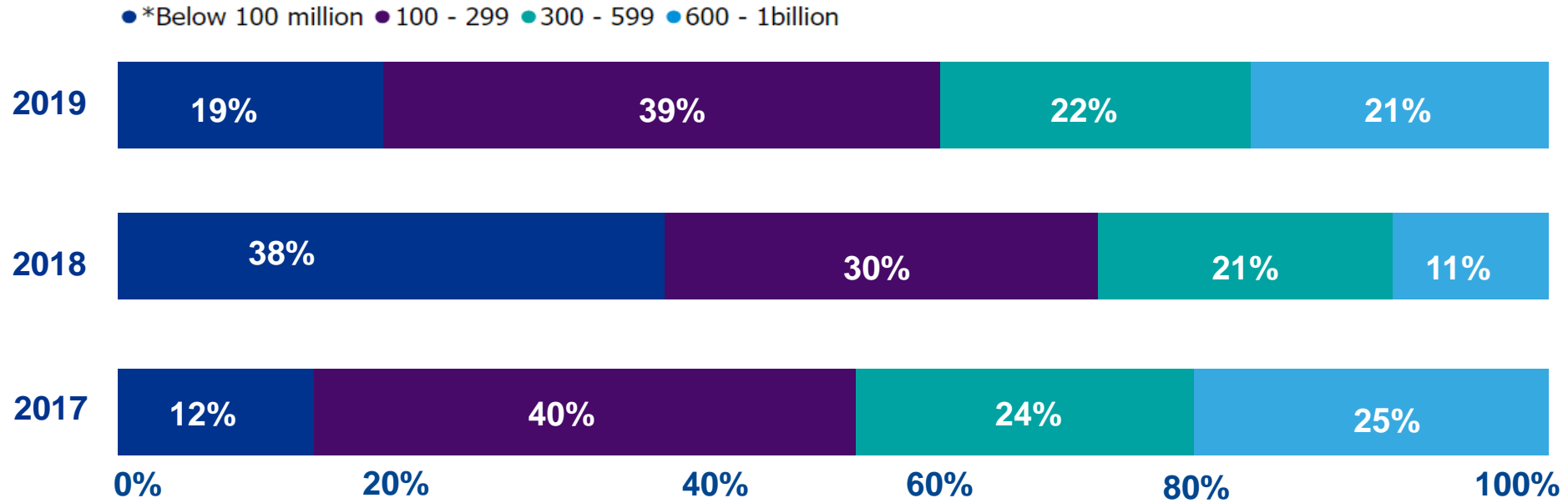
* Advertising, Real Estate, Education, Business Services, Mining, Oil & Gas, Health

Unique facts about this year's survey

- Almost 40% of the survey respondents have a turnover threshold of between KES. 100-300 million.
- The participation threshold was lowered in 2018 to accommodate companies with turnover threshold of KShs 50m and above.
- We have had over 1200 unique companies participate in the survey for the last 12 years. Out of that 10% have since closed shop.



Majority of the participants in the last three years have a turnover of between 100-299 million

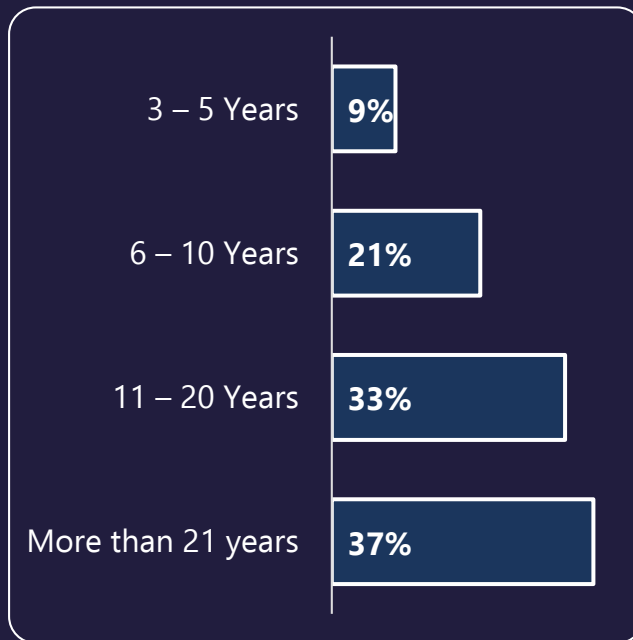


The participation threshold was lowered in 2018 to accommodate companies with turnover threshold of KShs 50m and above.

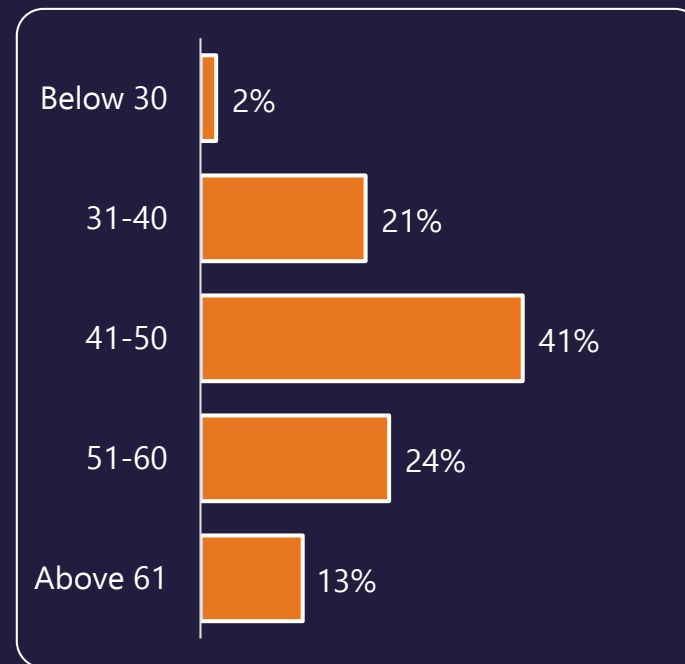


Most of the mid-sized companies are already established businesses and have been operating for more than 10 years while the current CEOs' ages spread across the different age groups

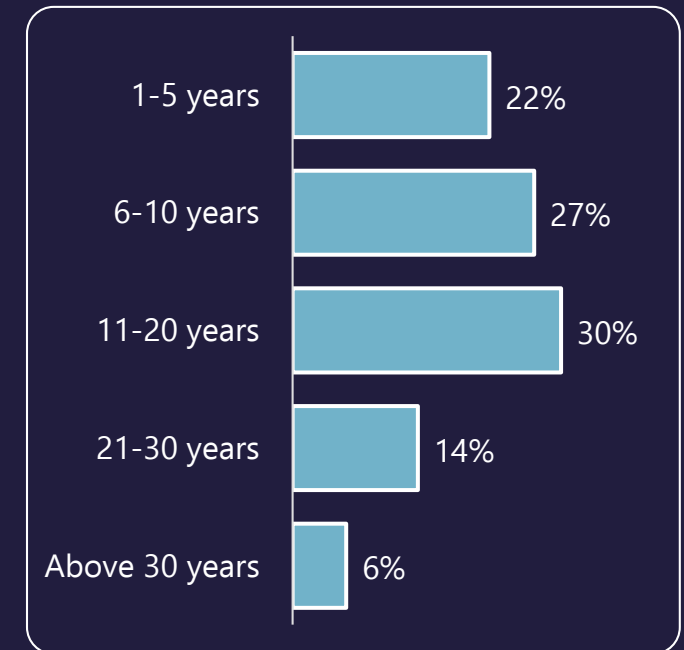
Length of time company has been in operation



Age of the CEO



CEO's length of service



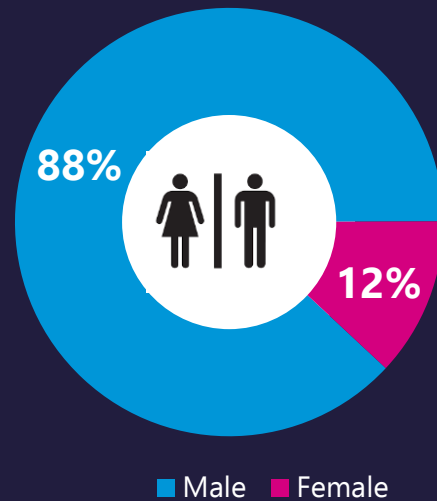
N=214 total sample

Q1b. How long has your company been in operations?
Q2a. What is the age of the CEO?
Q2b.. How long has the CEO worked in that position?

More than half of the respondents are family owned businesses.
Almost 90% of the companies have their CEOs as male and more than 70% of the respondents are fully Kenyan owned.

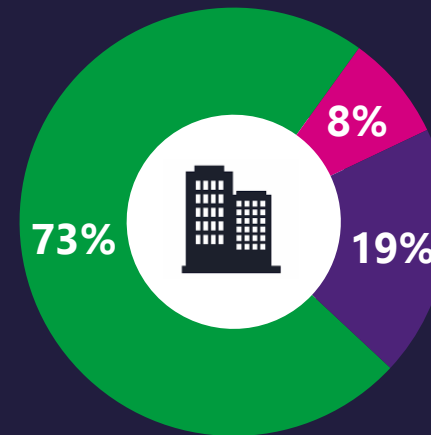


Gender of the CEO

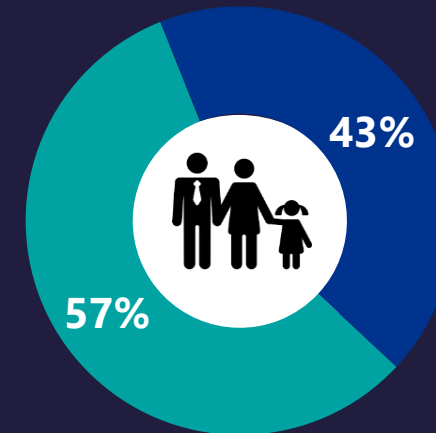


Ownership Type

- Fully Kenyan owned
- Fully foreign owned
- Partly Kenyan and foreign owned



Family ownership



- Family Owned
- Not family owned

N=214 total sample

Q2c. What is the gender of the CEO?

Q4a. Is your company a family business

Q4b. What is the ownership structure of your company



Important! What we do **not** do

While ranking, we do not:

- ❖ **Audit the ratios**
- ❖ **Make any representation as to the accuracy of the figures submitted to us**
- ❖ **Rank based on non-quantitative metrics e.g. job creation, staff job satisfaction, customer satisfaction, timeliness of payments to suppliers, business ethics**

Reason:

- ❖ **Our survey emphasizes objectivity based on quantitative information.**

Key ratios we obtain and why?



No.	RATIO	WHAT DOES IT MEASURE?	USED TO RANK?
1	Revenue growth rate (%)	Growth ('top-line')	✓
2	Return on equity (%)	Returns to shareholders	✓
3	Current ratio	Liquidity / Financial stability	✓
4	No. of days' sales in debtors	Working capital management	✓
5	Return on weighted average equity (%)	Returns to shareholders	X
6	Quick ratio	Liquidity /Financial stability	X
7	Debt /Equity ratio	How growth is funded Financial stability	X
9	Retention ratio	How growth is funded	X
10	Interest cover ratio	Debt servicing	X

02

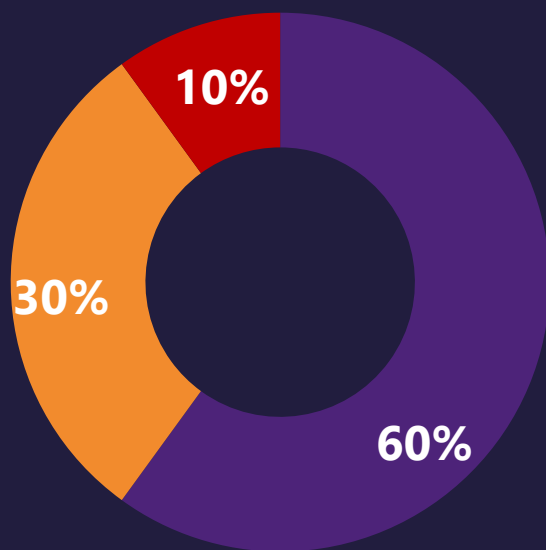
Geographic Reach



60% mid-sized businesses support East Africa integration. Talent is the biggest challenge for operating in East African countries

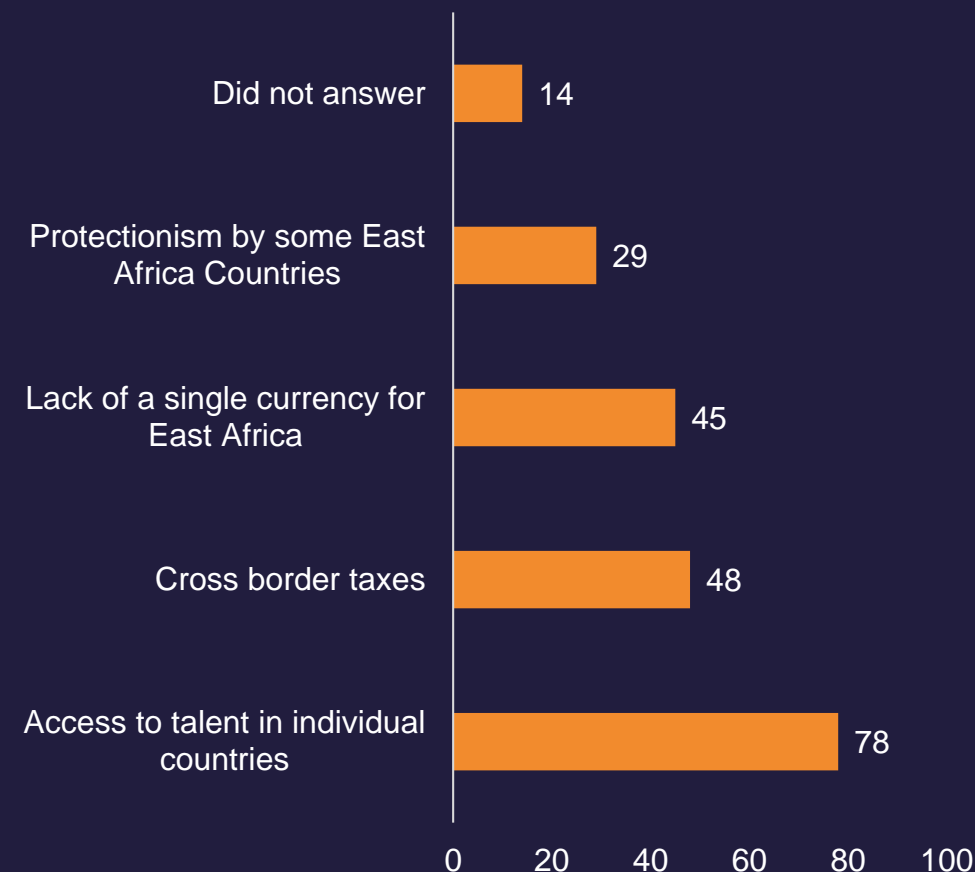


Support for East Africa integration



■ Supports to large extent ■ Supports to a small extent ■ Does not support at all

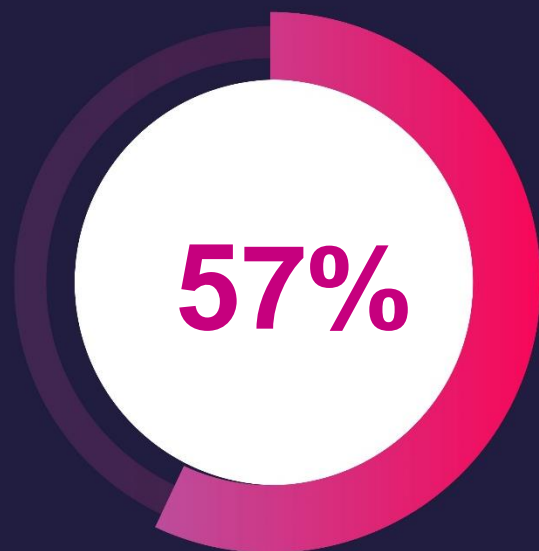
Challenges affecting work in the East Africa region



N=214 total sample

Q32a. To what extent does your business support the East Africa Community Integration?
Q32b. What challenges do you see affecting your business performance in the East Africa region? Rate the following between 1 and 4 where four is highest and one is lowest.

Majority of the mid-sized businesses have local presence while a few operate in other countries especially within East Africa



All operations / offices for the business are in this premises/office



Operations / offices in various parts of Kenya



Operations / offices in other countries



Presence out of Kenya Sample n=32	
Uganda	34%
Tanzania	27%
Rwanda	17%
Rest of Africa	8%
Europe and/or Middle East	2%
Americas	2%

N=214 total sample

Q6a. Which of the following best describes your business?
Does your business have ...?
Q6b. You indicated that your business has a presence in other countries? Which are these countries

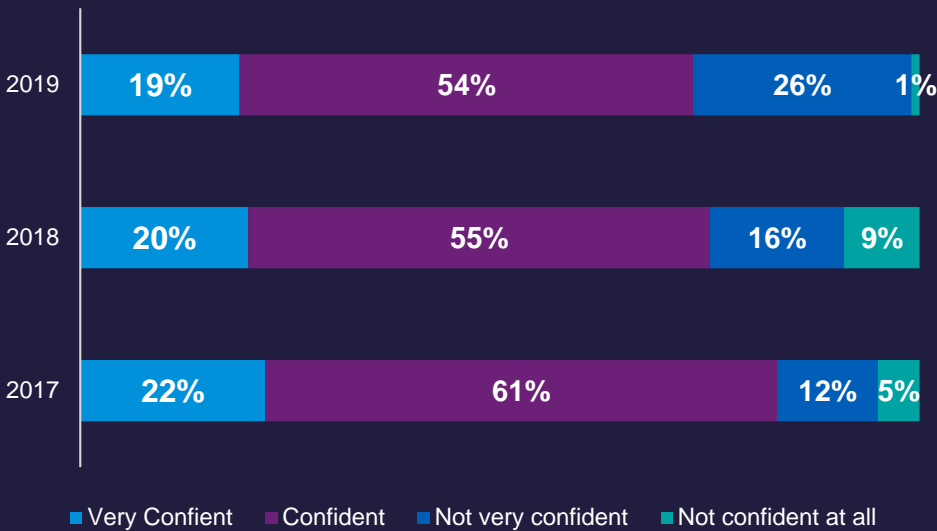
03

Economic and Industry Outlook

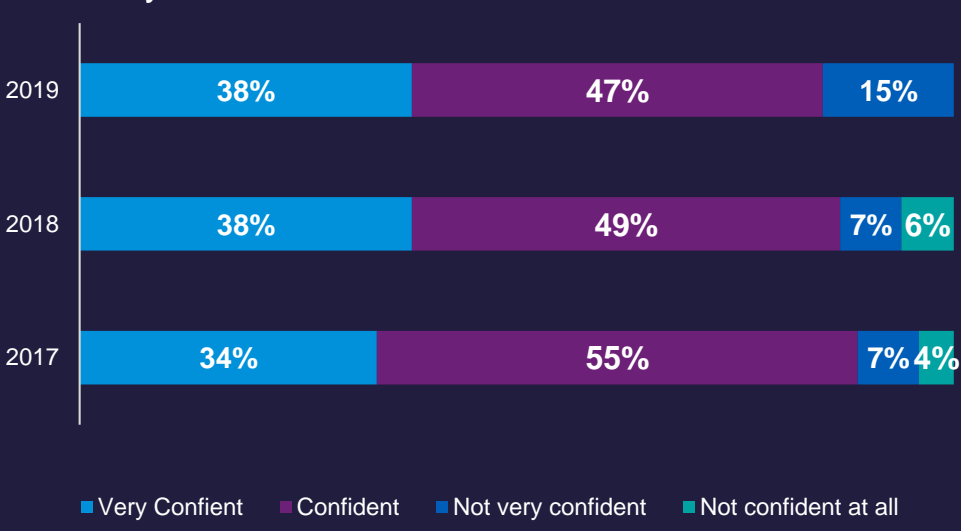


Mixed confidence in economic and industry outlook

Economic Outlook



Industry Outlook

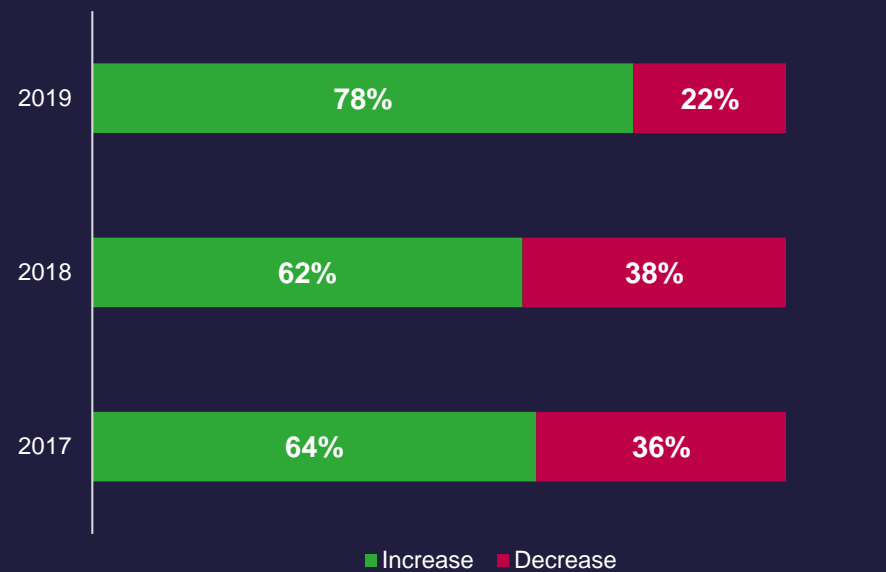


SMEs CEOs confidence in the economy mirrors that of East Africa CEOs of major companies including multinationals. In the current 2019 East Africa CEO Outlook, their confidence was at 78%.

N=214 total sample

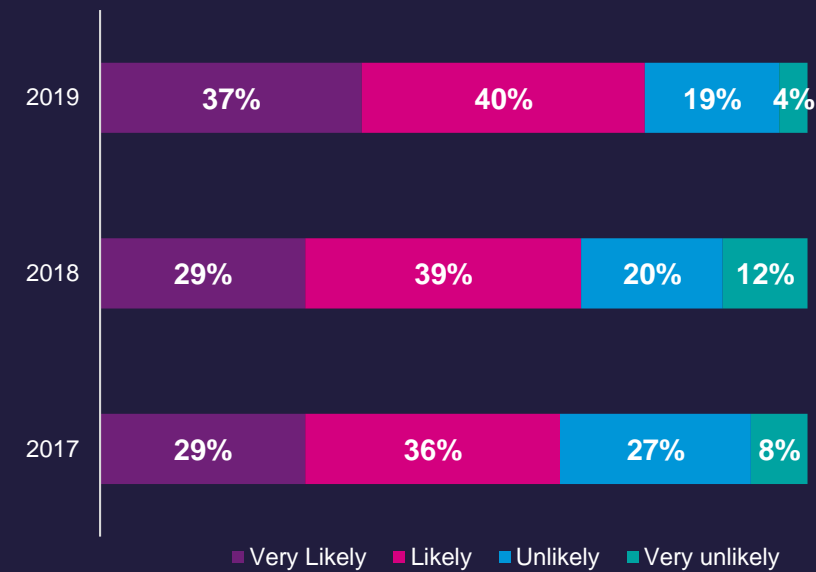
Q17. How confident are you about the growth prospects of the Kenya economy in the next one year?
Q18. How confident are you about the growth prospects of your industry in the next one year?

Increase in sales revenue is proportionate to increase in the likelihood to hire between the years 2018 and 2019



Top reasons for increase of sales:

- Strategic focus, experience & good management
- Expansion of business
- Better marketing strategies
- Better technology
- New products/services



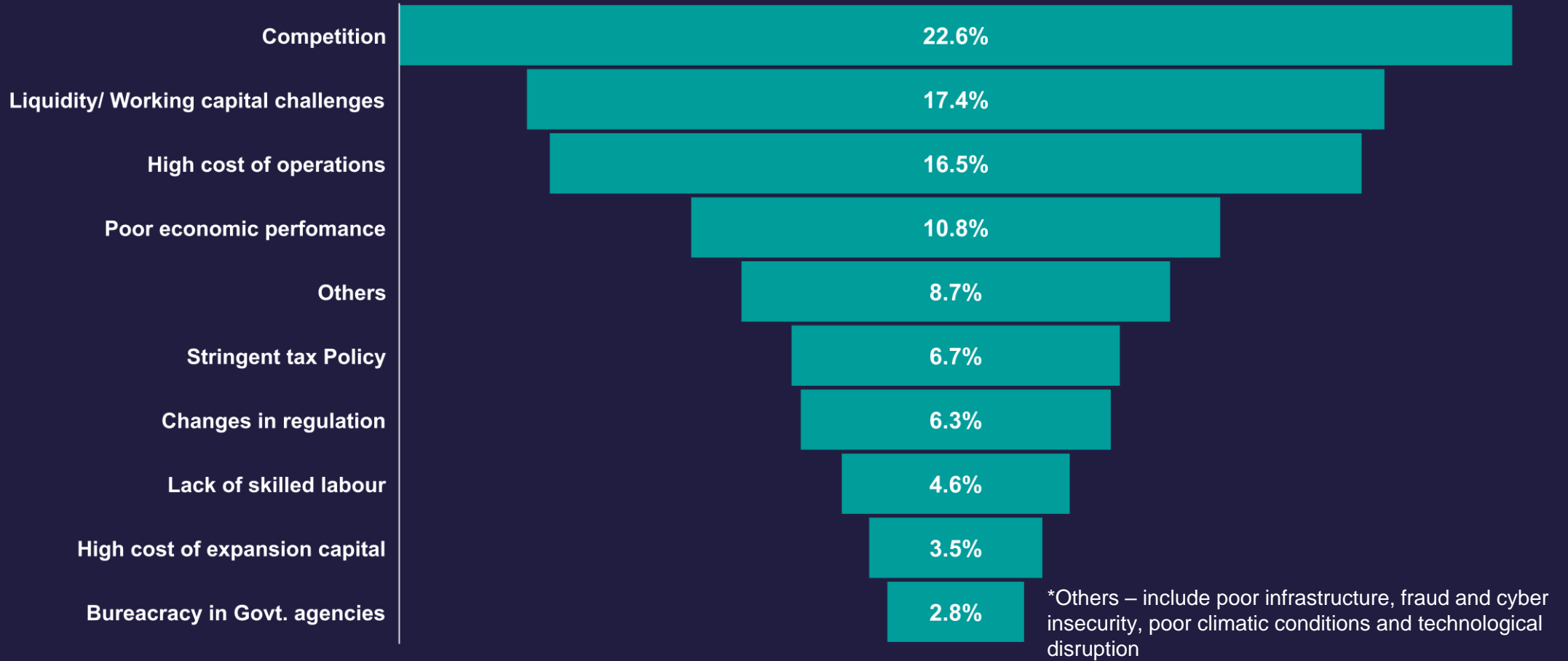
Motivation for hiring

- Positive economic outlook
- Expansion of business
- New products/services

N=214 total sample

Q19. Which of the following statement best describes the revenues for your company for 2018 and 2019?
Q25. Over the next 12 months, how likely are you to increase the number of full time staff working for your company?

Competition is the number one challenge that SMEs are facing.

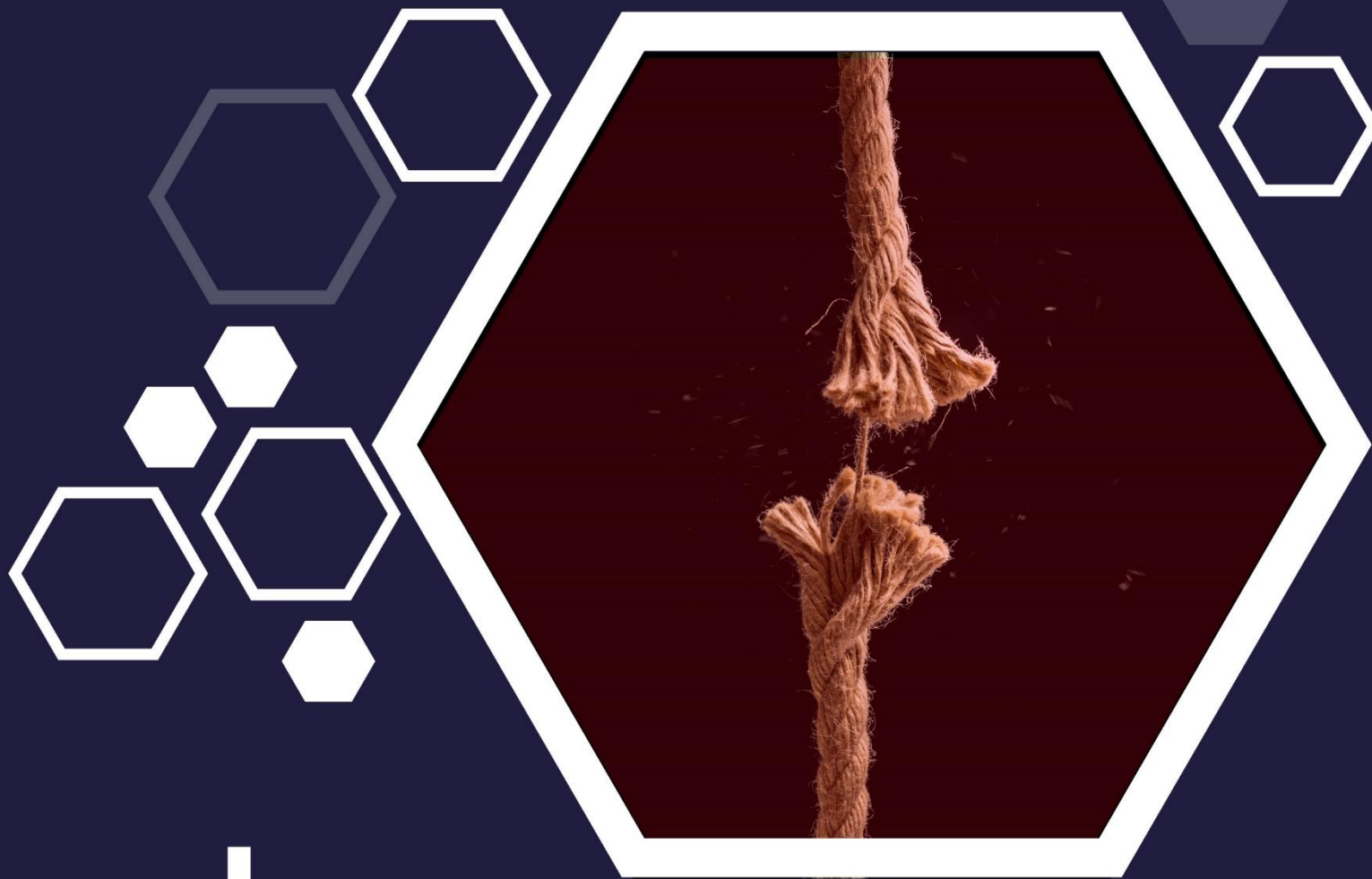


N=214 total
sample

Q21.What are the THREE KEY challenges that your business is currently facing?

04

Company Planning



Majority of the surveyed participants prepare medium term strategies annually



Preparation of medium/long-term strategies

Medium term

More than 5 years	0.50%
Every 5 years	4%
Every 3 years	11%
After 2 years	1%
Every year	84%

Long-term

More than 5 years	7%
Every 5 years	30%
Every 3 years	36%
After 2 years	1%
Every year	26%

Majority of the surveyed participants prepare medium term strategies annually



Preparation of medium/long-term strategies

Long-term

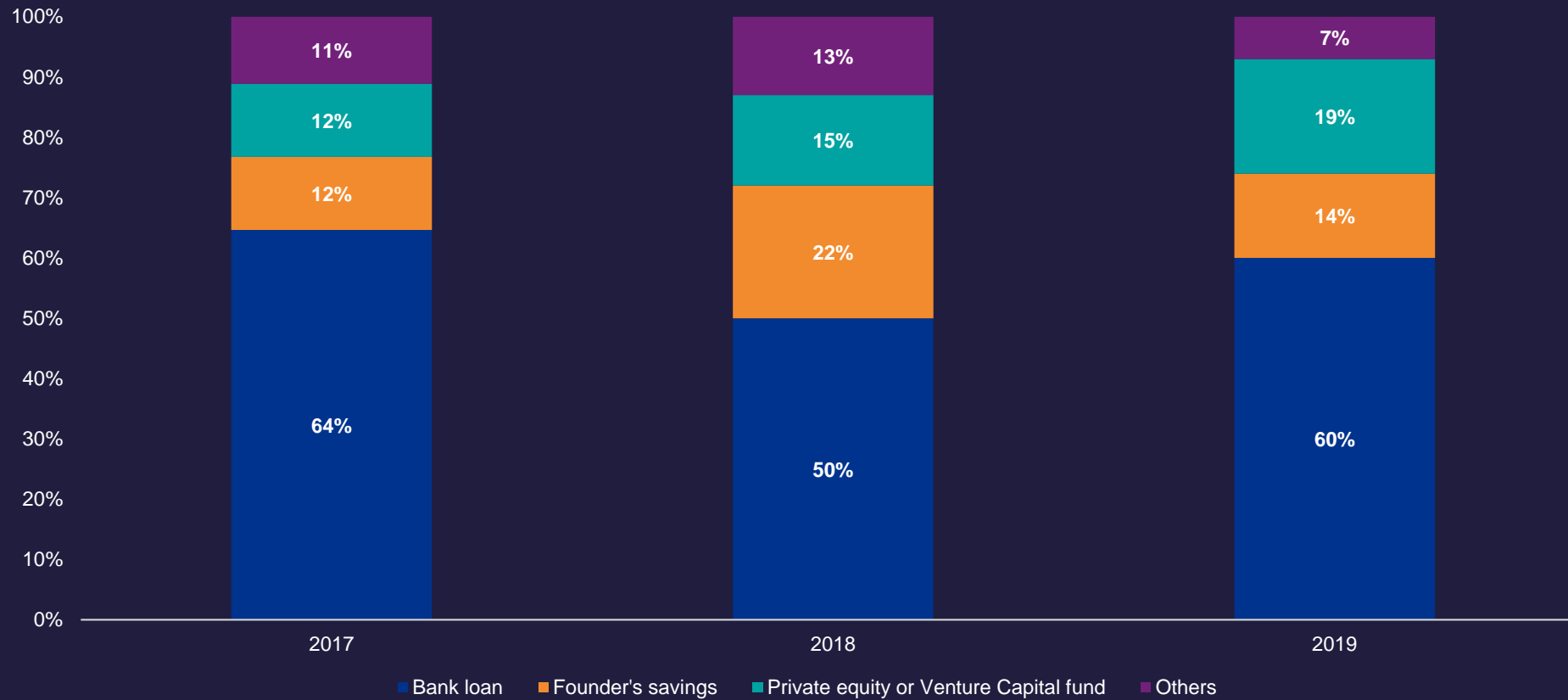
More than 5 years	7%
Every 5 years	30%
Every 3 years	36%
After 2 years	1%
Every year	26%

Medium term

More than 5 years	0.50%
Every 5 years	4%
Every 3 years	11%
After 2 years	1%
Every year	84%



Bank loans, private equity, and founders' savings continue to be the most preferred sources of expansion capital over the past three years.

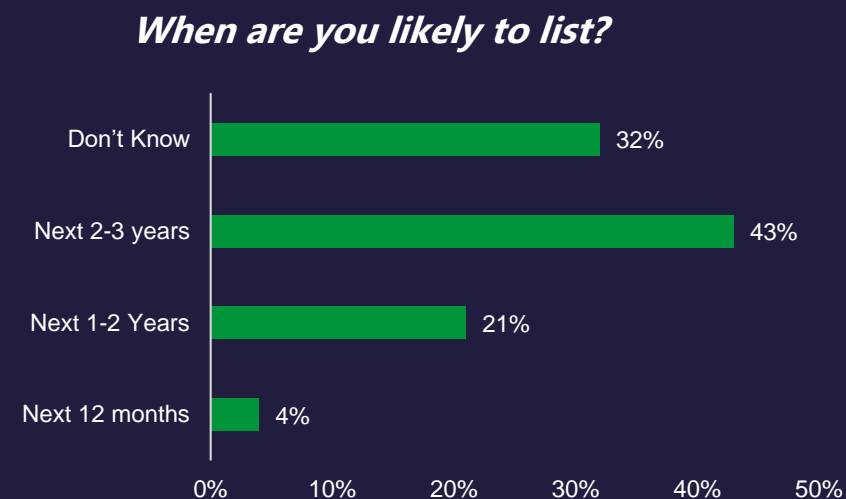
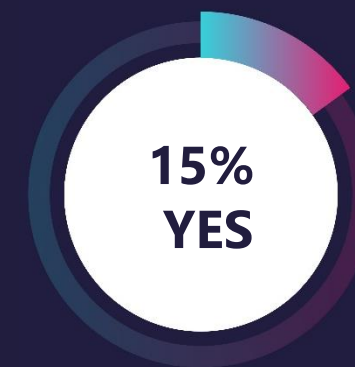
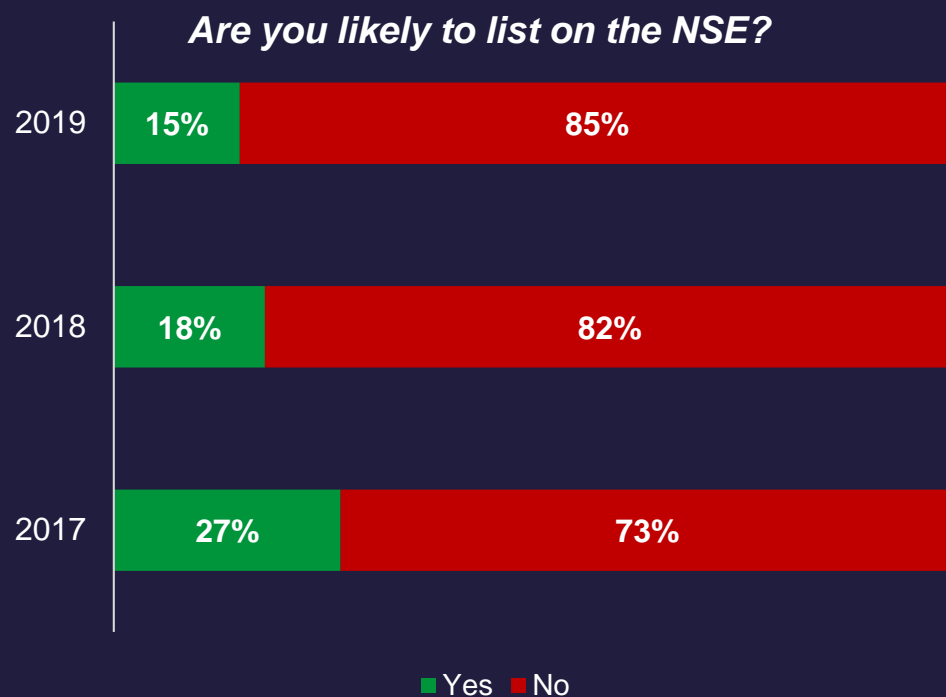


* Others include Grants, IPO, Loans from family and friends, other equity partners

N=214 total sample

Q9. If you were to source for expansion capital for your business today, which one would be your most preferred source?

Listing plans not on the table: The likelihood of listing on NSE is very low among mid-sized businesses.



Q40a. Is your company considering listing on the Nairobi Securities Exchange in the near future?

05

Operational Effectiveness



Operational effectiveness in a company is paramount to the execution of strategy.



It is important for companies to continually review their processes and systems for operational effectiveness. This is even more important as the business landscape increasingly continues to be competitive.



Managing risk, controlling costs, credit control and increasing revenues improve the performance of a company.

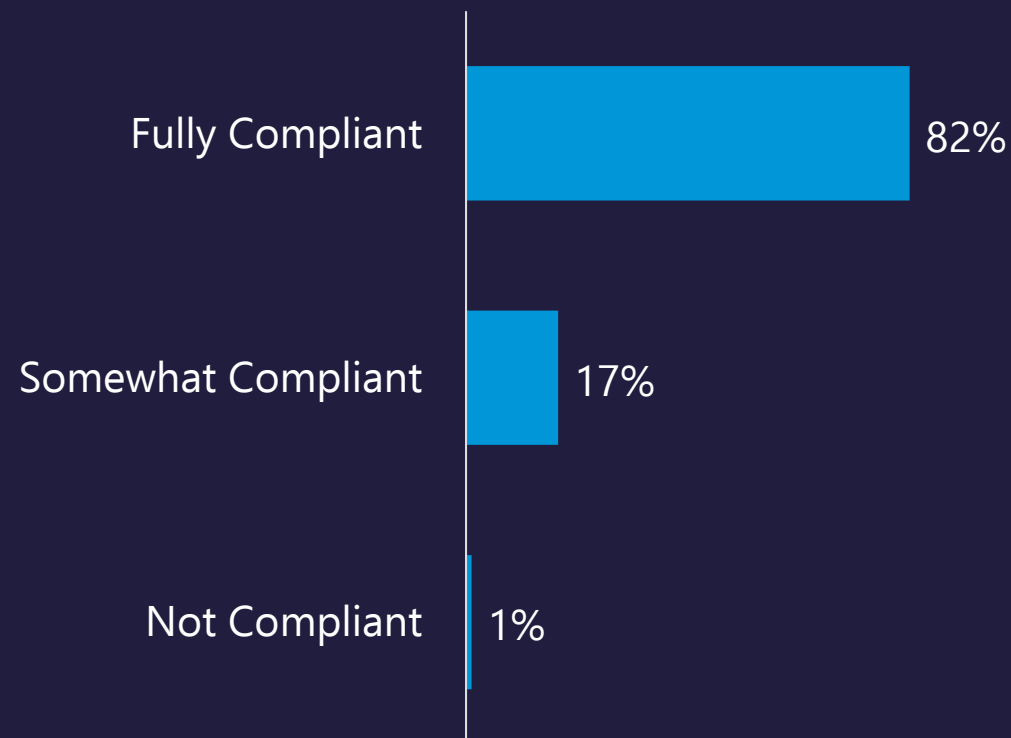


Business support functions should be strategically positioned enabling a company achieve its goals.

Businesses are complaint with international reporting standards



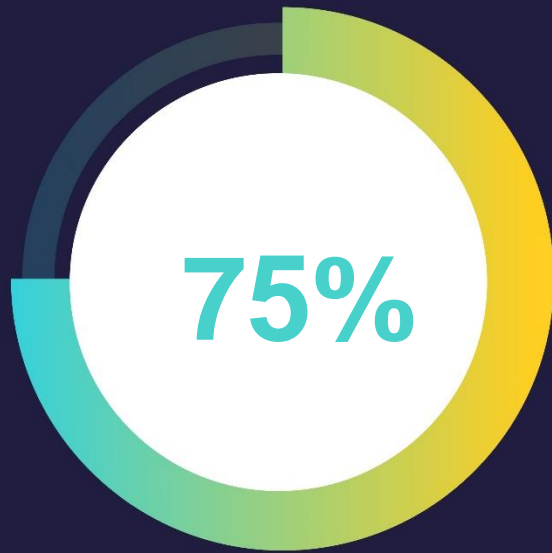
Compliance with international reporting standards



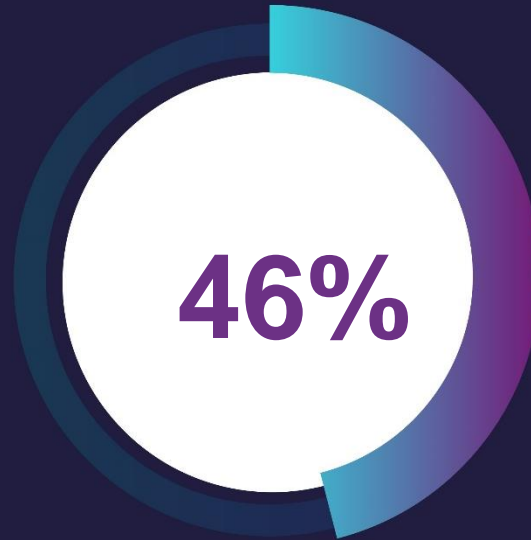
Q17. Please describe your Company's level of compliance with International Financial Reporting Standards

N=214 total
sample

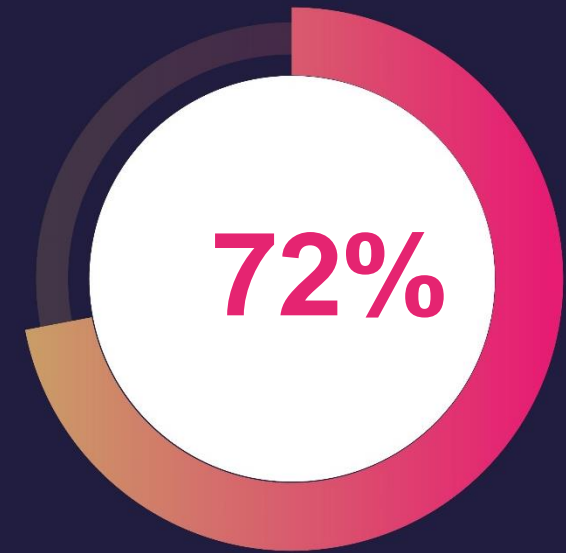
How strategic is your HR?



*Of the surveyed participants
have a fully-fledged HR
department*



*Of the surveyed participants
have their head of the human
resource department sit on the
board?*



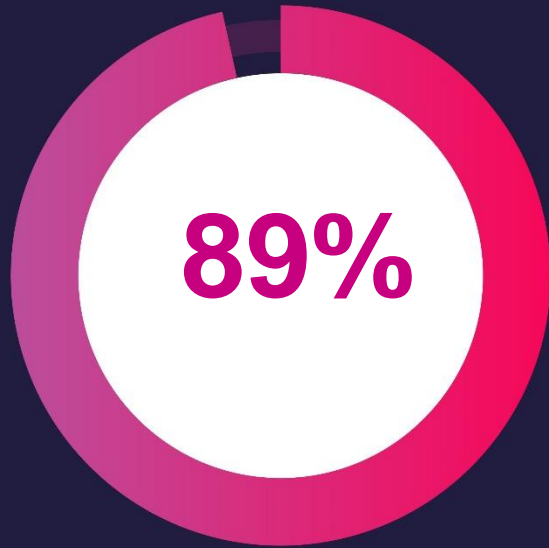
*of the surveyed participants
have a clear talent management
strategy?*

N=214 total
sample

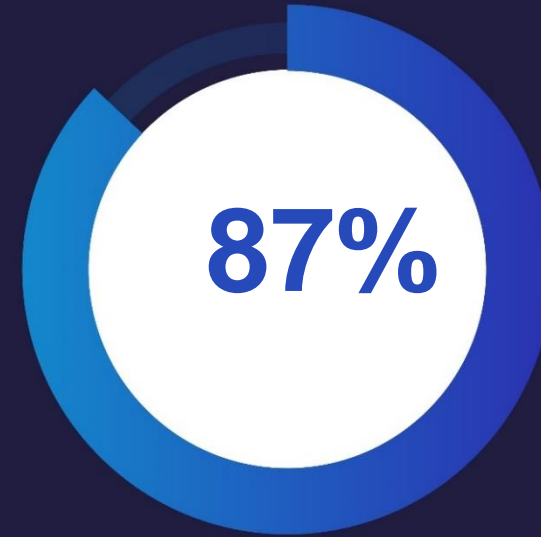
Q50. Does your organisation have a fully-fledged human resource department?
Q51. Does your head of the human resource department sit on the board?
Q52. Does your HR department have a clear talent management strategy?



89% of the surveyed participants said that their finance function is strategically positioned to support the company



Of the surveyed participants agree that their finance function is strategically positioned



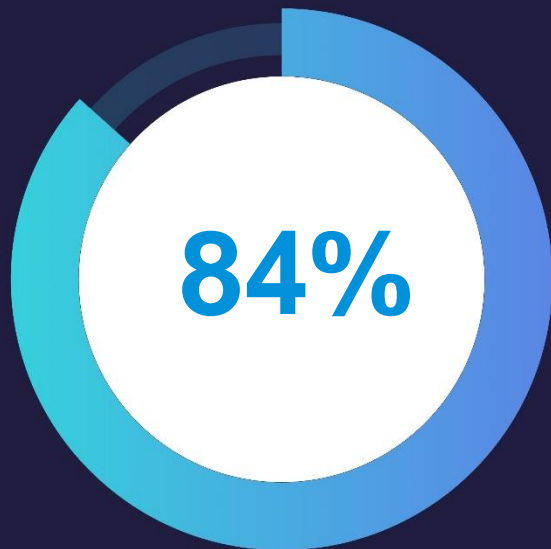
Of the surveyed participants agreed that their finance function have clear KPIs that are aligned to the organisation's strategy

N=214 total sample

Q12a. Does your finance function support the strategic initiatives of the organisation as a business partner as opposed to just book keeping?
Q12c. Does your finance function have clear KPIs and objectives aligned to your organisation strategy?



84% of the surveyed participants said that their finance functions employ technology to enable fast and real-time reporting

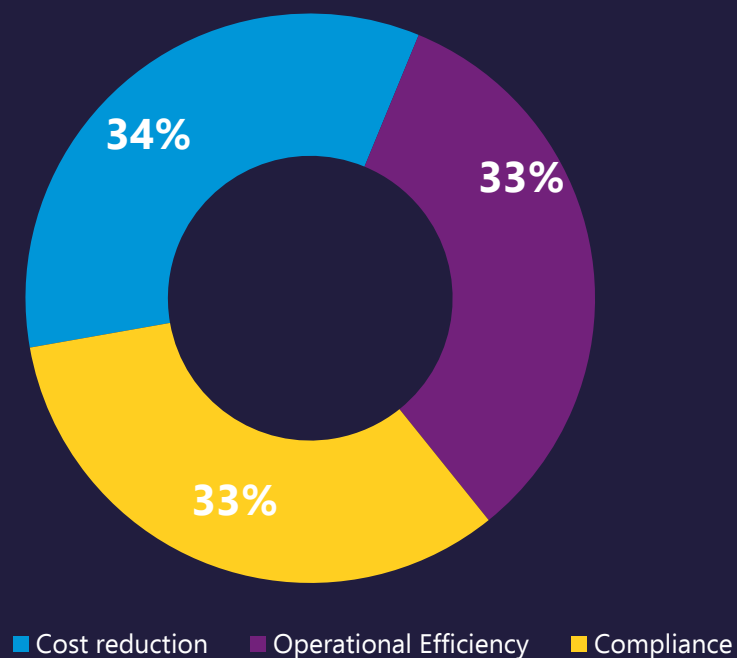


Areas of employing technology	How finance function employs technology	Areas of gaps
<ul style="list-style-type: none">▪ Book keeping▪ Sales through e-commerce▪ Payroll▪ Client relationship management▪ Procurement▪ Online banking▪ Stock/ Fleet management	<ul style="list-style-type: none">▪ Use of accounting software▪ Implementation of ERP system▪ Automated Financial reporting▪ Use of computerised system▪ Automated invoicing	<ul style="list-style-type: none">▪ Exposure to cyber crime▪ Customer relationship management▪ Analytics▪ Lack of trained workforce

Finance functions are supporting businesses in cost reduction, operational efficiency and compliance.



How finance supports strategy



Area of support	How finance function supports	Gaps in the finance function to fully support this area
Cost reduction	<ul style="list-style-type: none"> ▪ Budgetary control ▪ Monitoring of Gross Profit ▪ Optimal procurement 	<ul style="list-style-type: none"> ▪ High cost of technology
Operational Efficiency	<ul style="list-style-type: none"> ▪ Timely reporting ▪ Assessment of KPIs vs budget ▪ Implementing an ERP system 	<ul style="list-style-type: none"> ▪ High cost of automation ▪ Cohesion of all operation departments
Compliance requirements	<ul style="list-style-type: none"> ▪ Statutory requirements such as Tax , NSSF and NHIF obligations 	<ul style="list-style-type: none"> ▪ Poor support from regulators. ▪ Not having the right talent

N=214 total sample

Q12b. If you answered 'yes' in the question 12 a) above, how does your finance function support strategy in the areas below:

Risk preparedness



60%

survey participants have hotline to facilitate reporting of unethical behaviour or breach of company's code of conduct.

A hotline allows staff to report unethical behavior or breach of a company's code of conduct helping mitigate risks and loss of public trust.

N=214 total sample

Q13. Do you have a hotline which staff can report unethical behavior or breach on your code of conduct?
Q14. Do you carry out Fraud Risk Management in your organisation?
Q31. How do you gauge as the risk for cyber security in your Organisation

16%

of survey participants view cyber security as a high risk to their organization.

Risk preparedness is shifting from an internal focus to include external interactions with banks, suppliers, alliances among others to assess areas of exposure.

15%

of survey participants carry out Fraud Risk Management.

Fraud, corporate crime, commercial disputes and litigation can adversely affect a company's reputation. Companies should aim to prevent and resolve these through investigative techniques.

07

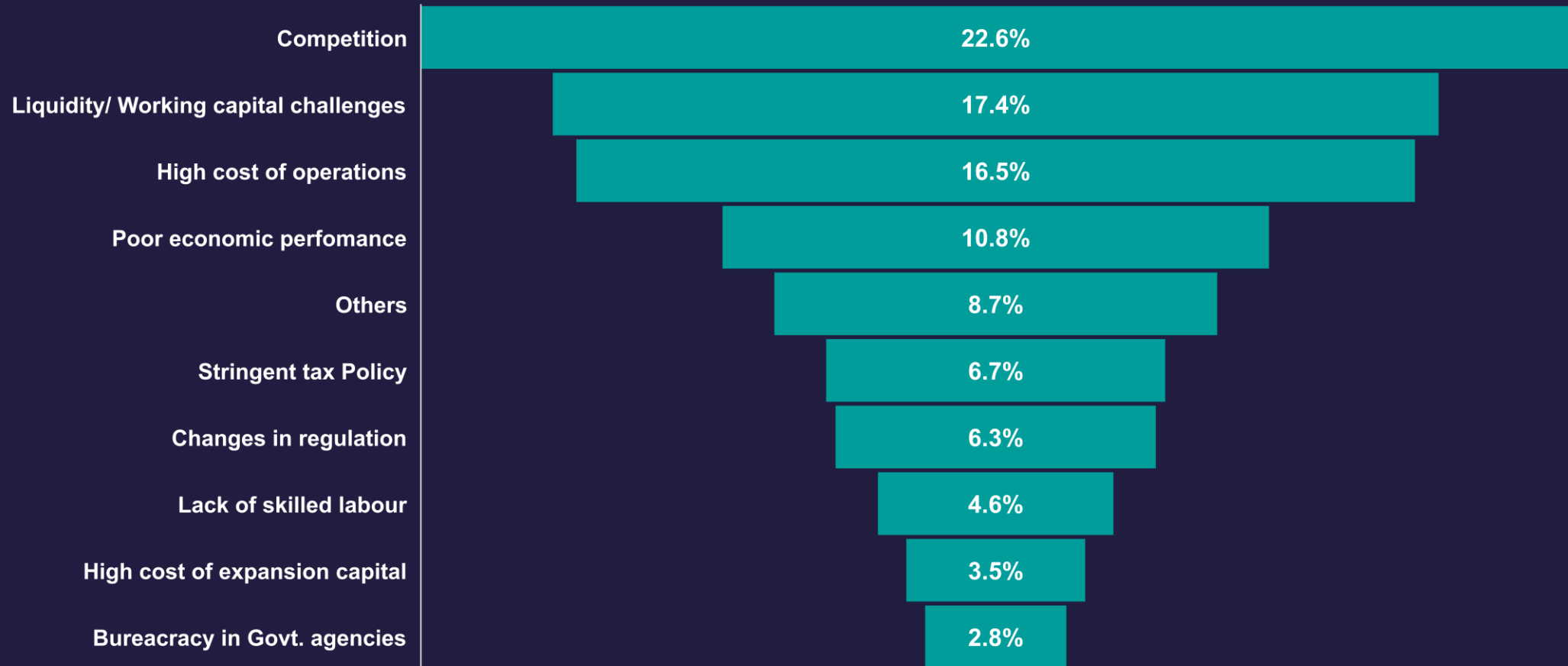
ICT, Innovation and Data & Analytics



Only 11% of the surveyed participants are on the cloud.



ICT Infrastructure



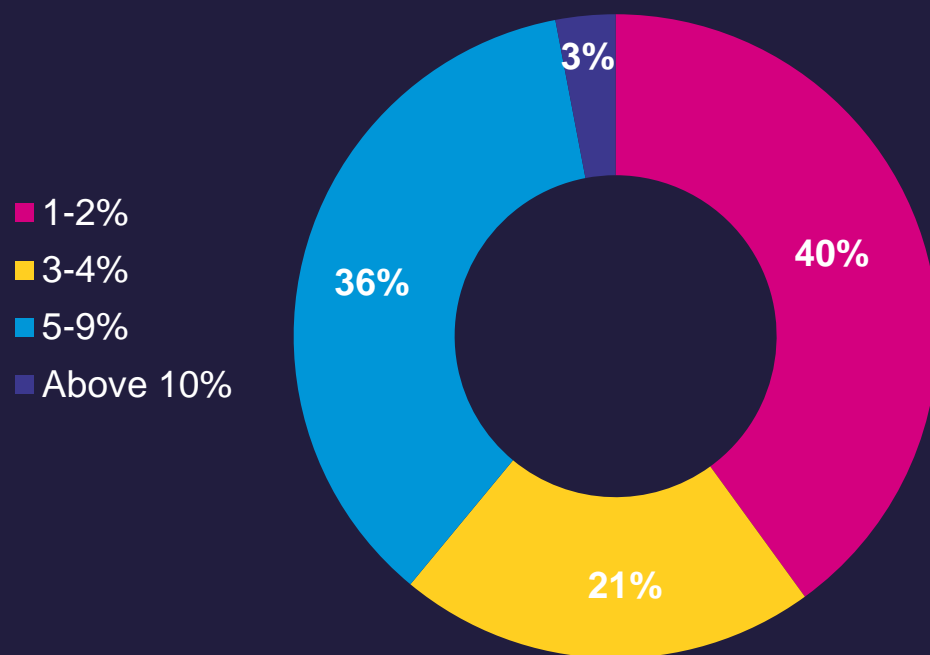
N=214 total
sample

Q27. Which of the following ICT Infrastructure is available at your business?

Budget allocation to innovation initiatives



Budget allocation to innovation

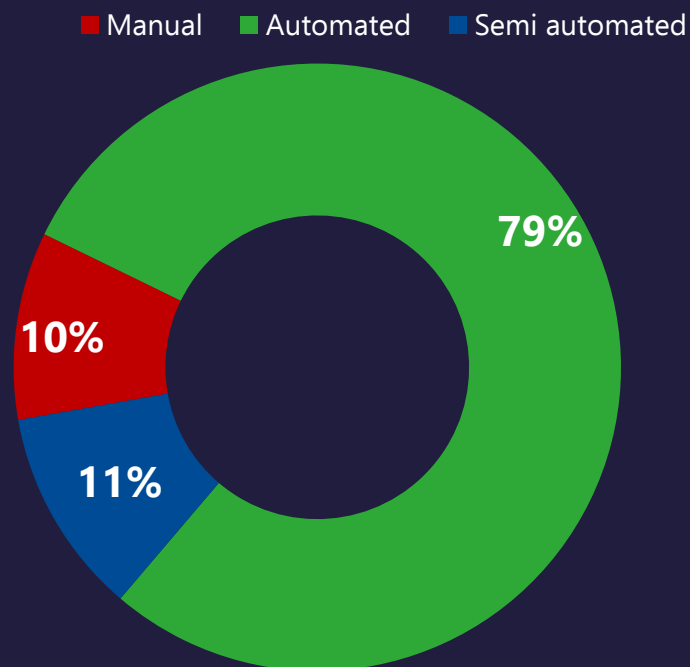


- Budget allocation differs from one company to the other and innovation is an attitude and recognition of how things are changing
- Innovation in a company can however be measured by:
 - Proportion of young people in an organisation
 - Automation in the organisation
 - Accommodation of new ideas
 - Presence of a culture of fail forward
 - An innovation hub or team in an organisation

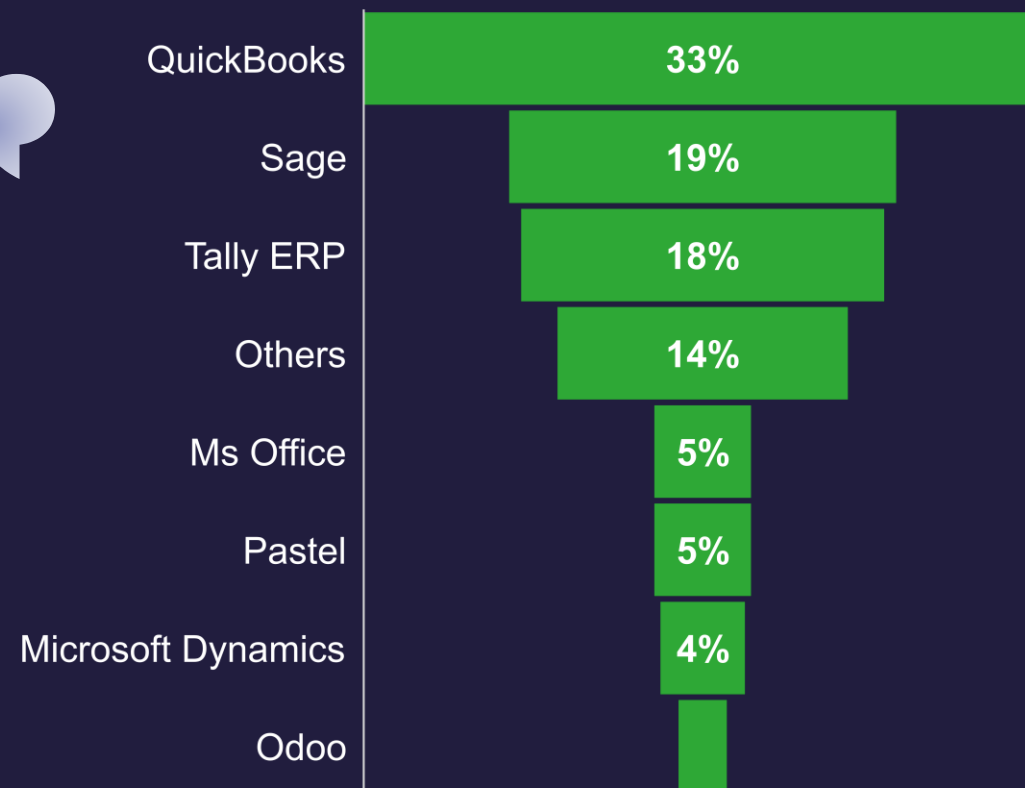
Surveyed companies demonstrate a high automation level. Innovation is on service delivery models and products.



System automation



Software used



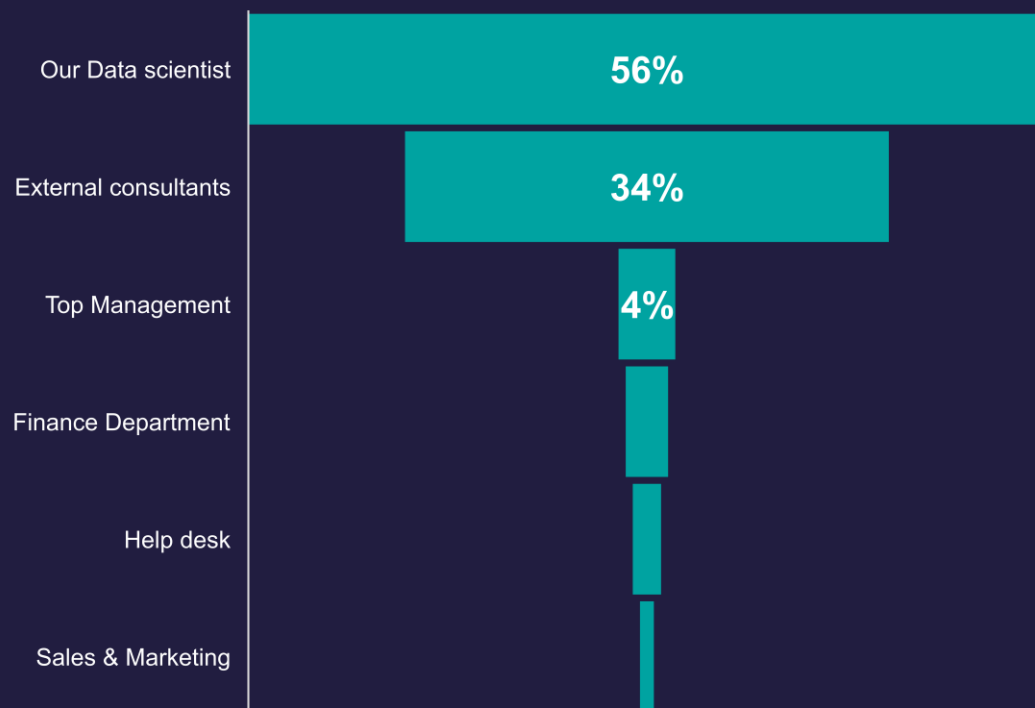
N=214 total sample

Q28. Does the company use manual (e.g. Excel) or automated systems to manage its day to day transactions /operations?
Q29. List down the software you have used to automate your day to day transactions/ operations?

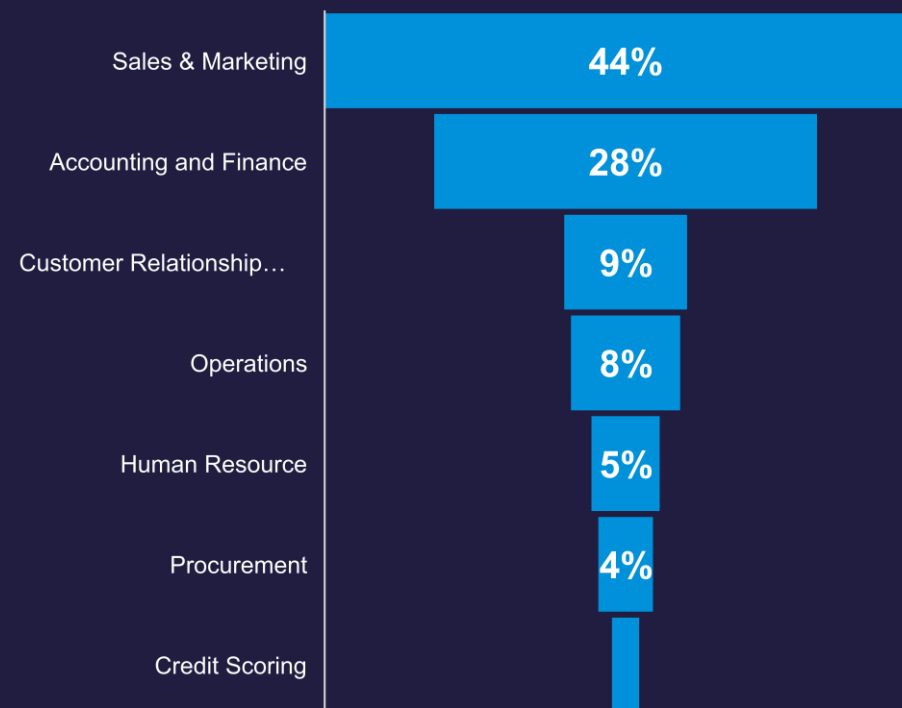
67% of the survey participants leverage data to make decisions
56% of the surveyed participants have in-house data scientists.
Companies are employing data analytics mostly for Sales and Marketing



Who is responsible for analysing the data



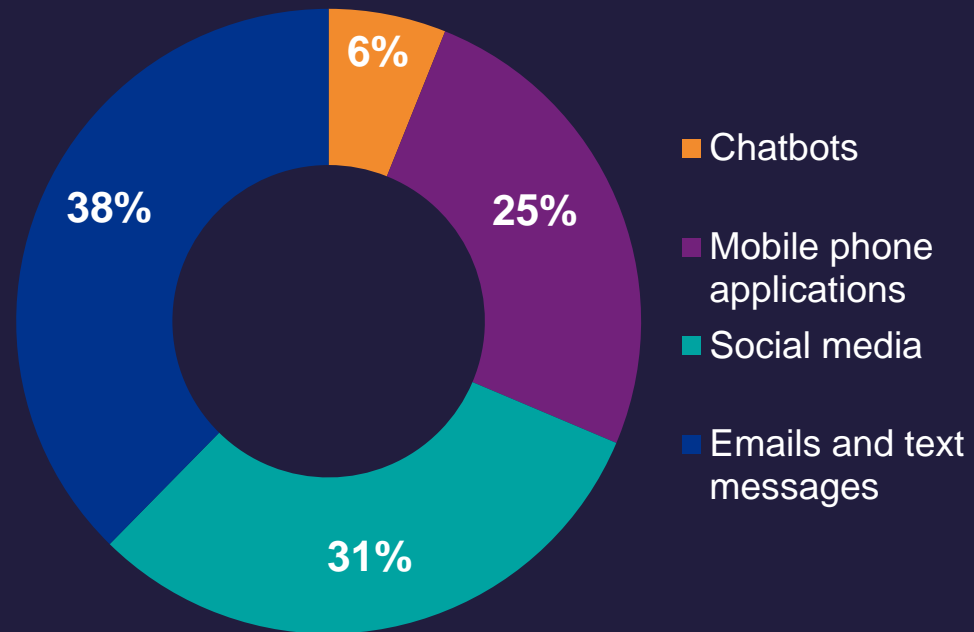
Areas where data analytics is used



Email, text messages and social media are the preferred methods of relating with customers



How mid-sized companies relate with customers



Appropriateness of the method used to communicate with customers can be informed by:

- Data and analytics
- Age of customers
- Industry trends

08

Environment, Social and Governance (ESG)



Environmental, Social and Governance (ESG)



Today, companies are not evaluated solely on financial performance. Investors and other key stakeholders including consumers increasingly expect companies to communicate how they are addressing environmental, social, and governance (ESG) issues.



Stakeholders also want companies to demonstrate how their boards oversee strategic and operational decisions related to ESG, ultimately viewed as good citizenship, as Sustainable Development Goals increasingly become a collective responsibility.

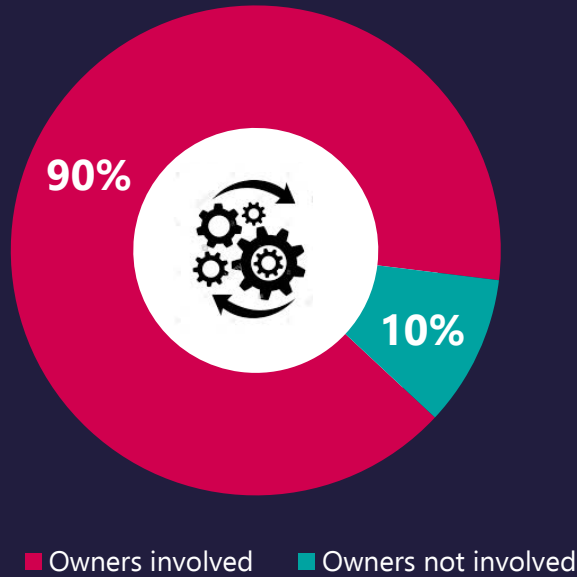


Connectedness means that news that don't represent the company well can travel the world in seconds with serious brand reputational consequences. Examples are a flaw along a product value chain, a leader with questionable character, polluting the environment, among others.

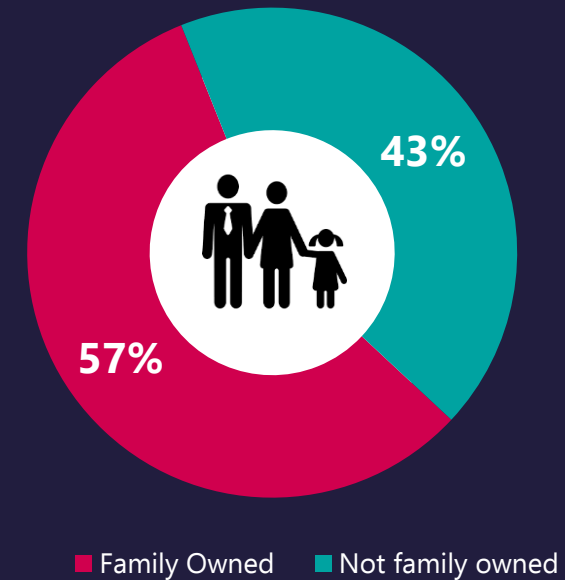
9 out of 10 companies that participated in the survey have their owners involved in carrying out day to day business operations



Owners involvement in day to day operations



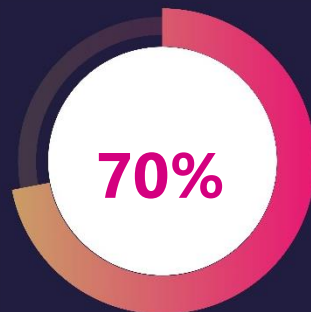
Family ownership



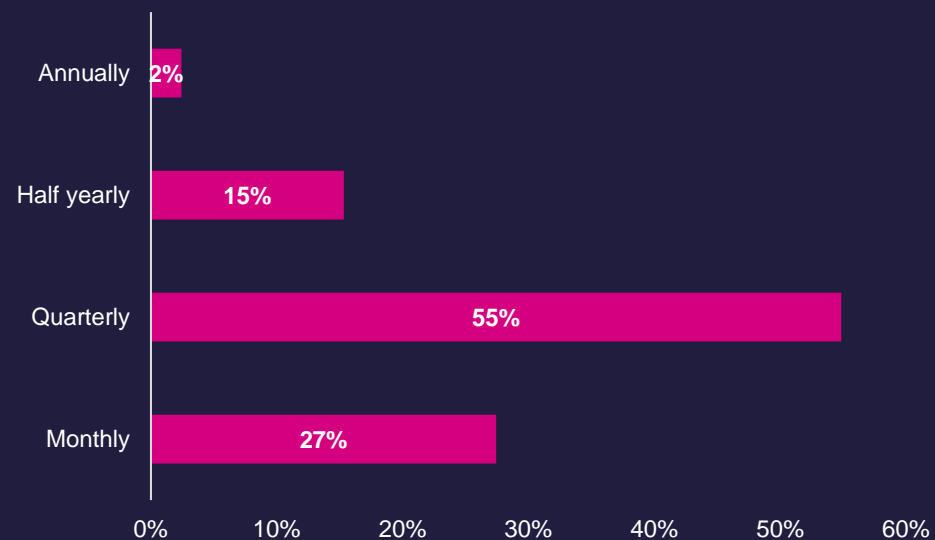
Q26c. Does any of the owners of the Company perform key roles in the day to day operations of the business?

N=214 total sample

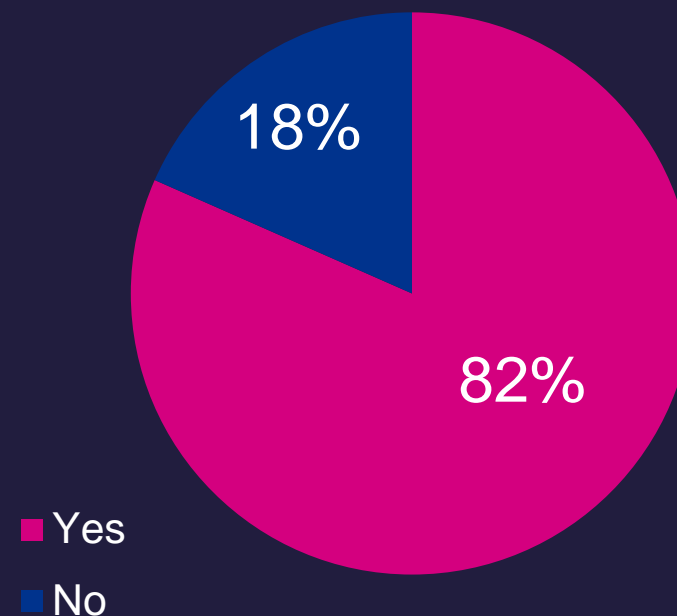
7 out of 10 mid-sized companies have Boards and majority of them meet quarterly



How often do you hold board meetings



Company has a clear succession planning strategy?



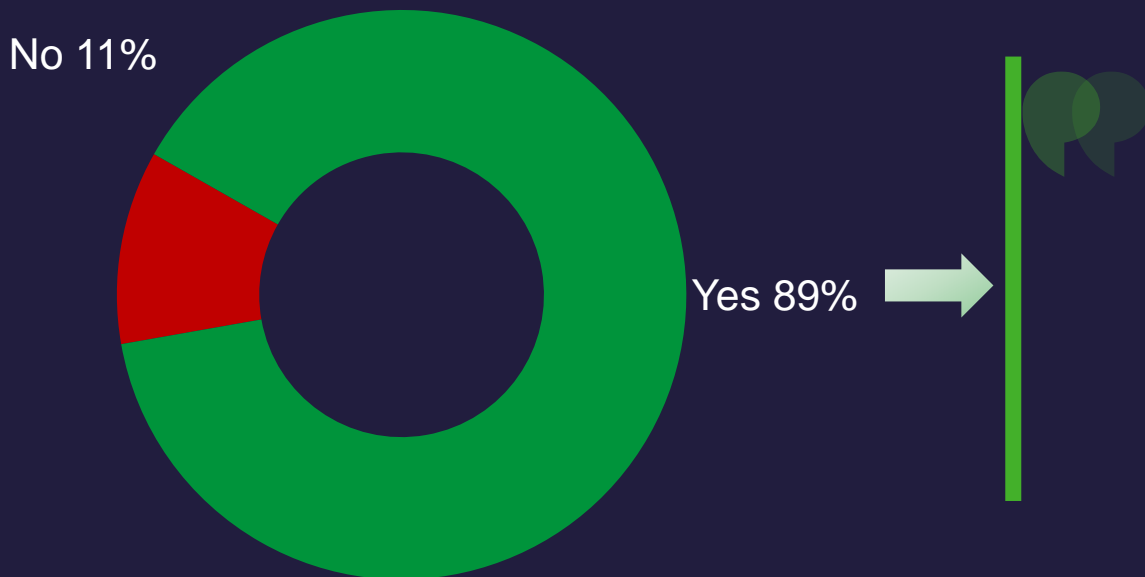
N=214 total sample

Q43. Do you have an oversight board that provides counsel for business decisions?
Q44. How often do you hold board meetings?
Q45. Does your Organisation have a clear succession planning strategy/ policy?

Majority of mid-sized businesses engage in CSR activities focusing on education, environmental conservation and health



Engaging in CSR programs



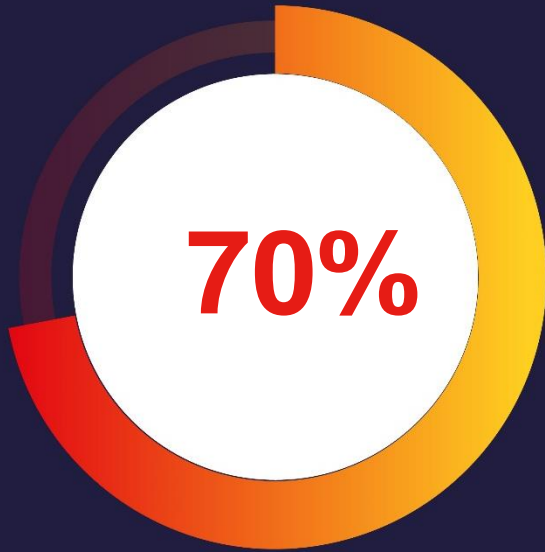
CSR programs engaged in

Education	39%
Environmental conservation	20%
Health	19%
Sports	11%
Arts and Culture	5%
Charitable Donations	4%
Governance /Civil Society	3%

N=214 total sample

Q41. Does your Company engage in corporate social responsibility (CSR) programs?
Q42a. What is the nature of the CSR Programmes your Company engages in?

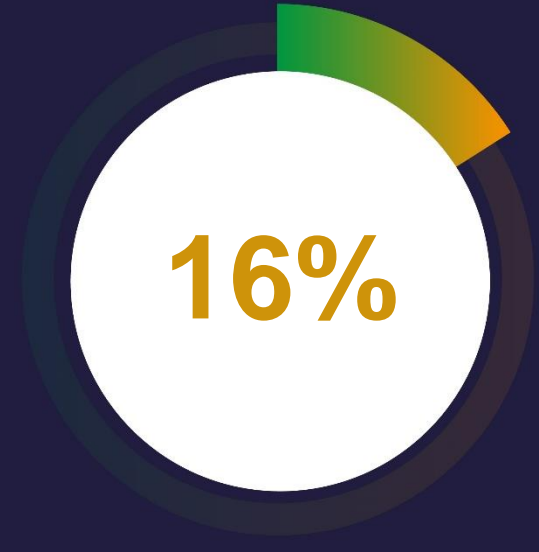
More than half of the surveyed participants report environmental and social performance to external stakeholders.



Of the surveyed participants have implemented an environmental and social management system



Of the surveyed participants report environmental and social performance to external stakeholders



Of the surveyed participants have won environmental and social awards.

N=214 total sample

Q47. Has your company implemented an environmental and social management system?
Q48. Does company report environmental and social performance to external stakeholders?
49.a. Has the company won any awards related to environmental and social performance?

Thank you

