New brand on the horizon: merging to add colour

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The makeover of company names and logos has hitherto characterised Zimbabwe's brand revolution, without the dreaded management or shareholder shake-ups that bring in new culture.

Harare – However, a new brand, which will result from the mega-merger of three listed companies, looks like it could spring a few surprises, and somebody hopes it's not one of those nasty ones.

Kingdom Financial Holdings Limited (KFHL), a young banking outfit that turned 10 recently, is getting into a marriage with a hotel group, Meikles Africa Limited, started about 115 years ago by three Scotsmen, and a beverages firm, Tanganda Tea Company Limited, formed on the basis of some seed smuggled from India in 1924.

All three are listed on the Zimbabwe Stock Exchange (ZSE), except the fourth firm in the transaction, Cotton Printers, a sibling to Meikles Africa by virtue of ownership.

Together, all four are planning to consolidate and form Kingdom Meikles Africa Limited (KMAL), certain to become one of the biggest firms on the ZSE in terms of both assets and market capitalization. This certainly looks like an oil-and water mismatch.

Both Tanganda and Meikles Africa are old economy companies belonging to that old generation of the conservative culture: reserved but highly calculative and robust because of the flow of old dollars.

Tanganda, which is majority-owned by Meikles Africa, has already been part of the Meikles Africa culture anyway.

KFHL, led by the affable, bible-waving Nigel Chanakira, is an aggressive risk taker anxious to make history: it has burnt its hands on expeditions in Zambia and Botswana before, besides surviving a banking sector turbulence that claimed over 15 indigenous financial institutions in 2004.

So, put the young, prying and ambitious KFHL team together the Tanganda and Meikles teams, and you have a potentially explosive clash of cultures, something the KFHL workforce is already expecting with awe.

One employee suggests, “People and culture will likely preoccupy this team for the initial 18 months” of the post-merger period, preventing focus on expansion and planned listings. However, so far those engaged in the transaction have expressed any worries about the potential for the management groups to fail to blend well.

Meikles Africa, the overbearing partner in the transaction, has indicated that it wants to add colour in order to meet indigenisation thresholds proposed under an impending empowerment law.

KFHL wants the dollar, and Meikles Africa has it; in its last report, it indicated it has US$52.3 million of unencumbered cash offshore, half of which had been loaned to the Reserve Bank of Zimbabwe.

KFHL, eyeing the first ever listing by a Zimbabwean company on Wall Street, hopes to ride on Meikles Africa's vast network built over 100 years to raise foreign cash to fulfill that dream.

Chanakira, who has managed to drive KFHL's share price by the biggest margin on the ZSE, and recoup lost market share for retail banking subsidiary from a paltry 5% to over 15% since bouncing back to lead KFHL in August last year, has been anointed CEO of the new group KMAL, while Meikles Africa CEO, John Moxon, will be the group chairman.

Essentially, Chanakira will have to lead his team to ensure that KFHL is melded smoothly into the Meikles Africa culture, but that would stall momentum at the banking units and destroy the team's entrepreneurial zeal.

May be it is the nature of bankers to be impatient – they move fast, taking positions as quickly as possible to stem the potential for loses in highly volatile situations.

Moreover, that has already come to test: when Old Mutual, a 10.9 percent shareholder in Meikles Africa, refused to sanction the merger because of KFHL's valuation for the transaction, Moxon immediately called off a scheduled extraordinary general meeting (EGM) on Thursday, November 15, 2007, the same day Tanganda and KFHL were also due to hold their respective EGMs.

Tanganda also called off its EGM, but Chanakira thrust his dagger into the desk.

“We will continue with our plans to further consolidate our position on the market,” he said, adding, dismissively, “We're not perturbed by valuation issues raised by a single shareholder (Old Mutual).”

KFHL shareholders overwhelmingly voted for the transaction, following where Chanakira's scalpel led them.

Therefore, trying to blend a dynamic KFHL team with a staid Meikles Africa team will surely create an explosive situation.

The deal's kingmakers might want to avoid creating a homogenous group out of the merger to save the coming brand: besides culture issues, tea makers do not make good investment bankers, and bankers do not make good grocery store managers.

Chanakira will not enjoy it waking up to worry about clean linen at the hotels and rump steak at the hotel restaurants. He will have to leave that to Roy Meiring, chief executive officer of Meikles Africa's hotel division.

Meiring would continue his with his multimillion rand expansion and development projects ahead of the 2010 soccer world cup, spending US$3 million on its 121-room Cape Grace hotel in Cape Town, US$50 million on the Victoria Falls Hotel, US$2 million on the nearly 100 year-old Meikles Hotel, and an unspecified amount on a unique hospitality venue at the planned Kavango-Zambezi transfrontier area.

The retail divisions would still have to come under Dave Mills, the man battling a commodity crisis that has turned supermarket shelves empty.

After all, it's still banking that gives Chanakira an adrenalin rush: he already has impending projects, and is pushing for the expansion of the banking group into the continent; reports suggest he has been to 18 African countries to scout for opportunities.

Moxon might keep himself preoccupied with the planned Cape Grace joint venture with Tokyo Sexwale's Mvela Group. Meikles Africa already holds a 1% stake in Tokyo's outfit, and Moxon has indicated that he wants to graduate from being just a Mvela shareholder to a partner, and this will direct Meikles Africa's future strategy, he indicated.