

BUSINESS FAMILY INSIGHTS

BUILDING A SOCIAL ENTERPRISE FROM SCRATCH

by Genevieve Cua

Lam Shumei is now reaping the rewards of the chicken farm - the largest poultry meat supplier in Rwanda - built in 2014

IMPACT investments are increasingly capturing the imagination and passion of younger investors, but one family has done more than just dip their toes into the asset class. Lam Shumei, daughter of the late successful entrepreneur and businessman Larry Lam, built a chicken farm in Rwanda from scratch in 2014, braving an arid bushland, unfamiliar business milieu and a host of challenges such as a small market size and high costs.

Today she can sit back and savour the fruits. Poultry East Africa Ltd (PEAL) has grown into the largest poultry meat supplier in Rwanda. It has broken even in the past three out of five years. It employs 70 people from the local village, works with over 30 contract farmers, and - best of all - managed to reduce the price of chicken by 50 per cent in dollar terms since the farm started in 2014.

This is a far cry from 2011 when in a visit to Rwanda, she and Mr Lam were shocked to find that chicken meat was the most expensive meat in the market, costing about 3,000 Rwanda francs (\$4.46) per kg, when half the population lived on less than 118,000 RWF a year, as recounted in the Business Families Institute's (BFI) commemorative book.

"Chicken meat is supposed to be the cheapest meat in any market due to the quickest turnaround time. We felt this was an injustice that needed to be fixed. PEAL was established as a means to provide affordable and accessible meat proteins to a developing nation."

MR LAM, who in his lifetime founded and expanded Portek International into a port equipment and engineering group, had been inspired to do more for Rwanda, to build a modern poultry farm and make chicken affordable for ordinary people. His death in 2014, put paid to that vision.

He had, however, set up a framework. Following the sale of his company Portek International to Mitsui for over S\$213 million, he set up Azul World as an "evolution" of Portek, says Ms Lam. "The unexpected demise of my father in 2014 left us without our visionary, in a space where my mother, my sister and I were not technically familiar with."

Azul World has since pivoted to become an investment holding company, and PEAL is its first foray into impact investments - but not the last. Impact investments are gaining currency at a time when owners and managers of capital increasingly seek the integration of environmental, social and governance values into their mandates. Impact investing however, goes a step further, through direct investments in projects and enterprises that seek to transform communities and peoples, at the same time seeking to be self-sustaining and eventually generating a return.

Azul World and PEAL's ethos was very much defined by the family and Mr Lam's vision. Ms Lam said Azul World has four pillars that define its mission. One is partnership with governments, business leaders and stakeholders. Two, the responsible deployment of resources into causes that enable positive change. Three is to harness efficiencies to drive growth through education or technology. And four, to keep things simple. "This means investing in simple ideas and adapting them to new landscapes, or new ideas in industries in which we have a deep understanding."

ALWAYS maintain that social as it may be the definition of an investment is to get a return. Therefore by definition of a purely financial investment, it is not the best. But PEAL is now the largest poultry meat supplier in Rwanda, supplying customers across the board... We have moved up and down the supply chain and now have our own hatchery, feed mill, broiler farm, contract farm, processing plant, end-to-end cold chain and retail operations.

"Since we have financed this project ourselves, we're not pushed for timed projected returns, unlike when investing in or with other people via club deals or impact funds. We have ticked and more than exceeded our initial social impact objectives, having created an ever expanding micro-economy in an otherwise desolate part of the country."



HAVING THE VISION

1) "At the end of the day you have to pursue what you are passionate about," says Ms Lam. 2) Land acquisition process. 3) Aerial view of farm. 4) GreenChen Tech is active in tank cleaning and solvent recycling. 5) Shrimp farm in Sumbawa Island, Indonesia. 6) PEAL is now the largest poultry meat supplier in Rwanda.



"An important aspect of a business family's legacy is to be a champion of change, contributing to the triple bottom line so that the families may make a positive impact to their communities as they build their businesses. As true believers of doing good, it is in the ethos and values of families to conduct their businesses in a sustainable manner, to be involved in social impact investments and/or philanthropy. Only with these upstanding efforts, can we build a society that thinks giving."

BFI@SMU

This new column profiles business families and how they approach issues of governance and stewardship. They support the Business Families Institute's mission. SMU established BFI in 2012, in response to the growing needs of business families in Asia. It encourages business families to Think Generations, Think Growth, Think Giving and Think Global.

Azul World has since ventured further, investing in sustainable aquaculture farms in Malaysia and Indonesia. It has also made investments in technology and the healthcare tech space, and in waste petrochemicals management.

"We believe that a good investment into a good business should also have a positive impact on society, and if anything, do no harm... The metrics for measuring the ROI of a social impact investment purely on a social impact level is still very much debatable. I think as humans we have an obsession with quantifying and sometimes you cannot quantify the qualitative."

"For example, which is the better investment - educating 50 children or providing a livelihood to 30 retirees at the bottom of the pyramid? There is no magic answer. At the end of the day you have to pursue what you are passionate about."

FOR investors including the younger sons and daughters of wealth owners who may want to venture into social impact investments, she says the level of commitment is key. "Unless you want to make your cause your life's work, and have the time and drive to live in remote areas, don't think too exotic. It's imperative when starting a new venture to be on the ground to oversee the setup, understand the landscape and experience the challenges firsthand."

"Those who are wary of hardship could

go the way of investing in impact funds or impact driven club deals, or apply ESG screens in their portfolios. Those who are driven to be on the ground may want to look into local causes, for instance.

"Just remember that social impact investing is not an investment you can or should aspire to flip in five years... A responsible deployment of capital will require patient capital; you will need to first achieve the social returns before you can weigh them up with financial returns. You will need to do the same amount of due diligence as you would for any other investment..."

INSIGHTS from her father remain close to her heart. "My father always told me, 'To do business you must first understand your customer's pains.' This means you establish a business or invest in things that are truly needed, not how you can squeeze the most returns out of, or blindly follow trends. The most important thing is to identify real opportunities in markets, not just invest on the premise of sure-wins or guaranteed returns."

"As an investor, he was a strong believer in value investing. He would spend his evenings poring over financial reports of companies and would constantly have lively debates with our bankers over their questionable recommendations. He taught us not to take anything at face value. To always be inquisitive, it is our right to ask questions. And don't be afraid to be a pain!"