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# Ingredients of UT Holdings' Success

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*Since been founded in 1997, UT Holdings Ltd. has been considered as one of the largest and diversified firms in Ghana. By 2012, it had fundamentally changed the banking industry in Ghana, and created new opportunities by pushing boundaries and challenging the status quo by diversifying into a Bank, Life Insurance, Logistics, Properties Management, Debt Collection, Private Security Services and non-banking financial firm in Nigeria, South Africa and Germany. But how UT became successful is still shrouded in secrecy. This paper therefore considers the ingredients of UT Holdings' success, focuses on: (1) ubuntu philosophy (2) KYC concept (know your customers) (3) garbage in, garbage out (4) expansion through mergers and acquisitions (5) growth and sustainability through stabilising financial resources (6) sustainability through effective monitoring system (7) emergent opportunistic and innovative behaviour.*

**Key Words:** ubuntu, emergent opportunistic, innovative behavior, mergers and acquisitions, behavioural patterns

## INTRODUCTION

Entrepreneurs in many developing countries demonstrate a surprising ability to surmount challenges that their counterparts in developed economies may not face. That expedient way of doing business has ensured firm sustainability and in some cases opened up avenues for expansion in regions where established firms struggle to survive, and it may give developing countries' firms' the edge as they compete head-to-head for the same markets with companies from developed economies. What strategies do macro-level entrepreneurs in developing countries adopt that makes them establish themselves and sustain their activities amid stiff competition from firms of developed economies. An in-depth research into six indigenous entrepreneurial firms' base in Ghana shows that indigenous entrepreneurial firms share specific strategies, many of which may not be part of the conventional forms that are taught in business schools.

These entrepreneurial firms are able to sustain, expand and grow their activities, and become competitive due to a strategic mindset formed and adapted to the business environment, that are non-linear, unpredictable, constantly emerging, fluctuating, and in a state of constant chaotic flux where the entrepreneurial process is politicised, infrastructure is underdeveloped, access to adequate long term financing is highly limited, inadequately skilled human resources, inefficient regulatory structures, unpredictable regulations, fierce competition from cheaper imported goods,

political particularism, economic particularism, unpredictable and unfavorable macroeconomic situation (fiscal and monetary policies), as well as political instability. In spite of these constraints, these firms have either expanded their activities beyond the shores of Ghana or export their products beyond the shores of Ghana. For example, from 2008/2011, UT Holdings through acquisitions and joint-venture has expanded to South Africa, Germany and Nigeria. UT Holdings has also diversified its activities into Logistics, Properties, Collection (Debt Recovery), Private Security and Insurance sectors, since 2008. Antrak Group, Ghana, has for instance expanded to found OTAL Holding Group, Cross Marine Services in Nigeria, Tema Container Terminal and Antrak Air. Antrak Air is for example in the process of commencing flights to major cities in West Africa and sub-region, UK, Germany, South Africa, Saudi Arabia, UAE and Lebanon. And the lists go on.

In this paper, the author describes emerging entrepreneurial strategic mindset in detail of a non-banking financial services firm, which pursues expansions and growth in beyond the shores of Ghana. Globally, especially in the developing countries, entrepreneurs operate and respond to changing and chaotic environments. Developing countries' entrepreneurs know how to deal with non-linear, chaotic and unpredictable business environments. Lessons from their strategies can be applicable to firms in different geographic and similar contexts.

### Ubuntu Philosophy

*"...we have what we call Ubuntu...which stands for I am because you are. It is the connectivity, the togetherness...I can never be what I want to be until you are what you ought to be...we build a company on...we nurture a culture of collaboration, as together everyone achieves more..." (CEO, UT Holdings Ltd).*

To the CEO of UT, the Ubuntu philosophy applied to develop their business share the following assumptions:

- We build a company on a family philosophy,

hence sexual relationship between colleagues is even considered as incest.

- The sense of belonging to a greater whole and is diminished when others are diminished.
- Human beings cannot exist in isolation and what one does affect the whole;
- Selflessness, consultation and respect for opposing views;
- I can never be what I want to be until you are what you ought to be.

According to the CEO, this approach to running a business played several significant roles and have several implications for the transformation of the business, as enumerated below;

- It breeds trust, empowerment, and respect among employees and between employees and their executives. Employees feel empowered to make and contribute to decisions by taking risk, which lead to several creative and innovative ways of doing business. In consequence, the firm is able to fully harness its human resources, and hence worker productivity is high.
- It minimises favoritism and promotes shared responsibility, which leads to results-oriented commitment, and hence lead to the growth of the firm.
- It promotes teamwork, which ensures that each employee executes tasks on time as well as reduces the incidence of risks hence generate new ideas of improving services and products. The CEO further indicated that working practices through teamwork created by the Ubuntu philosophy result in high productivity, high efficiency and high quality of work.
- It reduces potential negative behavioural patterns on the part of employees that have the potential to collapse the firm. These negative behavioural patterns, as stated by the CEO included pilfering, dishonesty, apathy, indifference and the lack of the sense of urgency. Getting rid of or minimising these behavioural patterns impact on worker productivity and

increases employees quest to contribute to the development of the firm, as implied by the CEO. For example, according to the CEO, "...employees become conscious of time, which is uncommon in our culture...the effect is that customers needs are respondent to on time...we are able to retain and expand our customer base because of this positive attitude created by the Ubuntu philosophy".

According to the CEO, adopting Ubuntu philosophy has been a means to ensure collective responsibility, teamwork and empowerment of employees and optimises the use of the skills, capabilities and competencies of the human capital of the firm in building a healthy firm.

### KYC (Know Your Customers) Philosophy

One of the most potent weapons of UT Holdings has been to adopt a business model that is pivotal on KYC philosophy. As the CEO commented, "...the principle of KYC is working for us...our business decisions are driven by listening to our customers and responding to their needs and preferences". The CEO indicated that KYC serve as a feedback conduit through which they make informed decisions resulting in the expansion, diversification and building synergies that have created an enhanced effect on the firm, and thus affected the growth and development of the firm. KYC has several implications for the growth and development of the firm, as indicated below:

As remarked by the CEO, "As we went along, situations or after needs assessments of our people, we realised that they require certain services as well. So we decided to create branches that deliver those services that are needed by our clients". For instance, the transformation of UT financial services into UT Holdings was engineered to meet client needs and consequently increase the market share of the firm. The following are some actions taken to meet the needs of the customers:

- a. Innovative ways of banking in Ghana. The firm envisaged and implemented three main strategies that aided the growth and

diversification of the firm. Adopting these three strategies have had effect on the retention of customers, who unconsciously become propaganda machines for the firm and therefore increasing the market share in all the subsidiaries under the Holdings. These three strategies are: First, in the Ghanaian context, UT has innovatively built the capacity to grant and issue loans within 48 hours. The flexibility and timely delivery of financing to clients has the effect of attracting and retaining customers. This innovative way of banking in the context of this research is based on the precept, as the CEO emphasised "if an SME person needs money now and you give it to them tomorrow or a week later, you have wasted that business...we were giving loans less than 48 hours...that is unprecedented in this part of the world...that is our unique selling point". Secondly, customers are at liberty to call the CEO and talk to him at any time. The CEO talked about the importance of this approach to the business, "...the situation where customers have easy access to the CEO work for our good on three fronts...it places psychological weight on employees to treat clients in a professional way...it breaks the barrier of bureaucracy in fixing appointment to see the CEO, who is readily available to respond to customers calls and request...there is this psychological contract that make our clients see themselves as stakeholders in the firm...and hence speak to their friends about us...". Thirdly, UT initiated the Fon4loan concept, a contextual innovative concept where SMEs owners are saved the trouble of leaving their premises to negotiate a loan. This service allow clients to either call or text a unique number and follow up is done within two hours of receiving the texts or call by the nearest branch. According to the CEO, adopting this approach means that clients are able to optimize the use of their time, giving them the opportunity to engage their customers without interruption.

- b. UT Holdings exemplifies a firm that is market-driven. For instance, the diversification into different segments was driven by customer

needs and the market trend. For example, first, on realising that security personnel trained in other firms lack the professionalism to provide excellent service to customers, the owners decided to start UT Private Securities. Second, UT Properties was established so the parent company can do valuation and identify the location of properties used as collateral, within hours, so as to ensure that loans are processed on time. Third, UT Logistics was established to meet the needs of customers who need financial assistance to clear and (or) export goods at the ports and harbours. Also, UT Collections was formed so as to meet the needs of their clients, who were Banks and other financial institutions that lack the capabilities of debt collection. Moreover, UT Life Insurance was established to provide individual and group life insurance cover to its customers and their activities. UT Financial Services Germany was first started as a logistics firm, catering for the acquisition and registration of lands, buildings and travel assistance of the customers who are involved in overseas transactions. But was later change to non-banking financial services firm to meet the financial needs of its customers involved in doing business abroad. UT Financial Services in Nigeria serve the needs of indigenous traders, whereas UT South Africa is a partnership with FABCOS in South Africa to support SMEs and business community in South Africa.

### ***"Garbage in, Garbage out" and Motivating Employees***

"...in a firm if you put gabbage in, you will get garbage out...if you continue to refine them and help them add value to themselves, you will get high value added productivity..." (CEO, UT Holdings Ltd).

The CEO further remarked that one of the first keys to transforming the firm is to understand the importance of the quality of the human capital to the development of the firm. Secondly, the CEO underscored the importance of appreciating the inputs of employees, as that motivates them to own

the process and give their best to the development of the firm. Thirdly, the firm created an atmosphere of easy communication between executives and general management, as an attempt elicit innovative and creative ideas from employees. Moreover, the firm introduced a reward system based on integrity used in decision-making process and not on outcome of the decision. This has created an atmosphere of experimentation, initiatives and risk taking by employees. The CEO further talked about several ways they attract quality employees, reduce employee turn-over rate, and pass on the values of the firm to employees, as itemized below:

- Discounts all sorts of socio-cultural ties that attempt to influence decisions on who to employ. The CEO identified some of the socio-cultural factors that influence the employers' decision on who to employ, to include extended family, religion, friends, spouses, and chieftaincy. He indicated that discounting these socio-cultural factors allow them to employ highly qualified people for the job, who in turn contribute to the growth and profitability of the firm.
- Provides continuous in-service professional training for employees so as to make sure that employees have the necessary skills and use the best practice in the performance of their duties. This enables the staffs abreast themselves with the ideals, values and philosophies on which the firm is built.
- Guarantees employment security for employees who work hard and hold the ideals of the Bank. This reduced the turnover rate of the firm and reduce the tendency of our hardworking employees been poached from us.
- Offers competitive and industry standard remuneration policy, so as to make the Bank the best place to work and achieve professional goals, as well as motivate staff to deliver extraordinary performance for the Bank.

The CEO further implied that adopting these strategies have the following implications for the firm:

- The firm influences the perception, attitudes, behaviors and mentalities of the employees and hence employees become innovative, creative and adopt and adapt to change and new ways of doing business.
- The shared beliefs of the firm regarding the best practices, procedures, policies and expectations are continually freshened in the minds of employees creating a psychological impact on the work environment, and consequently enabling employees to optimise their time at work to benefit the firm.

### ***Expansion through Mergers and Acquisitions***

UT Holdings started as a non-banking financial services firm in 1997, and evolved into a Holding. Part of this expansion was done through mergers and acquisitions. UT has shown a knack for piggybacking on the strategic advantage of established Banks, through mergers and acquisitions. For instance, in 2008, the owners of UT Financial Services acquired majority shares in BPI Bank Ltd and took over the operations and management of the Bank, under a new name UT Bank. In June 2010, UT Financial Services listed 91 million shares to acquire UT Bank and merge to operate under the Universal name UT Bank. This move finalized the merger between UT Financial Services Ltd and UT Bank into one entity, UT Bank. In 2011, UT Holdings Ltd. Ghana targeted the South African market by entering into joint-venture with FABCOS, and Leanne Cape, with UT having the majority shares of 78%. UT Life Insurance is majority owned by UT Holdings Ltd. (92.95%), with a minority shareholding by NSIA Ghana Insurance Company (3.31%), CDH Financial Holdings (2.66%), and Individuals (1.08%). UT has therefore been able to transform, expand and diversify its activities through mergers and acquisitions.

### ***Growth and Sustainability through Stabilising Financial Resources***

One of the important steps that has ensured the growth and sustainability of UT Holdings is a

strategy to ensure sustainably flow of capital into the firm. In this regards, UT adopted two main strategies. First, the firm adopted endogenous strategy to ensure that the Bank is self-sustaining by not overly dependent on external sources of funds to sustain and grow its activities. To pursue this strategy the firm developed an effective monitoring and collection system to ensure that loans issued are paid on time, as well as reduce the bad debt of the firm. [See the next point for more on this strategy]. Secondly, the Bank enlisted on the stock market and other miscellaneous strategies to obtain external funding so as to ensure the solvency of the firm to achieve its purpose. For instance, in 2008, UT Financial Services launched an Initial Public Offering to raise GHC 27m (US\$ 15m) to finance the firm's acquisitions and expansion programs. The firm further put on sale 90.2 million shares at GHC 0.30 per share to increase the capital of the firm, which was intended to strengthen the company's balance sheet, expand the firm's resource base for funding loans and new market expansion. Consequently, UT has entered new markets in South Africa, Germany, and Nigeria, as well as diversifies its activities into other areas that support its core business of lending.

Aside entry into new markets, the firm raised further funds to overcome Bank of Ghana's regulatory constraint that could have closed down the Bank. Thus, Bank of Ghana's capitalisation regulation requires Banks to have GHC 60 million as minimum capital requirement by the end of 2012. To meet this requirement the Board and Management entered into agreement with International Finance Corporation and African Capitalization Fund Ltd. to raise US\$25 million in exchange for 20.2% share in the Bank. Further arrangement has been made to secure US\$10 million credit line and US\$10 million senior loan to help facilitate SMEs businesses. In addition, the Bank negotiated a long term loan of Euro 8million from European Investment Bank, so as to fund projects that have long maturity periods. The CEO remarked, "The fresh capital will help provide investment capital to reinforce the contributions of various units of the company and enhance growth generally". As already mentioned, this strategy has

transformed UT Financial Services into a Holding with several subsidiaries UT Collections, UT Property, UT Life, UT Logistics, UT Bank, as well as international affiliates in South Africa, Nigeria and Germany. The table below shows UT Holdings shareholding structure, which gives an idea of the number of external firms that have investment stakes in the Bank.

### ***Sustainability through Effective Monitoring and Collection System***

Another example of how UT Holdings Ltd operates amid inadequate infrastructure and institutional structures was to develop effective monitoring and collection systems. For instance, the first challenge faced by UT, was holding borrowers accountable and responsible due to the absence of address systems and proper documentation to track collaterals used to secure loans. To mitigate this constraint, UT established UT Properties, which among other functions sketches and valuates customers' collaterals to authenticate collateral existence and easy identification of loan beneficiaries, and collaterals in case of default. Secondly, UT broke through the challenge of collecting loans and minimising bad debts by establishing UT Collections. In this Unit, personnel are specially trained to mostly use negotiations to persuade defaulters to repay outstanding loans. This Unit represents UT Holdings as well as other clientele in the financial sector who are unable to

collect their loans. The debt recovery success is about 70%. Thirdly, UT Holdings have Client Portfolio Managers who are assigned specific accounts, which they monitor on a daily basis, make frequent collection of loan installments in person on a daily, weekly or monthly basis, so as to reduce the risks of default. In consequence, UT Holdings has built a strong endogenous flow of capital, as a revolving fund, that provides injections in the phenomenal growth of the firm.

### ***Emergent Opportunistic and Innovative Behaviour***

UT Holdings started as a small non-banking financial firm in 1997 by two people, Mr. Joseph Nsonamoah (now the Board Chairman), and Mr. Prince Kofi Amoabeng (Chief Executive Officer). Their decision to become a full fledge bank and to diversify their activities resulted from an emergent strategy process, which aimed to provide value to their customers. For instance the CEO said:

*"Because we realised that when our customers get money, even to cash the money became an issue, so we had to find a way of solving that problem for our clients...what culminated into the establishment of the UT bank"*

Further, they realised the opportunity to fill a need and most especially to take advantage of inefficient institutions and managerial efficiencies. Thus, the CEO said that the take most of these difficult decisions during their strategic sessions, and hence

**Table 1: UT Bank Shareholding Structure**

Firm	Number of Shares	%
UT Holdings	184,565,098	40.4
Others	67,795,511	14.9
DEG	61,709,333	13.5
Africa Capitalization Fund	46,282,000	10.1
International Financial Corporation	46,282,000	10.1
Investment Public Fund	21,557,800	4.7
Kura Capital	17,037,639	3.7
Duet	11,080,800	2.4

Source: UT Holdings, 2013

making use of the human capital available to the Bank, as remarked:

*"...we often have our strategic sessions...There are some of the things that before we go into it, a lot of strategic thinking goes into before we come up with those ideas..."*

Also, according to the CEO, the phenomenal growth of the firm has been as a result of inefficient or lack of institutions:

*"we have grown because of the lack of institutions, institutional support and structures and rules...you must think out of the box and do things differently..."*

The business model used by UT Holdings could be described as both innovative and emergent opportunists, as this model created diverse firms that are synergistic in nature to the parent company, UT Financial Services. The CEO described the emergent opportunistic and innovative behavior of the firm:

*"We were in the business of lending money but in our bid to lend and lend efficiently, we had to find somebody in house to do valuation and manage properties...so by default we now have UT Properties; in the same way because it was difficult to finance goods and services at the port, by default we had to create our own institutions to deal with that so we have UT Logistics...we have UT Collections because we needed to effectively collect our loans...were very effective in debt collection and others wanted us to collect their loans for them; we realized that our clients needed money to insure their goods, life and loans, so we have UT Life Insurance...now we have UT Life; UT private security. These companies were created not because we wanted to expand into those fields but because we wanted to expand our cores business of lending...so our growth was the results of the presence of inefficient institutions or better still the absence of certain core institutions needed in any economy.... let me use our latest company as an example, UT private securities. A lot*

*of business do what we do but every business sort of outsource the private security bit to others but it just dawn on me and I said we want to serve the customer as best as we can but until the customer enters our doors we do not know what happens to them. And you will be surprise to find private security personnel who are not part of your company actually maltreating or mishandling your clients outside your doors and in your gates. So from the time they enter the gate and they give them somewhere to park and show them the way to your door, the customer might have probably lost it...they would experience all the disservice that you can imagine. That is the only reason why we formed UT Private Security".*

An amazing effect of the diversification is that, apart from its effects on creating value for the customer and facilitating the activities of the customer in terms of easy and timely access to resources, the synergy provide financial support for each unit of the firm. For instance, when customers take loans from the Bank to clear their goods at the port, the money is retained within the Holdings and hence increasing the clientele and hence the profitability of each unit of the Holdings. Thus, the diverse offshoots of the Holdings in turn serve and sustain the parent firm and are also sustained by the parent firm.

### **REFERENCES**

<http://www.utholdings.com/>

### **BIOGRAPHY**

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