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CHAPTER ONE

INTRODUCTION

► OBJECTIVES

- By the end of this chapter, a student is expected to;
- Understand the concept of entrepreneurship and its role in the economy
- Appreciate the aspect of self employment as a means of earning a living
- Understand the various types of entrepreneurs that exist in various industries
- Acquire a deeper understanding of what it takes to be a n entrepreneur and the challenges to expect

► INTRODUCTION

Entrepreneurship is a term that is used in many business disciplines. It essentially has the money making connotation as commonly understood by many. However, entrepreneurship is much more than that. It entails coming up with an idea that no one else has thought of and capitalizing on it to set up an enterprise. The chapter gives a broad description of the various forms of entrepreneurship and even the challenges the entrepreneur will go through in an attempt to make his dream come true.

► KEY TERMS DEFINED

- **Entrepreneur:** Someone who devises a new production methodology and producing output (goods or service) based on the new concept
- **Entrepreneurship:** The process of coming up with new processes or ways of achieving some set objectives. It is the process of devising a new process that will make production more efficient.
- **Self employment:** This is a concept that arises when the entrepreneur relies on revenues from his business as a source of income

► EXAM CONTEXT

A question from this chapter has not yet been tested under the new KASNEB syllabus

► INDUSTRY CONTEXT

There are many young people fresh from colleges or simply with a business mind but lacking the practical experience of running a business. The basic concepts from this chapter will provide the required information and prepare one for the challenges that lie ahead.

2. **Administrator/Organizer:** These are entrepreneurs who get involved in organizing events for their clients. A fee is charged per event or based on the attendance of the event. An example is a wedding organizer whose main business is coordinating the various activities that go towards making a successful ceremony.
3. **Builders/Creators:** Artists, bakers, carpenters, and designers are examples of entrepreneurs driven to create something tangible where it did not exist before.
4. **Caretaker:** These are people entrusted to care for someone or a piece of property on behalf of the principal.
5. **Communicator/Trainer:** These are people who can transmit information or communicate in different languages. They find demand in sales, marketing, writing, training or a variety of information services.
6. **Entertainer/Host:** These are people who thrive on being with other people. They find entrepreneurial openings in the hospitality industry or service industries such as hairdressing. They may even be entertainers, actors, musicians, or singers. An example is a talk show personality in a T.V program.
7. **Investor/Owner:** If one has money to invest he/she can put the capital to work for him/her by investing in stocks, real estate or businesses.
8. **Seller:** This covers salespeople and brokers, from real estate to insurance to art. An example is a music promoter.
9. **Technologist/Engineer:** These are people who have a talent in technical disciplines such as computers, autos and engines. As an entrepreneur, one may want to explore entrepreneurial opportunities areas such as software development, engineering or technology.

1.3.1 Traits of a Good entrepreneur

There are important traits that if an entrepreneur has and strives to acquire, will make him more successful in his business. These can be grouped into three categories;

- Personal traits
- Technical traits
- Business Management traits

■ Personal Traits

Being open minded. Listen to Others

Trying new things whether it be a marketing strategy, a new business system, a piece of software or a new product/ service, can be good for the growth of the business. The entrepreneur should create a working atmosphere that nurtures and appreciates new ideas. If the staff feel as though their ideas are listened to, considered and possibly even implemented, the more likely the entrepreneur is to have some great ideas being generated!

Learning from mistakes

The entrepreneur should make a concerted effort to learn from his mistakes. He should assess why his ideas didn't work or why he lost a particular customer etc. Once he has made the mistake and is aware of the reason behind the failure, he should use it to his advantage and try a different strategy or modify the initial idea.



Perseverance

The entrepreneur should understand that great businesses take time to establish. He should persevere even if it appears that he is not making headways. He should persevere till he starts breaking even at least. This perseverance also translates into other aspects of business as well, whether it is a new marketing idea or a potential client or business lead.

Other personal attributes that will go towards making a good entrepreneur include;

- Being disciplined
- Being a risk taker
- Being persistent
- Being a visionary

Technical Traits

Being Professional

This entails addressing the name of people in all business correspondences, keeping a business mindset when meeting with clients or talking to them over the phone. Clients don't need to hear the intricate details of the entrepreneur's personal life. Being professional also means checking emails for spelling errors, following-up on enquiries, being punctual when meeting with clients, responding to telephone calls promptly, sending out quotes on a timely basis. But by far the most important factor about being professional is being **consistently** professional.

Create systems and adapt them as necessary

As the company grows, it may become more difficult to manage and keep track of things. A useful way to deal with this problem is to create systems within the business for any specific task that requires multiple steps or procedures. This will help to create a smooth workflow and allow the entrepreneur to keep track of things a lot easier. A web designer, for example, might create a checklist for new websites.

Other qualities that are important under this category include;

- Being a team player
- Network building
- Possessing good communication skills

Business Management traits:

Common Courtesy.

There is nothing more frustrating than when businesses advertise in community flyers or on signboards and then never answer their phone calls (or return them) and don't bother to respond to emails. Clients should be able to at least contact the business via email and a land line number. The entrepreneur should return calls as soon as possible. If he will not be in the office, to check email for most of the day, he should set an auto-responder that lets people know when he will be checking his email and possibly include his cell phone number as well.



5. Parent-company bankruptcy.

Another pitfall is the possibility of the parent company overextending itself and going bankrupt. While this is not as serious in a business opportunity as it would be in a franchise, the entrepreneur still runs the risk of losing the business because his property contracts may have been financed through the parent company.

The entrepreneur should carefully investigate any business opportunity he is considering. He should get a list of operators from the parent company and call them. He should have a lawyer look over any agreement drafted by the parent company and make sure he receives a disclosure statement. He should then carefully evaluate the licensor. He should not be hurried to sign the deal. The idea is to ensure a responsible company backs the business opportunity.

2.3 NETWORKING

Fast forward: Entrepreneurs of like minds need forums where they can share common interests and open room for business associations

Entrepreneurs can take advantage of the complementary nature of the various business in the economy in which they operate. Networking is one way through which this can be achieved. Networking is the process of enlarging the entrepreneur's circle of trust through negotiation. Networks can be divided into two main categories, informal and formal networks;

Informal networks

These exist where the entrepreneur makes use of his range of friends, acquaintances, and business associates to obtain resources and opportunities for his firm. This information helps the entrepreneur understand his environment better. It also helps him build a reputation and credibility for himself and his firm. The networks can be a source of sustainable competitive advantage as well as a means of procuring other resources that can be a source of competitive advantage.

Formal Networks

These are more organized forms of associations where the entrepreneur establishes mutually beneficial relationships with other business people and potential clients. The aim is to exchange business ideas, information and support.

2.3.1 Motivations of Networking

Here we shall look at what drives entrepreneurs to form networks for their businesses. The reasons are varied and each entrepreneur needs to find a partner who shares his vision, one who will compliment his business needs and objectives.



CHAPTER SUMMARY

In this chapter, we have seen that;

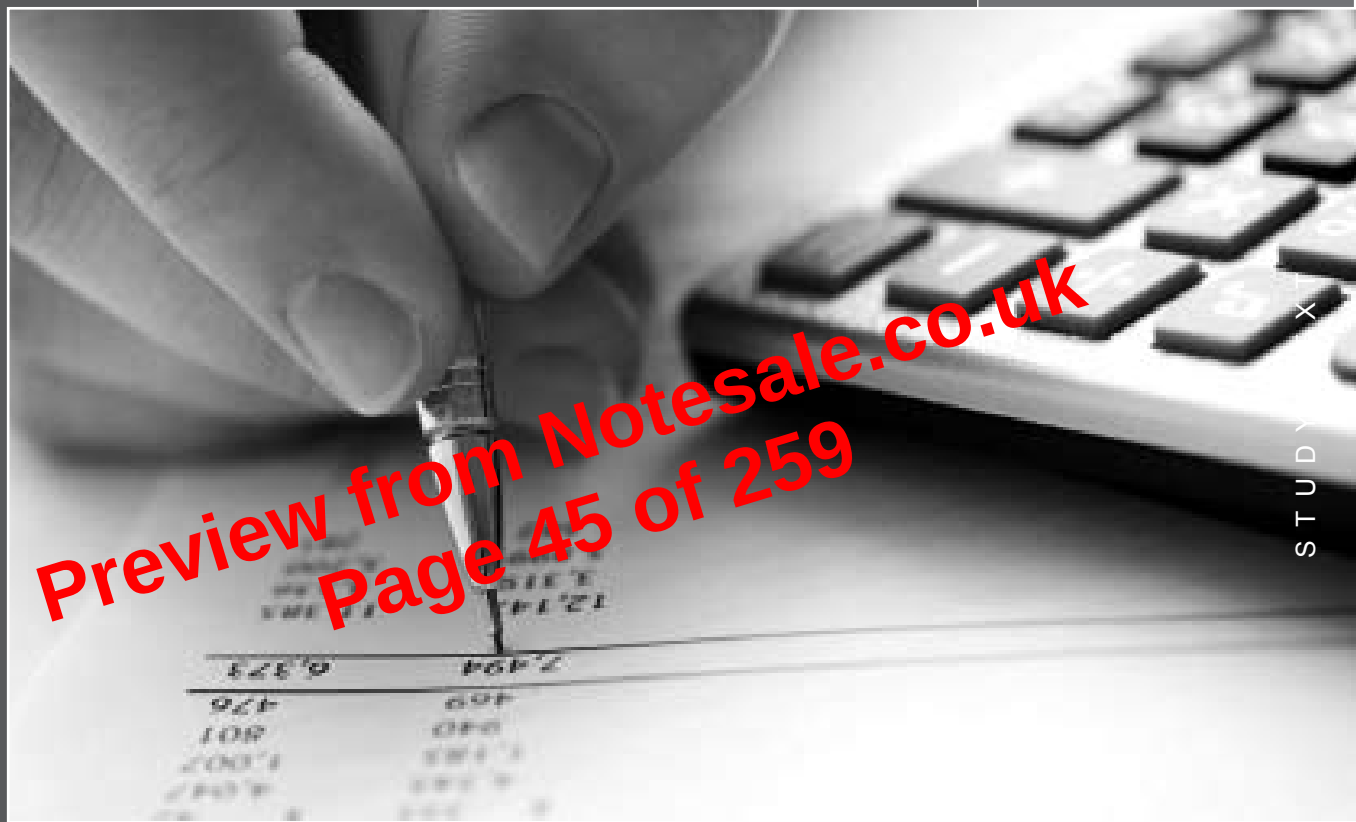
Business opportunities offer entrepreneurs a chance to showcase their skills and what new ideas they are bringing on board to an already existing industry.

- Various forms of business opportunities do exist and it's up to the entrepreneur to choose one. Examples include distributor, rack jobber, joint venture.
- An entrepreneur needs to undertake proper due diligence before engaging in a venture of his choice. Among the things he should bear in mind include, ensuring there is a proper legal structure in place, he has sufficient funds to start up, he needs to know his competition very well.
- The entrepreneur should assess the viability of entering into a franchise as an option to delving into unknown territories where uncertainties are common. He should understand the advantages and disadvantages of both options.
- Networking is important to any budding business as it opens up opportunities for growth and market penetration. Networks can either be formal or informal. There are various types of networks; personal, extended, agglomerate and organic.

CHAPTER QUESTIONS

1. Define the following
 - Business opportunity
 - Franchise
 - Networking
2. List 5 examples of business opportunities
3. What factors should an entrepreneur bear in mind when analyzing a potential business opportunity?
4. List 4 advantages and 3 disadvantages of a business opportunity as opposed to a franchise
5. List and briefly describe the two broad categories of networks.

CHAPTER THREE



ENTERPRISE DEVELOPMENT
AND AWARENESS



Early Growth Phase

During this phase, the business will experience rapid growth as customer needs become the main focus for the entrepreneur. It is at this stage that he will realize there is need to gain a competitive edge in order to make more sales. The entrepreneur at this stage may think seriously about automating his operations, hiring professionals like accountants, perhaps even expanding the business. The signs that these requirements are necessary will be felt by the growing need to meet the increasing and dynamic needs of the customers.

Later growth phase

This is the phase that determines whether the business has managed to meet its long term objectives and a period to assess how successful the short term objectives have been met. At this stage, the entrepreneur is more concerned about corporate governance issues and how this impacts on customer needs. He will also be concerned with the management of the business in various departments such as finance, sales and marketing e.t.c. The entrepreneur will have his sights on a higher level of competition with other firms that belong to a higher circle, hence he see the need of turning the business into a public limited company in order to compete as such levels

This model can be applied to the growth or otherwise of a firm. The entrepreneur thus needs to ensure that the business opportunity he has before him has a road map charted in advance and based on due diligence. This does not mean that every firm will follow the above model. The entrepreneur needs to be aware of the possible outcomes. What he needs to do to ensure that the growth of the business is well managed by a clearly defined strategy is what we shall be looking at in the next section;

3.2.2 Managing Growth

We have already mentioned that the entrepreneur will need to assess the economy in which he intends to settle his business before embarking on anything serious. This entails doing a research into the economic variables that are likely to play a major role in the future of the firm. Over and above this, he will need to lay out a strategy for development of the firm.

A strategy follows the research and ground work and is based on the idea that has been determined to be the driver of the business venture. In developing a strategy, the entrepreneur will need to do the following;

Assess the likely demand for the product

This entails doing a survey in a particular targeted section of the market where very important variables can be collected. The entrepreneur will need to see whether there have been other products and services that have been or are still there in the industry

Identify a specific customer need that has been ignored

Even where similar products or services have existed in the industry, the entrepreneur may identify a specific need that has not been fully met. Here, the entrepreneur will assess whether by meeting this need, his firm will pull away customers from other firms

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3.3 LIMITATIONS OF ENTERPRISE DEVELOPMENT

Fast forward: There are inherent limitations in setting up a small business which the entrepreneur should be well aware of.

Unfavorable legal and regulatory framework

The absence of policies governing the growth of small enterprises could hamper the growth of small enterprises. This would mean that the small firms are not protected in the harsh markets and the law does not complement their activities. It thus becomes very hard for an entrepreneur to set his toehold in the economy. The high cost of compliance to regulations may discourage potential entrepreneurs from formally setting up their businesses, while driving some existing enterprises out of business and those working for them into unemployment.

Undeveloped infrastructure

This could be a drawback in the sense that the entrepreneur may not have access to facilities that will enable him pursue the objectives of his business on a larger scale. Most institutions are cautious to lend money to small businesses because of the risks involved. At the same time some of these institutions may require the businesses to pay high interest rates for loans acquired.

Poor business development services

Lack of training may be a setback in the industry for the small businesses. Most NGOs that come up with the plans lack support from the government and mostly operate on good will from the potential investors. The entrepreneurs lacking in skills need to be imparted with knowledge that will set them at par with the other accomplished businesses, giving them a chance to provide healthy competition.

Poor entrepreneurial Culture

It has become a trend for most school leavers to look for employment. While it serves as the most convenient route to earn a living, most young people have shied away from engaging in entrepreneurial initiatives because of the high risks involved in setting a business. Most of these young people find it a big struggle that is laden with disappointments.

Lack of Skills and competence

Most entrepreneurs lack the relevant skills to engage in meaningful business enterprises. Those that manage get the support of strategic investors and managers who mobilize resources on their behalf. On his own a potential entrepreneur will find he is limited if he has not undergone some basic entrepreneurial training.

3.4 THE GOVERNMENT'S ROLE IN ENTERPRISE DEVELOPMENT

Fast forward: The Government can play a strategic role in harmonizing enterprise development in the economy by regulating industrial growth and performance.

The Government has a huge role to play in creating a conducive environment for the growth and development of enterprises. There are things that the entrepreneur will not be able to accomplish without the support of the government. On this note, it is imperative that supportive institutions and structures are set up for this. We shall look at the government's role through the following salient headings.

Policy Formulation

The Government through an Act of Parliament stands in a very strategic position in directing the growth of small businesses. Policies that will enhance the creation and establishment of small businesses need to be set and discussed at length in parliament. This should be done while putting the interest of the small business owners first. Policy documents that address various areas and even geographical locations should be designed with the objective of ensuring equitable chances to all stakeholders.

Supporting N.G.Os

In recent years, the country has witnessed the mushrooming of Non- Government Organizations that are doing a commendable job in promoting entrepreneurial initiatives. Most of the NGOs are mainly involved in credit delivery, business training, providing general consultancy, and providing short term loans. However, most of the institutions supporting small businesses are rather weak, fragmented, concentrated in urban areas and uncoordinated. This calls for the need to strengthen the institutions supporting small and medium enterprises. This is where the government comes in with its wealth of influence.

Establishing Linkages/ Networks

Networks are so important for the entrepreneur who is just starting out. He needs all the support he can get from other entrepreneurs and strategic investors looking for franchises. The business linkages are also critical because networking is crucial in the business world. This is clearly demonstrated by the chain of supply of goods and services between firms in an industry and even between industries. The government can establish organs that will specialize in bringing entrepreneurs with good proposals and strategic investors together in a common forum. Entrepreneurs also benefit through access to information on financial assistance, materials and suppliers, pricing, training, workshops sub-contracting opportunities and potential joint venture.

2. Laws concerning capitalization

The firm cannot survive as a business without proper capitalization, and this will include both matters of equity and debt. Equity is gained through sales of business ownership interest, such as stock shares while debt is acquired through financial loans from lending institutions. Before the entrepreneur even thinks about starting the business, he'll need to have a good relationship with his bank or an established financial institution. If he doesn't have adequate capital, the business will fail, regardless of how thorough his business plan was.

3. Law concerning the various forms of businesses

This will determine whether the entrepreneur can be sued for issues arising between the business and his customers. It is extremely important, and often neglected when starting a business, but this can actually make or break the entrepreneur during those crucial first years when the business is trying to be established and grow. The entrepreneur would not want to be left with liability issues, debt problems, or unnecessary obligations. The kind of legal entity will also determine the tax strategy that the government applies to the business. The entrepreneur should protect himself from liability issues, and he should ensure that he is not personally held responsible for any unfortunate happenings.

4. The nature of business contracts

A business contract is a legally binding agreement between two parties for an exchange of services that are of value. For a contract to be valid, an offer must be made and accepted. Using a contract in business dealings helps ensure an agreement is acted on, insofar as a broken contract could result in a lawsuit or out-of-court settlement and the payment of damages caused by the breach. The best way the entrepreneur can avoid a dispute or potential litigation, however, is to prepare a solid agreement in which he is confident he has negotiated the best terms for his business.

3.5.2 Sources of Finance

Businesses can acquire finances from various sources. These include;

Owner's Capital

This is often the only source of capital available for the sole trader starting in business. The same often applies with partnerships, but in this case there are more people involved, so there should be more capital available. This type of capital though, when invested is often quickly turned into long term, fixed assets, which cannot be readily converted into cash. If there is a shortfall on a Cash Flow Forecast, the business owners could invest more money in the business. For many small businesses the owner may already have all his or her capital invested, or may not be willing to risk further investment, so this may not be the most likely source of funding for cash flow problems.

Ploughed back profits

Firms make profit by selling a product for more than it costs to produce. This is the most basic source of funds for any company and hopefully the method that brings in the most money.



Borrowings

Like individuals, companies can borrow money. This can be done privately through bank loans, or it can be done publicly through a debt issue. The drawback of borrowing money is the interest that must be paid to the lender.

Issue of Shares

A company can generate money by selling part of itself in the form of shares to investors, which is known as equity funding. The benefit of this is that investors do not require interest payments like bondholders do. The drawback is that further profits are divided among all the shareholders.

Overdraft

This is a form of loan from a bank. A business becomes overdrawn when it withdraws more money out of its account than there is in it. This leaves a negative balance on the account. This is often a cheap way of borrowing money as once an overdraft has been agreed with the bank the business can use as much as it needs at any time, up to the agreed overdraft limit. But, the bank will of course, charge interest on the amount overdrawn, and will only allow an overdraft if they believe the business is credit worthy i.e. is very likely to pay the money back. A bank can demand the repayment of an overdraft at any time. Many businesses have been forced to cease trading because of the withdrawal of overdraft facilities by a bank. Even so for short term borrowing, an overdraft is often the ideal solution, and many businesses often have a rolling (on going) overdraft agreement with the bank. This then is often the ideal solution for overcoming short term cash flow problems, e.g. funding purchase of raw materials, whilst waiting payment on goods produced.

Bank Loan

This is lending by a bank to a business. A fixed amount is lent e.g. Kshs.10,000 for a fixed period of time, e.g. 3 years. The bank will charge interest on this, and the interest plus part of the capital, (the amount borrowed), will have to be paid back each month. Again the bank will only lend if the business is credit worthy, and it may require security. If security is required, this means the loan is secured against an asset of the borrower, e.g. his house if a Sole Trader, or an asset of the business. If the loan is not repaid, then the bank can take possession of the asset and sell the asset to get its money back. Loans are normally made for capital investment, so they are unlikely to be used to solve short-term cash flow problems. But if a loan is obtained, then this frees up other capital held by the business, which can then be used for other purposes.

Leasing

With leasing a business has the use of an asset, but pays a monthly fee for its use and will never own it. Think, of, someone setting up business as a Parcel Delivery Service, he could lease the van he needs from a leasing company. He will have to pay a monthly leasing fee, say Kshs.50,000, which is very useful if he does not wish to spend Ksh.800,000 on buying a van. This will free up capital, which can now be used for other purposes. A business looking to purchase equipment may decide to lease if it wishes to improve its immediate cash flow. In the example above, if the van had been purchased, the flow of cash out of the business would have been Ksh 800,000, but by leasing the flow out of the business over the first year would be Ksh 600,000, leaving a possible Ksh 200,000 for other assets and investment in the business. Leasing also allows equipment to be updated on a regular basis, but it does cost more than outright purchase in the long run.

2. Partnership

- | | |
|--|---|
| <ul style="list-style-type: none"> • Advantages • Ease of formation • Low start-up costs • Additional sources of investment • Broader management base | <ul style="list-style-type: none"> • Disadvantages • Unlimited liability (for general partners) • Lack of continuity • Capital divided authority • Hard to find suitable partners • Possible development of conflict between partners |
|--|---|

3. Corporation

Advantages

- Limited liability
- Specialized management
- Ownership is transferable
- Continuous existence
- Separate legal entity
- possible tax advantage (if you qualify for small business tax rate)
- easier to raise capital

Disadvantages

- closely regulated
- most expensive form to organize
- charter restrictions
- extensive record keeping necessary
- double taxation of dividends

3.5.4 Other Legal Aspects of forming a business

■ Licenses, labor laws, Workman Compensation Act, Factory Act, health and safety rules

For any business to operate in the country, the owner has to seek a license to operate the business from the local authorities. This license mandates the entrepreneur to operate the line of business for which he has registered; any other line of business would not be covered by the license agreement.

The labor laws enacted by Acts of Parliament include among others; the Workman's Compensation, and the Factory Act. There are health and safety rules that govern the work environment. The entrepreneur should familiarize himself with these rules since he will have people working under him, whose welfare he will have to protect. He should seek a certificate from the certifying bureau that assures to all employees and stake holders that the interests of the workers are well taken care of and given high priority. This should be placed in a public place in the workstations. The entrepreneur may find himself in legal battles with should he not protect the interests of the workers, especially where the workers have registered under a trade union.

6.

- Sole proprietorship
- Partnership
- Registered Company or Corporations

7. **Environmental School of thought-Support**

Entrepreneurial desires are molded by external factors; positive or negative that affect a potential entrepreneur's lifestyle. Institutions and societal values grouped together form an environmental framework that strongly influences the development of entrepreneurs.

8. **The Entrepreneurial Trait School of thought**

By examining the characteristics of successful people, it has been found that they exhibit similar characteristics. If certain traits associated with successful entrepreneurs are established and supported early in life, this will lead eventually to entrepreneurial success.

- Few barriers to entry. This will increase the influx of new firms.
- Tax Incentives; This will mean higher net profits.
- Better regulations; this will ward off unethical practices.
- Linkages; This will create a forum for exchanging valuable information.
- Low interest rates on loans; this will facilitate start up at an affordable cost.



A business plan is very specific to each particular business. However, while each business needs a unique plan, the basic elements are the same in all business plans. To complete an effective business plan the entrepreneur must dedicate time to complete the plan. It requires that he be objective, critical and focused. The finished project is an operating tool to help manage his business and enable him to achieve greater success. A clearly written and attractively packaged business plan will make it easier to interest possible supporters, investors etc. A well-prepared business plan will demonstrate that the entrepreneur knows the business and that he has thought through its development in terms of products, management, finances, and most importantly, markets and competition. The plan also serves as an effective communication tool for financing proposals.

The significance of having a business plan can be summarized as follows:

■ Better understanding of the business

A business plan helps the entrepreneur appreciate the business needs of his venture beforehand. Through a well prepared business plan, the entrepreneur will be able to see clearly the problems he had not thought of earlier, so he becomes well prepared psychologically to deal with them. The business plan will help in strategy and policy formulation. Without a business plan, it becomes difficult for the entrepreneur to have a clear sense of direction. This is important because he will need to convince many people that the venture will in fact work. In addition to the well laid out strategies, the entrepreneur will also highlight the means he has prepared to achieve these objectives. The plan could be short term or long term. In summary, the process of putting a business plan together forces the entrepreneur to look at his business in an objective and critical manner.

■ Financing from financial institutions

An entrepreneur will need to secure funds for his business. Most lenders will require that he comes up with a business plan before they can consider him for financing. This has become the main reasons why most business prepare business plan. It comes as later requirement when the business needs additional cash to continue its operations. Without a business plan, an entrepreneur will find it very hard to acquire business loans.

■ A tool for management

As we have seen, it is in the business plan that the entrepreneur sets out the objectives for the business. He lays out in writing what his vision for the business is. The strategies will be both short term and long term. They need to be achievable as unachievable targets may make the business plan lose credibility. Subsequently, from time to time, the entrepreneur will be referring to the business plan to check whether the growth of the business is in line with the plan he had envisaged earlier on. If not, then he will have sufficient basis to manage the growth of the business to direct it towards the right direction

■ A tool for planning and guidance

A business plan in itself is a planning tool. The big plans are laid out and the small ones that make up the major plans are also followed up closely. The entrepreneur has set out what he needs to achieve within a give time frame so he will set out all these in the business plan. It may happen that the people he works with are unclear about the main objectives of the business. A business plan will act as a learning tool for them. They can thus contribute to the success of the business along with the entrepreneur. The business plan thus also acts as a source of guidance where the way forwards seems unclear. Planning is very important if a business is to survive. By taking an objective look at the business the entrepreneur can identify areas of weakness and strength. He will realize needs that may have been overlooked, spot problems and nip them before they escalate, and establish plans to meet his business goals.

The business plan is only useful if used well. Ninety percent of new businesses fail in the first two years. Failure is often attributed to a lack of planning. To enhance success, the plan should be well utilized. A comprehensive, well constructed business plan can prevent a business from a downward spiral as *failure to plan can mean plan to fail*

■ Highlight risks involved

The risks involved in the business are perhaps something that the entrepreneur may not want to dwell upon too much. However, for the plan to gain more credibility, the entrepreneur will have to incorporate what risks his type of business is likely to encounter. These could be financial, operational or control risks. The entrepreneur should also highlight the measures he has in place to manage the risks that he fore sees. Once an informed reader looks at the plan with all these risks highlighted, he may find it a more realistic proposal and be willing to invest.

■ Communication tool

A business plan is a strong communication tool for the business. It defines the purpose, the competition, management and personnel. It clearly identifies the vision and mission of the business to all the stake holders. The roles and responsibilities of the operational and management staff will also be clearly defined. The process of constructing a business plan can be a strong reality check if the pertinent details are not well articulated.

■ Reference Tool

A well prepared business plan offers a benchmark against which actual performance can be measured and reviewed. As has been mentioned, a business plan will tell the entrepreneur when the trend in performance tends to deviate from the laid out plan. The plan provides an ideal setup. It may need to be changed, especially when changes in the economy or in the industry warrant it. At all times the entrepreneur should keep his business at par with his targets as well as with what the competitors are aiming at and even further.

Even after preparing a business plan, the entrepreneur may find that it is necessary to review it from time to time due to changing circumstances that come to light with time. This enhances the planning process and improves the business plan. Some aspects of the business plan may become obsolete with time and may thus require updating. This may be done even once the business is up and running.



The Competition

To the entrepreneur, understanding his competition's strengths and weaknesses is critical for establishing his product's or services competitive advantage. If he finds a competitor is struggling, he needs to know why, so he doesn't make the same mistake. If his competitors are highly successful, he'll want to identify why. He will also want to assess the need for another competitor offering the same product or service in the market.

Specific areas to address in this section are:

1. Identify the closest competitors. Where are they located? What are their revenues? How long have they been in business?
2. Define their target market.
3. What percentage of the market do they currently have?
4. How do the entrepreneur's operations differ from his competition? What do they do well? Where is there room for improvement?
5. In what ways is the business superior to the competition?
6. How is their business doing? Is it growing? Is it scaling back?
7. How are their operations similar to his and how do they differ?
8. Are there certain areas of the business where the competition surpasses him? If so, what are those areas and how do you plan on compensating?

Analyzing competitors should be an ongoing practice. Knowing the competition will allow the entrepreneur to become more motivated to succeed, efficient and effective in the marketplace.

The entrepreneur will also need to do a competitive analysis. In this section he will need to do an in-depth analysis of the competitive advantages and weaknesses of his firm. When exploring weaknesses he should include information that will help allay any concerns that may arise as to their ability to significantly hinder his success.

This section is important, especially if the company is a start-up, because the entrepreneur will, typically, be competing with established companies that have inherent advantages such as financial strength, name recognition, and established distribution channels. Through this competitive analysis, the entrepreneur will be better prepared to counter competitor moves or strengthen his own position in the market.

The Market

Investors look for management teams with a thorough knowledge of their target market. If a new product is being launched, the entrepreneur should include his marketing research data. If he has existing customers, he should provide an analysis of who his customers are, their purchasing habits, their buying cycle.

This section of the plan is extremely important, because if there is no need or desire for the product or service there won't be any customers. If a business has no customers, there is no business.

This section of the plan should include:

- A general description of the market
- The function that the entrepreneur is planning to capitalize on and why
- The size of the niche market. Include supporting documentation.
- A statement and supporting documentation as to why the entrepreneur believes there is a need for the product or service in the market.



CHAPTER SUMMARY

- A business plan is a documented plan of action that an entrepreneur should have as a pre-requisite for his business venture. This plan sets out in specific terms what he envisions for the firm (the goals) and how he intends to achieve those goals.
- The business plan should therefore be well prepared. A lot of thought and preparation should be put into ensuring that a well balanced business plan is prepared that is realistic and can convince any stakeholder of the business of what the business is all about.
- Some of the uses of a business plan are as follows:
 - To attain an understanding of the business. This is for external and internal users
 - To obtain financing
 - To act as a management tool
- There is no specific structure that a business plan should adopt. There are varied formats that may be adopted, but the following main features should always be there
 - A brief description of the business background and purpose
 - Objectives;
 - Products and services
 - Competition
 - Market analysis and marketing strategy
 - Operations
 - Management and staffing
 - Financial Plan
 - Executive Summary
 - Supporting documentation

CHAPTER QUIZ

1. What is a business plan?
2. Why is it important that an entrepreneur prepares a good business plan?
3. List and explain 5 uses that an entrepreneur may have for his business plan
4. What are the components of a business plan?
5. What is a marketing strategy?
6. In staffing, what should the entrepreneur bear in mind while preparing the business plan?
7. What is contained in an executive summary?



Cash Flow Planning

Attached is an exhibit of my one-year cash flow analysis including estimated sales, all costs and capital requirements. I have included a checklist of all expense items for input into my cash flow projections

Analysis of Costs

Attached is an itemized cost-breakdown of each individual Widget product that will be in my initial line. My initial target mark-up will be ____%.

Internal Controls

My accountant, Norman Numbers, is experienced in my type of business, which includes international trade. He will help me set up a system of internal controls to make sure that Widget Corporation will receive all of its' income without any of it being siphoned off by waste, fraud, dishonest employees or carelessness.

This will include an inventory policy including who can sign for goods and services and who controls the release of goods and services out the door. Included in the internal control policy will be the requirement that the only person authorized to sign purchase orders, make capital acquisitions and sign checks will be I personally.

SECTION SEVEN: FINANCING

Financing Strategy

My requirements for start-up capital are as follows:

Attached is a list of expenses for which I will require either start-up capital or financing. These items include buying supplies, getting a computer, equipment and fixtures, tooling, travel expenses and start-up overhead expenses. These expenses are included in my monthly cash flow projection to indicate the ongoing requirements for cash.

My sources of cash for starting my business are as follows. I have provided a spreadsheet showing all of the sources of start-up equity capital.

My sources of financing for starting my business are indicated in the following spreadsheet. While I will not be depending on banks for financing, there will be other resources available to me such as leasing of equipment and fixtures, credit from suppliers, mortgage financing, etc. My referrals include the following helpful contacts to lending institutions: my accountant, the Small Business Administration, friends, relatives, etc.

I am prepared to make presentations to potential lenders. My presentation kit includes this business plan, my personal financial statement and personal tax returns. I will be prepared to be specific in my needs for financing, the payback program and my sources of repayment. I will furnish potential lenders a cash flow projection showing sources of repayments and I will be conservative in my forecasts.

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► EXAM CONTEXT

This area has not yet been tested under the new KASNEB syllabus

► INDUSTRY CONTEXT

The entrepreneur cannot afford to ignore the realities affecting the economy and the steps he should take to ensure the business is keeping abreast with the dynamism affecting the business environment. The society's perception of what the business is doing and how it is taking into account its interest is very important and the entrepreneur should internalize the concerns in the management of the business.

5.1 ETHICAL ISSUES IN BUSINESS

The entrepreneur will be forced to deal with ethical issues from time to time in his business. This basically requires that the knowledge of right and wrong should be clear to him and the people he works with, bearing in mind that the interests of the business take priority.

Ethics refers to a set of principles prescribing a behavioral code that explains what is good and right or bad and wrong. It outlines moral duty and obligations. (Koratko and Hodgetts, 2004),

Ethics is the study of moral issues and values. Ethics involves choosing between right and wrong. A person who behaves ethically is one who operates in an upright and honest manner. Different cultures have different perceptions on ethics. In some countries, the society may not look down upon giving bribes in business, yet in others, this may be taken as a serious offense that warrants law enforcement. Other common types of unethical behavior are;

- Theft
- Falsification
- Embezzlement
- Stealing supplies
- Manipulating suppliers
- Failure to withdraw a defective product from the market place



Many firms have seen the importance of taking this aspect of business management seriously in recent years. It is a new and difficult area of consulting, one which addresses fundamental business concepts and purposes and the increasingly complex relationships of business firms with their environment. It is an area that is value-laden and controversial, where businesses have to face diverse and even conflicting interests, requirements, recommendations and pressures. It is an area the importance of which has grown considerably over the last two decades and will continue to grow in future years. Firms that accept that the landscape for the social role of business is changing confront a difficult series of operational challenges. They must make up for the deficiency in existing knowledge, competency, and systems around social responsibility management and begin to develop their capabilities. They are keen to get reliable and balanced guidelines on how to act. They increasingly appreciate help from consultants in facing both policy and operational issues related to their social roles, functions and relationships, especially if consultants demonstrate their ability to help in preventing conflicts and crises. Part of the consultants' role is to convince clients that social responsibility is becoming more and more an important part of business fundamentals. Consultants are called to help their clients define the most appropriate manner in which their business should relate to stakeholders, and take into account issues that are typically the province of the public and civil sectors. Both facets require consultants to first persuade, and then guide their clients into unmapped territory and untraditional roles. Consultants have no less of an agenda than to redefine the concept of "business as usual". Who then should the entrepreneur be responsible to? The following section examines the various stakeholders;

5.2.1 Responsibility to Customers

The entrepreneur's attention should be focused on his customers at all times. These are the stakeholders whose influence on the business is most crucial. The entrepreneur can ensure that his customers' interests are well taken care of by;

Treating them with respect

This is important from the moment the customer walks into his shop or makes a call to the moment the transaction is completed

Act honestly

The entrepreneur should not always put the interests of the business way ahead of everything else even to the point of being dishonest. The customer deserves to know the truth at all times regarding the product or service been provided. He should help the customer make the right purchasing choice. He can do this by providing all pertinent information regarding the use of the product, the entrepreneur should ensure that this information is available to the customer, either as a label or a separate brochure. This is a legal requirement, in case there are dangers in using the product in a particular way.

Be objective about the product's success

The entrepreneur should not exaggerate about the good points of the product or service. Customers notice this and may not come back if what the entrepreneurs tells them about the product does not meet their expectations.

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**Do not return back goods damaged in your care**

The entrepreneur should ensure that all good being returned to suppliers for credit due to damage or not meeting his order are bona fide returns. This means that they are valid returns and not part of his old stock.

5.2.3 Responsibility to Creditors**Honor Credit Policy**

The riskiest business for lenders of funds is the inability of the borrower to meet his end of the obligation. Lenders will expect the entrepreneur to adhere to the credit period as outlined in the credit policy. This document will normally be sent to the entrepreneur and he will be required to sign it before accepting the funds or the credit facility. The entrepreneur should strive to stick to the terms as much as possible and if there is a possibility of departing from the arrangement, proper communication should be done and in good time.

Acknowledge all correspondence

It is good business practice to acknowledge communications with creditors, whether in writing or email. These will normally be reminders to meet obligations or notices of lapse in credit period that was extended. The entrepreneur may not be in a position to act on the communication at a given moment. Proper communication as to his inability to do the same is a sign of courtesy.

5.2.4 Responsibility to Investors**Return on Investment**

The entrepreneur is a steward/ agent of the investors. He has been entrusted with funds and given the task of using them to yield the expected returns by investing properly. He therefore needs to constantly update the investors on how the business is doing. This will assist them make a decision as to whether to invest more or give the business more time to grow.

Financial Statements

The entrepreneur has the duty of informing the shareholders about the financial position of the business. This he can achieve by preparing financial statements (Statement of comprehensive income and statement of financial position). The entrepreneur should free himself from any bias in the preparation of the financial statements. The shareholders and any potential investor would need the financial statements so as to make informed investing decisions.

5.3 ENVIRONMENTAL ISSUES IN BUSINESS

Major business corporations have been on the war path with environmental lobby groups, mostly Non – Governmental bodies, over the issue of environment conservation. This has sparked debates as to whether most entrepreneurs and executives give due importance to issues concerning the physical environment in which their businesses operate or whether their main motive is wealth maximization at the expense of a sound environment. Most executives in large firms are concerned in cutting down on their internal costs of production. This in turn has resulted in external costs increasing as a result of waste management strategies that attempt to pass on the cost hurdle to other parties. In the end, it is the environment that bears the brunt of profit maximization objectives of the business. This may not apply to all corporations but more often than not, all players in the business world have something to do with this.

One main cause of the disparity between the two warring groups mentioned above is the timescales that forms the basis of their respective objectives. While most businesses want to record high profits within a relatively short period of time, the environmentalists have long term plans for the environment. The environment conservation measures have long term implications and this does not go very well with the profit maximization objectives of a growing firm.

To resolve the conflicts, there has to be some consensus between the environment support groups and the business community. The entrepreneur is a stake holder in these deliberations and should take an active role in resolving the conflicts. The N.G.Os with help from the government can facilitate dialog in the following ways;

- Encourage upcoming businesses to take social responsibility seriously and even have this as part and parcel of their short term and long term business objectives.
- Encouraging top management in the corporations to have environment conservation as one of the important matters under their social responsibility objective. This ensures that policy formulation regarding this matter will be given the importance it deserves.
- Involving all individuals in the business community in the environment conservation exercises that are organized from time to time. This also includes the top management and directors of major companies. Once they lead by examples, their employees and budding entrepreneurs will borrow a leaf from their involvement.
- Clarify roles and responsibilities regarding environmental protection by developing an organized structure to deal with environmental protection matters, defining environment-related procedures, etc.
- Strive to alleviate burden on the environment in all aspects of business activities - from product research and development and design to procurement of raw materials, manufacture, transport, usage, servicing and disposal - through pollution prevention, conservation of resources, energy saving, waste reduction, reuse and recycling.
- Strive to develop and provide advanced, highly reliable, wholly proprietary technologies and products that will contribute to solving environmental and energy problems.



- Strive continuously to improve and enhance environmental protection activities not only by fully complying with environmental laws and regulations but also, when necessary, by establishing, implementing and evaluating independent standards and setting environmental goals and targets.
- In the performance of business activities overseas and exportation of products, pay full heed to impact on the local natural and social environments and strive to protect those environments; also, become actively involved in technological cooperation overseas in matters of environmental protection.
- As part of the annual report to shareholders, registered companies should be required to give a report on its social responsibility activities and include a report on measures taken to prevent environment pollution in addition to the pro active measures taken to conserve the same.

This forum can be organized by the N.G.Os or by the government through the relevant ministry that is in charge of environment conservation.

In any business, the motto often goes something like "We strongly believe that the customer comes first and that we are obligated to be an innovative partner to society."- A business should thus believe and have as its primary purpose to contribute to society through its research and development, manufacturing and other business activities. Accordingly, in the performance of its business activities the company should embrace the awareness that it is an integral member of society and, in all aspects of its business activities, it will strive to reduce burden on the environment and shall devote its comprehensive technological capabilities to the development of technologies and products that will protect the environment, as its way of contributing to the development of a sustainable society.

5.4 EMERGING TRENDS

5.4.1 E – Commerce

E – Commerce also known as Electronic Commerce consists of the buying and selling of products or services over electronic systems such as the Internet and other computer networks. The amount of trade conducted electronically has grown extraordinarily with widespread Internet usage. The use of the internet in conducting trade in this manner is spurring and drawing on innovations in electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange (EDI), inventory management systems, and automated data collection systems. Modern electronic commerce typically uses the World Wide Web at least at some point in the transaction's lifecycle, although it can encompass a wider range of technologies such as e-mail as well.

- International recognition of intellectual property restrictions (e.g. patents granted by China would be recognized in the United States)

Cultural globalization, driven by communication technology and the worldwide marketing of Western cultural industries, was understood at first as a process of homogenization, as the global domination of American culture at the expense of traditional diversity. However, a contrasting trend soon became evident in the emergence of movements protesting against globalization and giving new momentum to the defense of local uniqueness, individuality, and identity, but largely without success

■ Measuring globalization

Economic globalization can be measured in different ways. These ways center on the four main economic flows that characterize globalization:

- Goods and services, e.g. exports plus imports as a proportion of national income or per capita of population
- Labor/people, e.g. net migration rates; inward or outward migration flows, weighted by population
- Capital, e.g. inward or outward direct investment as a proportion of national income or per head of population
- Technology, e.g. international research & development flows as a proportion of populations (and rates of change thereof) using particular investments (especially 'factor-neutral' technological advances such as the telephone, motorcar, broadband)

As globalization is not only an economic phenomenon, a multivariate approach to measuring globalization is the recent performance index. The index measures the three main dimensions of globalization: economic, social, and political. In addition to three indices measuring these dimensions, an overall index of globalization and sub-indices referring to actual economic flows, economic restrictions, data on personal contact, data on information flows, and data on cultural proximity is calculated. Information on these studies can help the entrepreneur better understand his customers and predict their consumer patterns. The entrepreneur can use the indices to project how globalization will impact on sales given that what happens in other countries have an indirect impact on his business.

■ Effects of globalization

Globalization has various aspects which affect the world in several different ways such as:

- Industrial - emergence of worldwide production markets and broader access to a range of foreign products for consumers and companies. Particularly movement of material and goods between and within national boundaries. This acts to expand the entrepreneur's scale of trade across the boundary.
- Financial - emergence of worldwide financial markets and better access to external financing for borrowers. As these worldwide structures grew more quickly than any transnational regulatory regime, the instability of the global financial infrastructure dramatically increased, as evidenced by the financial crises of late 2008. An entrepreneur running a multinational company would have been worst hit by this phenomenon.

Idol series, YouTube, Orkut, Facebook, and MySpace. Accessible to those who have Internet or Television, leaving out a substantial segment of the Earth's population.

- Worldwide sporting events such as FIFA World Cup and the Olympic Games.
- Incorporation of multinational corporations in to new media. As the sponsors of the All-Blacks rugby team, Adidas had created a parallel website with a downloadable interactive rugby game for its fans to play and compete.
- Social - development of the system of non-governmental organizations as main agents of global public policy, including humanitarian aid and developmental efforts.
- Technical
- Development of a global telecommunications infrastructure and greater trans border data flow, using such technologies as the Internet, communication satellites, submarine fiber optic cable, and wireless telephones
- Increase in the number of standards applied globally; e.g.. Copyright laws, patents and world trade agreements.
- Legal/Ethical
- The creation of the international criminal court and international justice movements.
- Crime importation and raising awareness of global crime-fighting efforts and cooperation.
- The emergence of Global administrative law.

■ Negative effects

It is too easy to look at the positive aspects of Globalization and the great benefits that are apparent everywhere, without acknowledging several negative aspects. They are often the result of globalized corporations and the delocalization of economies that were once self-sustaining.

Globalization has indeed played an important role in creating an enabling environment for growing businesses. The increasing pace at which international economies are being integrated over the last couple of years has given rise to a lot of optimism for upcoming entrepreneurs. Countries such as China and India which were very poor not more than 20 years ago have benefited a lot from Globalization.

However, pundits are not so quick to give this phenomenon a green bill of health without looking at the adverse effects that globalization has had in certain areas. These are among the focus of their arguments;

Sidelining of local industries

Agriculture and industries in developed and even developing countries have been sidelined in the interest of keeping a breast with what is happening elsewhere. Competitive advantage no longer plays a major role in deciding what an economy should focus on. This has affected areas such as the Midwest United States

Trade fairs often involve a considerable marketing investment by participating companies. Costs include space rental, design and construction of trade show displays, telecommunications and networking, travel, accommodations, and promotional literature and items to give to attendees. In addition, costs are incurred at the show for services such as electrical, booth cleaning, internet services, and drayage (also known as material handling). The entrepreneur should thus carry out a cost benefit analysis of attending such events, in as much as they are of value to his business.

Consequently, local authorities often promote trade shows as a means of economic development through the promotion of the *jua kali* sector

Exhibitors attending the event are required to use an exhibitor manual to order their required services and complete any necessary paperwork such as health and safety declarations.

An increasing number of trade fairs in many other countries are happening online, and these events are called virtual tradeshow. They are increasing in popularity due to their relatively low cost and because there is no need to travel whether you are attending or exhibiting.



6.3 BARRIERS TO EFFECTIVE BUSINESS COMMUNICATION

Fast forward: There are inherent limitations, both interpersonal and technical in the communication process which should be eliminated for there to be effective message conveyance.

Certain psychological and physical barriers between people may distort the communication process and cause misunderstanding and confusion.

Hierarchical barriers

Communication between superiors and subordinates tend to be rather cautious. The superior wishing to maintain authority and the subordinate protecting himself from criticism. A formal and rigid line relationship may funnel the process of communication too narrowly, restricting the dissemination of information.

Educational/Social Background

Differences sometimes cause feelings of inferiority/superiority. Differences in educational standards could also hinder understanding of some information.

Age, Sex, Culture

Natural differences may affect outlook and perception.

Language

Misunderstanding and incorrect interpretation may result from the use of inappropriate or ambiguous language. This is especially the case where technical and specialist language is used.

Background Knowledge

Lack of expertise or knowledge of a subject may impair understanding.

Manner/Tone

Tone, gestures, facial expressions and mannerisms may convey disapproval, disbelief, aggression etc.

Preconceived Judgment

Either party may already have made up his mind about the outcome or made judgments on the topic. He will therefore be unreceptive or only hear what he wants to hear.

Personality clashes

Guarding of one's own area of work may affect objectivity and the degree of co-operation given.

- Is the tone adopted towards the reader the right one?

■ Illustrative Matter

- Does each diagram convey its meaning clearly?
- How well is the association between text and illustration established?
- Do the illustrations give the essential minimum of explanatory wording?
- Are the tables used mentioned in the text of the report?

7.3.5 Format

The purpose of reports and their subject matter varies widely, but there are certain generally accepted principles of report writing that can be applied to most types of reports.

1. Title

The report should have a title, and the title should be:

- Explicit – that is, the title should indicate clearly what the report is about.
- Brief. The title should be as short as possible, while at the same time being explicit.

2. Identification of Report Writer, Report User and Date

Reports should indicate clearly whom they are directed at, who has written them and the date of their preparation.

3. Confidentiality

If the report is confidential, this fact must be printed at the top of the report.

4. Contents Page

If the report is extensive, it should open with a list of contents by a section, paragraph, number, etc.

5. Terms of Reference

The introductory section of the report should explain why the report has been written. The terms of reference should explain not only the purpose of the report but also any restrictions on its scope. Timescale is important and it should be specified in the terms of reference. "The report was to be handed in by 27th June 20..."

6. Sources of Information

If the report draws on other sources for its information, these sources should be acknowledged in the report. Alternatively, if the report is based on primary research the nature of fact-finding should be explained.

7. Sections

The main body of the report should be divided into sections. The sections should have a logical sequence, and each section should ideally have a clear heading.

Procedure

This outlines the steps taken to make an investigation, collect data or put events into motion.

Could be: Telephone calls were made, documents/files consulted, computer files accessed, visits of the site/observation, interviewing personnel, etc.

They should be briefly described, with the names of other people involved.

Findings

The information itself is set out, with appropriate headings and sub-headings. Findings will usually be written in descending order of importance, where the most important comes first. The content should be complete, but concise and clearly structured.

Conclusions

This section allows for a summary of main findings – if the report is lengthy and complex. This is particularly helpful to those who may wish to read the entire report.

Recommendations

If asked to so in the terms of reference, the writer of the report may suggest the solution to the problem investigated so that the reader will be able to make a decision if necessary.

II. The Short Informal Report

The structure of the informal report is less developed. It is shorter and less complex so it does not require elaborate referencing and layout. Its sections may have various titles but three sections may be considered as below:

Background Or Introduction Or Situation

This sets the context of the report. Include everything that will help the reader to understand the rest of the report.

- ☐ The reasons why it was requested
- ☐ The current situation
- ☐ Any background information on people and things that will be mentioned in the following sections

This section may contain the equivalent of Terms of Reference and Procedure.

Findings Or Analysis Of The Situation

Here is set out the detailed information gathered, narrative of events or other substance of the report. It may be organized as a series of continuous prose paragraphs, it may have sub-headings or numbered lists.

Generally the input of this section is not sufficiently complex to justify a highly schematized, indented layout.

Action Or Solution Or Conclusions

In this last section the main points of the report are summarized as conclusions and any actions required. Recommendations or means of solving a problem are outlined.



Thus the conclusions and recommendations are combined here.

■ III. The Long Formal Report – Report in Tabular Form

This format is used for high-level, extensive reports. Could be 50 or hundreds of pages.

Principal Components

- ☐ Title Page
- ☐ Contents, pages
- ☐ Synopsis of findings
- ☐ Terms of Reference
- ☐ Procedure
- ☐ Sectionalized Findings
- ☐ Conclusion
- ☐ Recommendations.
- ☐ Appendices
- ☐ Bibliography

A schematic arrangement in which the material is classified and grouped under headings and sub-headings greatly simplifies the reader's task. He can see at a glance what the different sections are about; pass quickly over those that do not concern him, and concentrate on those that do.

A TABLE OF CONTENTS makes his task easier still. It gives him a bird's-eye view of the subject matter covered as well as a close-up of sections that specially interest him.

With very lengthy reports it is also helpful to prepare a SUMMARY of the findings, conclusions and recommendations consisting of not more than a single page.

Capitals, numerals, lettering, underscoring and indenting are all employed as devices for presenting the different items with varying degrees of emphasis. The numbering and lettering scheme adopted will depend on the house-style.

■ Reports in letter form

Short reports could also be in the form of a letter addressed to the person at whose request the report is made. The mechanical structure will not differ from that of the ordinary business letter and the report should be signed and dated as such.

Subject matter will be arranged in the following order:

- Subject-heading
- A reference to the request for the report

This is in the first paragraph and does not need a sub-heading.

- The methods of investigation used
- The findings
- The conclusions drawn and recommendations made if they have been asked for

CHAPTER SUMMARY

- There are many events in the business environment that constitutes the non - core activities. These activities need to be given due attention in order to facilitate efficient running of the organization. Communication and other business correspondences constitute part of the non – core activities.
- Meetings in the organization should be well organized. Formal meetings should be minuted and planned well in advance following adequate preparations.
- Communication within and without the organization should be done professionally as the image of the organization will be impacted by the manner in which this is done.
- Reports are written to summarize an event or to account for a particular phenomenon that has implication on the business. Formal reports should be well written, given the fact they the information contained therein is sensitive to the business and can have serious implication if it's incorrect or wrongly written
- Postal and courier services are what enables an organization communicate effectively and professionally with outsiders. Depending on the nature of the business and distance to be covered among other factors, the choice of which mode to use should be done very carefully.
- Business presentations skills are essential to everyone working in the organization. Acquisition of these skills gives the entrepreneur confidence in representing himself when dealing with customers and other business stakeholders
- Ethics in communication is a management issue that should not be ignored. The top management should lead by example in enabling an environment where moral values are upheld. This will facilitate the adoption of an ethical culture in the organization where everyone feels comfortable in his job.

CHAPTER QUIZ

1. What is business communication?
2. What are the main types of meetings and what are they designed to achieve?
3. What are the main functions of reports?
4. Identify types of reports that you know
5. What constitutes the format of a report?
6. For what purpose would an organization require postal and courier services?
7. To make a good presentation, identify 6 pointers that can be useful to an amateur presenter.



EXAM QUESTIONS

QUESTION ONE

With technology integration and the web's high speed environment which forces constant collaboration, an organization must react in real time to its strategic changes. This will only be possible if it exploits new Internet technologies.

Successful e-companies share fundamental principles that have proved critical to their success in the global marketplace.

You have been requested by the Managing Director of your organization to carry out a study of business transformation on the Internet in order to identify several important factors common to their success in the business world. Your report will be tabled at the next board meeting. You obtain the following information from various sources through Internet.

- The most successful organizations are being pushed by their top management to exploit new Internet technologies.
- Understanding e-commerce is a key to success in today's globalizing economy, where rules formulated in distant capitals have an increasing impact on cross-border trade and competition in home markets.
- Businesses have been swift in realizing the opportunities provided by the web and have developed websites in order to advertise and sell products and services, promote corporate images and; to provide information (especially public services).
- Advantages in using the web include a reduction in the cost of advertising, cheaper and easier provision of information, the lack of a need to maintain a shop front, the ease of crossing geographical boundaries and the absence of a middleman.
- The web's high-speed environment forces tight cross-functional integration across all the company's business divisions and functions and will also force management to acquire IT skills as well as business skills to lead such change.
- Businesses are using intranets for the internal display of company manuals covering employment and other procedures; easily updated internal news and information services, company catalogues; and project notice boards (to which project participants can add information and comments to be seen by all).
- Intranets enable employers to talk with and challenge one another, share ideas and create new knowledge fostering experimentation with new ideas, products and services before they are launched.
- The network also extends to customers through the use of extranets for enhancing customer relationships and managing its supply-chain.
- Companies can generate over 50% of their total revenue on-line with about 40% of unit volume shipped directly to customers without the company ever touching the product.
- Putting the customer in the driver's seat makes business sense, especially given the one-to-one marketing focus that is becoming the hallmark of electronic commerce.
- Many companies, not only welcome you by name on their sites (if you have previously purchased a product), but also remember your preferences and uses intelligent data-mining software to suggest related products and services.



■ Beeper System

Where executives are constantly on the move and yet may need to be contacted when out of the office they may be issued with personal radio receivers which fit into the pocket. These "beeps" send out high-pitched audible sounds when activated from a central point e.g. the switchboard. When the holder of the "beep" picks up the signal they are requested to report to the nearest phone. They are widely used by doctors and by executives in large organizations.

Advantages

1. They do not cause as much disturbance as the public address systems.
2. They enable confidential messages to be relayed once telephone contact has been made.
3. They cover a wider distance (e.g. up to 20km).

Disadvantages

1. The beeper is rendered useless if it is forgotten in the briefcase. It should be worn.
2. A restricted area is covered-not as much as the public telephone network.

■ Radio Paging

It operates over a much wider area than the beeper (nationwide). There are 'tone only' beepers which merely beep, signaling to subscribers the need to contact a relevant number, or sophisticated models which incorporate a LED (light emitting diode) which can display a brief message.

■ Bells and Buzzers

A system of bells and buzzers can be installed. Each person on the 'call list' has a code of so many long and so many short buzzers similar to the Morse code. They tend to be noisy and disturbing and not a very accurate method of communication. With a coded buzzer everyone must stop and listen carefully to the signals to discover whether it is his particular call sign.

■ Lighted Signals

To overcome the disturbance caused by sound signals, a system of lights may be used. There are three such methods:

1. The first uses a code which is a combination of any of the numbers which light up consecutively on an indicator. Up to 80 coded signals can be transmitted on such a system.
2. The second method is a clock on which the figures are illuminated either singly or in a combination to indicate members of the staff called.
3. The third system is a series of coloured lights only. Each member of staff who may be paged is allocated a combination of still and/or flashing colours e.g. yellow still and red flashing.

Disadvantages

1. They require coded signals.
2. A large number of signal stations may be required to locate a person wherever he may be.
3. The signal is not so insistent as a bell or buzzer.



■ Computer Workstation Conferencing

It is possible to interlink remotely located computer workstations. Here a personal computer user may interact with a central coordinator who sends out information to a 'circle' of users – for example displayed screens of written data. Each circle member may key in comments and responses viewable by all, or may 'converse' with an individual participant of the conference circle in privacy.

This communication system is a very effective way of supplying open learning and training.

■ Interactive Software Conferencing

With this system a PC user can dial up a colleague(/s) across the world and, with contact established, transmit a screen – displayed, software application – say a graph, chart or document – which may be updated, modified or altered by any of the participants, as they converse over the phone.

Advantages

1. Saves travel time.
2. Quickly arranged live meetings are possible.
3. Participants can see and hear one another and enjoy graphics support.
4. Meetings tend to be briefer and better organized due to cost factor.
5. Permanent recording can be made.
6. Easier access to essential files/staff is required.
7. Participants are less tired and so work more effectively.
8. It is easier to maintain confidentiality as opposed to meeting in a hotel.

Disadvantages

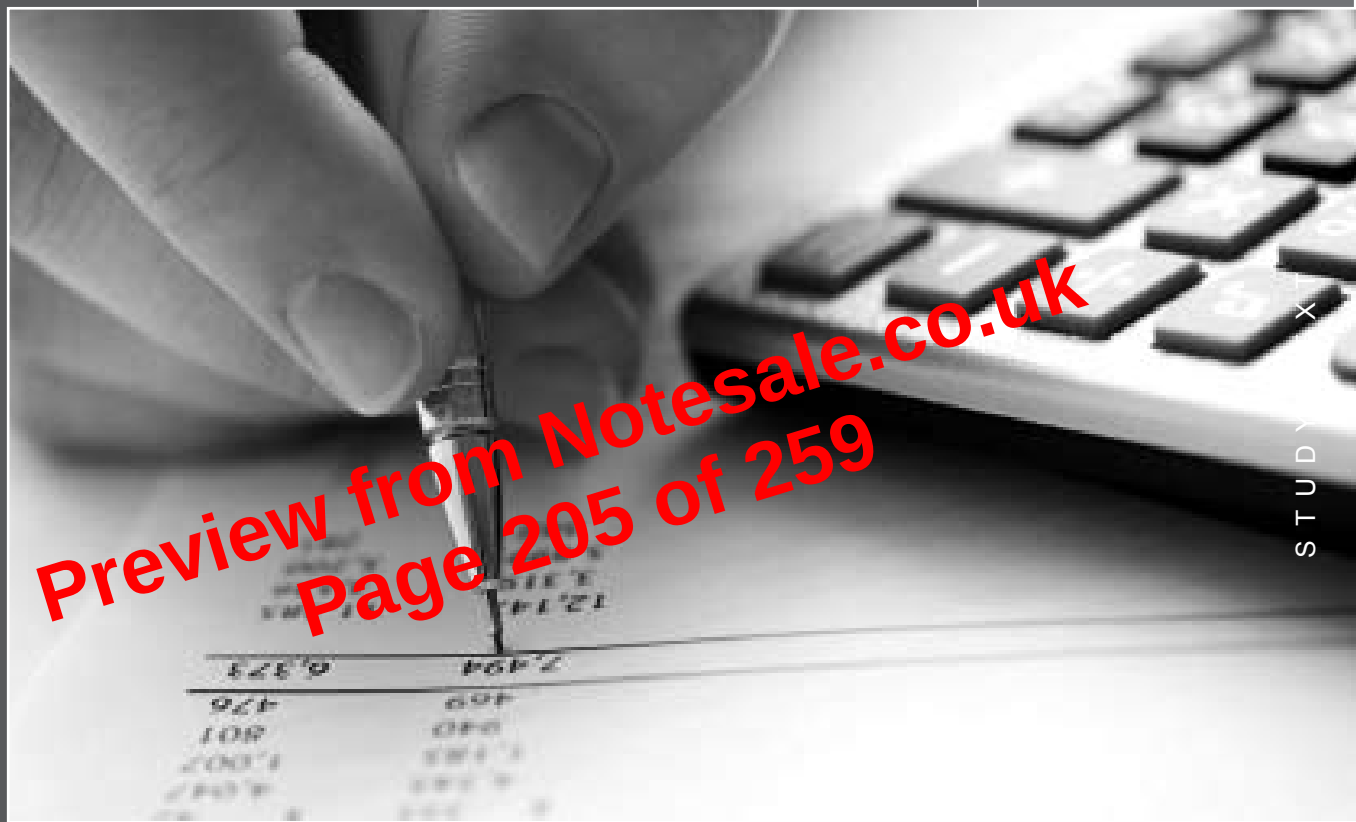
1. Such meetings may be more difficult to chair.
2. Some participants may be camera shy.
3. Face-to-face pre-meeting contact is lost.
4. Technical problems/breakdowns may occur.
5. Inconvenience of going to a confraction centre (a confraction centre is a regional studio set up with teleconferencing facilities. Charges are based on say, an hourly basis. Private links may be set up between private organizations. They would need to buy or hire the equipment).
6. Equipment costs in setting up a private service.

■ Data Storage and Retrieval

An essential part of the Office Manager's task is to supervise office services, which include the storage of information and its retrieval.

With the growing use of the computer to store, rearrange and transmit data without the need to print it out on paper, perhaps the time will come when the traditional methods of filing documents will disappear. However even if the office were to become fully automated, it is unlikely that paper would disappear entirely. Besides, since the disks would still have to be stored and retrieved and the principle of classifying and indexing applied in much the same way as for paper documents, the supervisor or Office Manager will still need to know the rules for the conventional filing systems.

SUGGESTED SOLUTIONS





CHAPTER TWO

QUESTION ONE

(a)

A business opportunity is a viable business potential to create something new, i.e. a product or a service. It also entails establishing new markets by engaging new technologies.

A franchise is a business arrangement where the inventor (franchisor) develops a plan for the provision of a product or service and another, the franchisee uses the plan to avail the product or service. The franchiser grants rights to manufacture or distribute a product to the franchisee in return for royalties.

(b)

The entrepreneur should assess his ability to tackle each of the following issues;

Be able to identify his strength

This entails doing a self assessment and knowing his strong points. These strong points are what he will utilize to get himself started on conducting new

Assess his surrounding

This means taking a step backwards and analyzing the industry of his choice to see who else doing or attempting what he has in mind

Identify gaps that may be tapped

He will need to be very keen to spot the areas that have potential for invention and innovation and plan to capitalize on them

Select one of the gaps identified based on his strengths.

The entrepreneur cannot do everything all at once, despite having the capabilities to do so. He will select one specific area among many to invest in.

Identify the risks and constraints involved.

The entrepreneur will also need to carry out a risk assessment or appoint an expert to do this for him. This will determine what kind of fall back plan he should have.

Lay out an execution plan

Planning is the most important part of this thought process. The entrepreneur should take time to lay out a comprehensive plan for his venture

(c)

Self - Discovery

This entails taking a risk and identifying a need that is not being fulfilled. The entrepreneur will assess the environment to spot this phenomenon before moving on.

CHAPTER THREE

QUESTION ONE

Policy Formulation

The Government has the resources that can facilitate enterprise development. Having a law making organ within its structure, it can, through an act of parliament, formulate policies that will enhance the creation and establishment of small businesses. This should be done while putting the interest of the small business owners first. Policy documents that address various areas and even geographical locations should be set with the objective of ensuring equitable chances to all stake holders.

Giving a boost to supporting institutions

In recent years, Kenya has witnessed the mushrooming of Non- Government Organizations that are doing a commendable job in promoting entrepreneurial initiatives. Most of the NGOs are mainly involved in credit delivery, business training, providing general consultancy, and providing short term loans. However, most of the institutions supporting small businesses are rather weak, fragmented, concentrated in urban areas and uncoordinated. This calls for the need to strengthen the institutions supporting small and medium enterprises. This is where the government comes in with its wealth of influence.

Creating forums for networking

Networks are so important for the entrepreneur who is just starting out. He needs all the support he can get from other entrepreneurs and strategic investors looking for franchises. The business linkages are also critical because networking is crucial in the business world. This is clearly demonstrated by the chain of supply of goods and services between firms in an industry and even between industries. The government can establish organs that will specialize in bringing entrepreneurs with good proposal and strategic investors together in a common forum. Entrepreneurs also benefit through access to information on financial assistance, materials and suppliers, pricing, training, workshops sub-contracting opportunities and potential joint venture

Maintaining political Stability

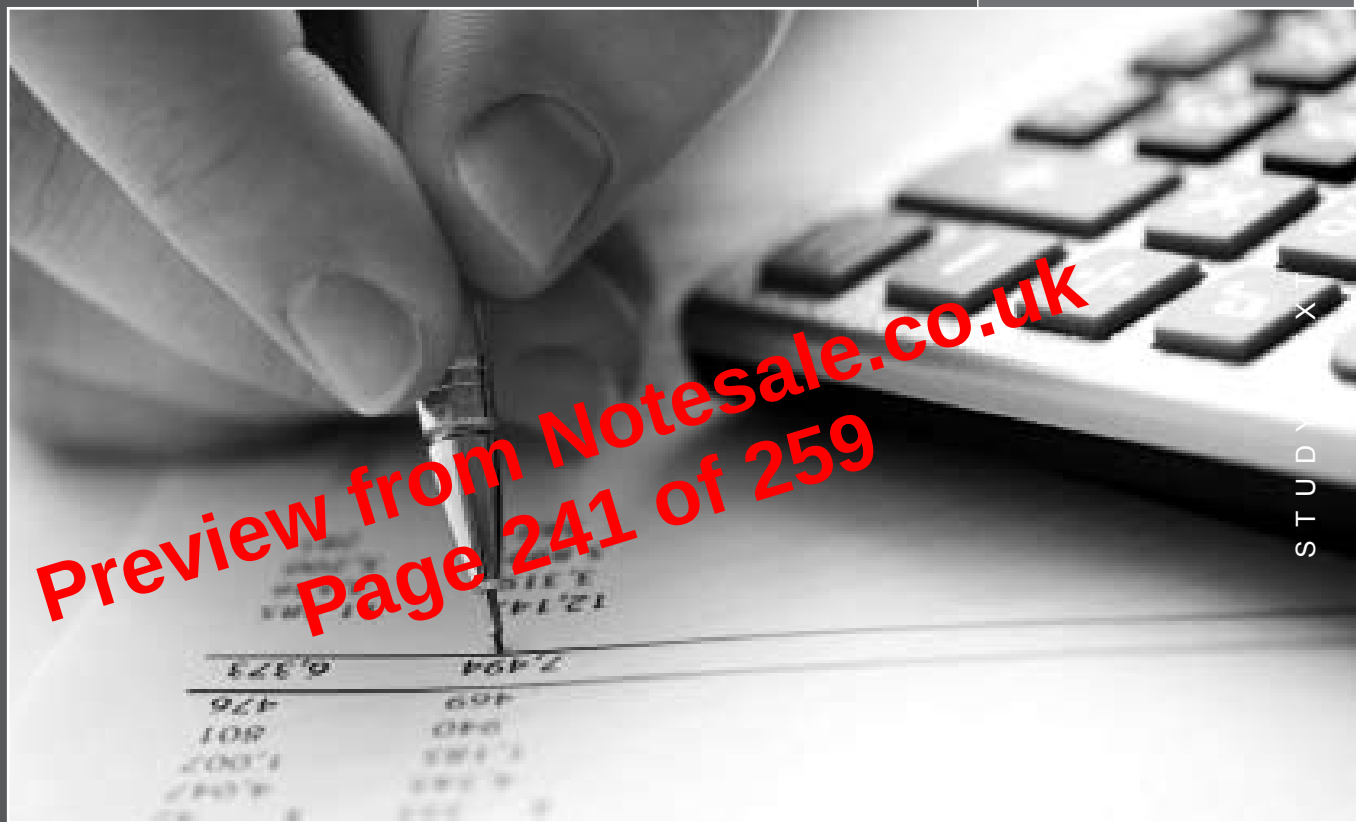
The Government can work hard at ensuring the politics of the land do not adversely affect the economy, at least where small businesses are concerned. There is always bound to be political interference where the business environment is concerned raising questions as to the main issue that needs to be addressed.

Fiscal Policies

The government can regulate the economic down turns in the country through the fiscal policies that are enacted and revised from time to time. These can cushion the small businesses against the adverse effects of economic cycles

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REFERENCES





GLOSSARY OF TERMS

Automation: The process of computerizing operations in an attempt to reduce paper work by embracing Information Technology.

Awareness: The process is imparting entrepreneurs with information about relevant facts that have direct impact on their business plans.

Body Language: Non-verbal correspondence that is exhibited through physical body expressions.

Business Life cycle: Phases that a business undergoes from inception till natural death or closure. This is affected by the growth or otherwise of the industry.

Business Objective: A specific goal that the owner(s) of a business have set as the target for their operation over a given period of time. It could be long term or short term.

Business Opportunity: A viable business potential to create something new, i.e. a product or a service and establishing new markets by engaging new technologies

Business plan: A detailed account of how the owners of a business plan to convert ideas and vision into a real, functioning profit center. It is a document that outlines all the steps that the business intends to follow to achieve the objectives or goals that have been set.

Cartels: These are business associations formed by firms within an industry, with the same business objectives of ensuring favorable trade terms with suppliers so that when the goods reach the final consumer, sufficient margins have been made.

Code of Ethics: A prescribed set of rules that a person or an organization associates with in all circumstances on ethical matters. It is the minimum level of ethical behavior that is the person/organization attests to.

Communication Channel: The route that a message will traverse before it reaches its intended destination.

Communication media: The physical materials that are used to transmit data between sender and receiver.

Communication: This is the process of exchanging ideas amongst two or more persons. It is the process of giving, receiving or exchanging information, opinions or ideas by writing, speech or visual means, so that the material communicated is completely understood by everyone concerned.

Competition: The existence of rivalry amongst business to secure a larger market share through strategized sales and marketing plans. Healthy competition takes place in a controlled environment.

Corporation Aggregate: A legal entity formed by at least two people and whose membership at any one time legally consists of at least two people.

Corporation Sole: A legal office that is constituted by a single individual at any one time, who is assigned specific tasks. The tasks are specific to the office and can be discharged by anyone else who subsequently occupies the office.

Corporation: A business entity that subsists in its own capacity as a legal person with rights and obligations

Courier: The sending of message or parcel from one location to another using an identified third party

Decoding: Reformatting the data received into a readable format at the receiving end of the communication channel. The receiver must use the same formula as the sender to decode

Distributorship: Refers to a business arrangement where an independent agent enters into an agreement to offer and sell the product of another but is not entitled to use the manufacturer's trade name as part of its trade name

E-commerce: The process of conducting business electronically.

Economic development: A process of gradual improvement in general welfare of the country in terms of its main sources of revenues and infrastructure.

Electronic Conferencing: The use of Information Technology facilities to carry out meetings without having to meet physically. The attendants can be miles apart but can still correspond using either visual or audio aids. i.e. video conferencing or audio conferencing respectively

Electronic mail: Electronic transmission of messages via the Internet. It is commonly applied either to a company's mailbox system operated via its own computer or to one of the services provided by internet service providers

Encoding: The process of applying a formula to format data to be transmitted into a set of unique characters that cannot be translated by any unauthorized person along the communication channel.

Enterprise Development: The process of enhancing growth of small scale business by providing a conducive environment for entrepreneurs to establish their businesses.

Enterprise: A well organized business set up that is constituted by a manager along with a team who work together to pursue a business goal.

Entrepreneur: Someone who devises a new production methodology and producing output (goods or service) based on the new concept

Entrepreneurship: The process of coming up with new processes or ways of achieving some set objectives. It is the process of devising a new process that will make production more efficient.

Ethics: A study of the moral issues and values that form the basis of human behavior in society.

Executive Summary: A structured summary of the business plan that highlights the key issues that prospective investors or providers of funds will find relevant for their decision making

Extended Networks: These are formal firm to firm relationships. The entrepreneur engages other entrepreneurs, customers, vendors and other constituents in the operating environment in boundary spanning activities

Franchise: A business arrangement where the inventor (franchisor) develops a plan for the provision of a product or service and another, the franchisee uses the plan to avail the product or service.

Globalization: The process by which local, regional or national phenomena become integrated on a global scale.

Hierarchical barriers: Communication barriers that exist between superiors and subordinates in an organization. It is a situation where the superior wishes to maintain authority and the subordinate is protecting himself from criticism.

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