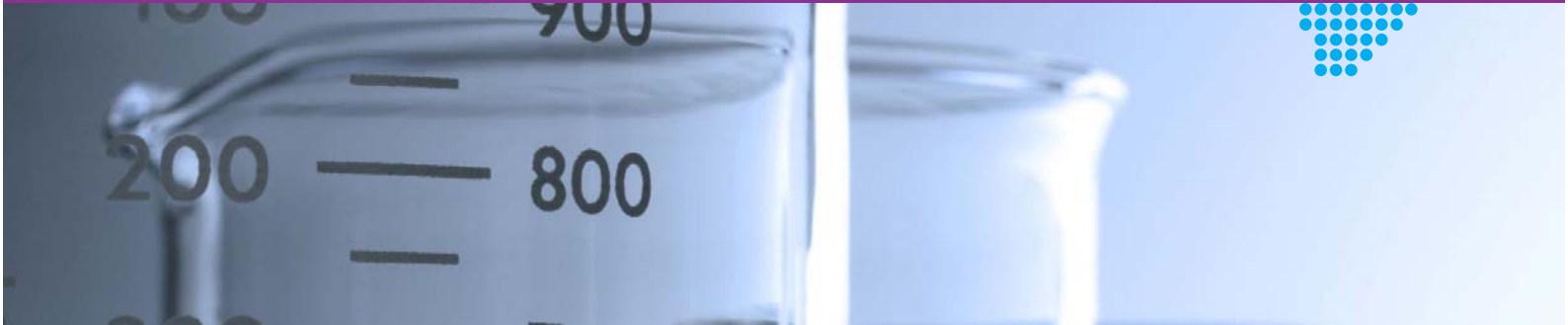




Entrepreneurship Skills Training Manual for Scientists



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The African Technology Policy Studies Network (ATPS) is a multi-disciplinary network of researchers, private sector actors and policy makers promoting the generation, dissemination, use and mastery of science, technology and innovation (ST&I) for African development, environmental sustainability and global inclusion. ATPS intends to achieve its mandate through research, capacity building and training, science communication/dissemination and sensitization, participatory multi-stakeholder dialogue, knowledge brokerage, and policy advocacy.



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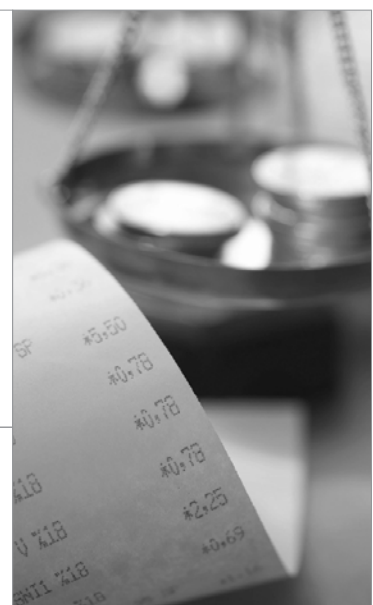


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Prof. Kevin C. Urama

Executive Director

The African Technology Policy Studies Network (ATPS)

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List of Acronyms

AAU	Addis Ababa University
ATM	Automatic Teller Machine
ATPS	African Technology Policy Studies Network
BIPCEA	Biosciences Innovation Policy Consortium for Eastern Africa
CESCR	Committee on Economic, Social and Cultural Rights
CSR	Corporate Social Responsibility
CSV	Creating Shared Value
DSTR	Directorate of Science, Technology and Research, Rwanda
ESA	European Space Agency
IMP	Intellectual Monopoly Privilege
ILRI	International Livestock Research Institute
IP	Intellectual Property
IPR	Industrial Property Right
ISAAA	International Service for the Acquisition of Agri-biotech Applications
KEMRI	Kenya Medical Research Institute
KEPHIS	Kenya Plant Health Inspectorate Service
KIPI	Kenya Industrial Property Institute
KIPO	Kenya Industrial Property Office
KNCST	Kenya National Council for Science and Technology
MoST	Ministry of Science and Technology, Ethiopia
NASA	National Aeronautical and Space Administration
PC	Personal Computer
RFP	Request for Proposal
R&D	Research and Development
SEI	Stockholm Environment Institute
SEO	Search Engine Optimization
SIDA	Swedish International Development Agency
SME	Small and Medium Enterprises
TCST	Tanzania Commission for Science and Technology
TRL	Technology Readiness Level
TM	Trade Mark
UK	United Kingdom
UNCST	Uganda National Council for Science and Technology
USA	United States of America
VC	Venture Capital
WIPO	World Intellectual Property Organization

1. Introduction

This training manual is a booklet of instructions, designed to improve the quality of entrepreneurship in bio-sciences innovations. It forms an important part of the formal training program. For example, it helps ensure consistency in presentation of content in addition to ascertaining that pertinent information on processes, procedures, skills, and knowledge related to the training objectives are all together in one place. It is particularly useful as:

- > an introduction to the subject matter of entrepreneurship prior to the training
- > an outline to be followed during the training
- > a reference to the entrepreneurship subject matter after training
- > a general reference document

1.1. Innovation and entrepreneurship in the biosciences

The world is currently witnessing a transformation beginning that is being driven by new science and proceeding by way of technology and markets to a new society. The success of science has led to radical modifications of social behavior, for example advances in reproductive health have challenged traditional norms. Moreover, science and technology appear to be compromising the integrity and uniqueness of human life; for instance, gene sequencing and cloning. In this regard, the impact of new technologies is seen as undermining the meaningfulness of industrial-age social constructions. Evidently, the field of bioscience which has its emphasis on biotechnology has both positive and negative ramifications on society.

The rapid development and application of digital and genetic technologies in a globalizing world shows the imminent shift from an industrial era to a network era. In the network era, productivity and competition are increasingly determined by knowledge and information as well as by technologies. Networks have thus become the typical current form of productive cooperation. In the networks, the form of cooperation is no longer guided just by the 'entrepreneur' but by the scientist/researcher who creates the products. The

scientist's/researcher's role has evolved to include more creation of cooperative links, maintenance of communication channels, exchange, appropriation and injection of appropriate information into new products. This is to say that scientists/researchers are increasingly being transformed into “Sciento-preneurs.”

“Sciento-preneurs” need to possess certain characteristics which will enable them to harness and prosper in the network era. They include their ability to:

- > build up networks (networking skills)
- > accept people and their ideas and to exchange information (socialization skills)
- > learn to adapt to different networks (flexibility and adaptability)
- > integrate input from different disciplines (multi-disciplinarity)
- > get used to mobility and communicate in the language of the target audience beyond the peer community (e.g. policy-makers, markets, users)

In order to achieve success in bio-entrepreneurship, it is important to focus on its three pillars, which are: management, capital and technology.

Management: There can be no transformation of technological opportunities into product sales without the involvement of skilled management. The skill sets required are wide ranging and evolve with the life of the company. For example:

- > at start-up stage: critical skill sets needed include the ability to direct R&D and communicate the company's promise to the financial community
- > at commercialization stage: this stage requires manufacturing and commercialization capabilities and collaborations
- > as it approaches the market: marketing and sales skills are needed given that sales agreements have a bearing on profit and loss
- > good managerial skills are needed to help the company transition well from a R&D driven culture to a market driven culture

Capital: Access to financing, especially long-term financing, is a big challenge to many African companies. The challenge is even bigger for R&D, innovation and science-based companies due to the inherent risks in innovation (no guarantee for success in the market).

Technology: Most companies still rely on the academia for sources of new technologies. The universities provide fertile grounds for harvesting new inventions and discovery which makes technology licencing/transfer and other forms of IP critical. Moreover, every biotech industry must have a well-defined and well-articulated product/service focus.

To be successful in the bioscience field, it is mandatory for the entrepreneurs to have a clear

vision of every step they will take towards their goal. For example, they need to identify the particular challenge the company/technology/innovation will address; which essentially means being clear about the opportunity. It is also important to have a clear vision of sources of future revenues. Some of the areas entrepreneurs need to focus on in order to be fruitful in their endeavours are shown in Figure 1 below.

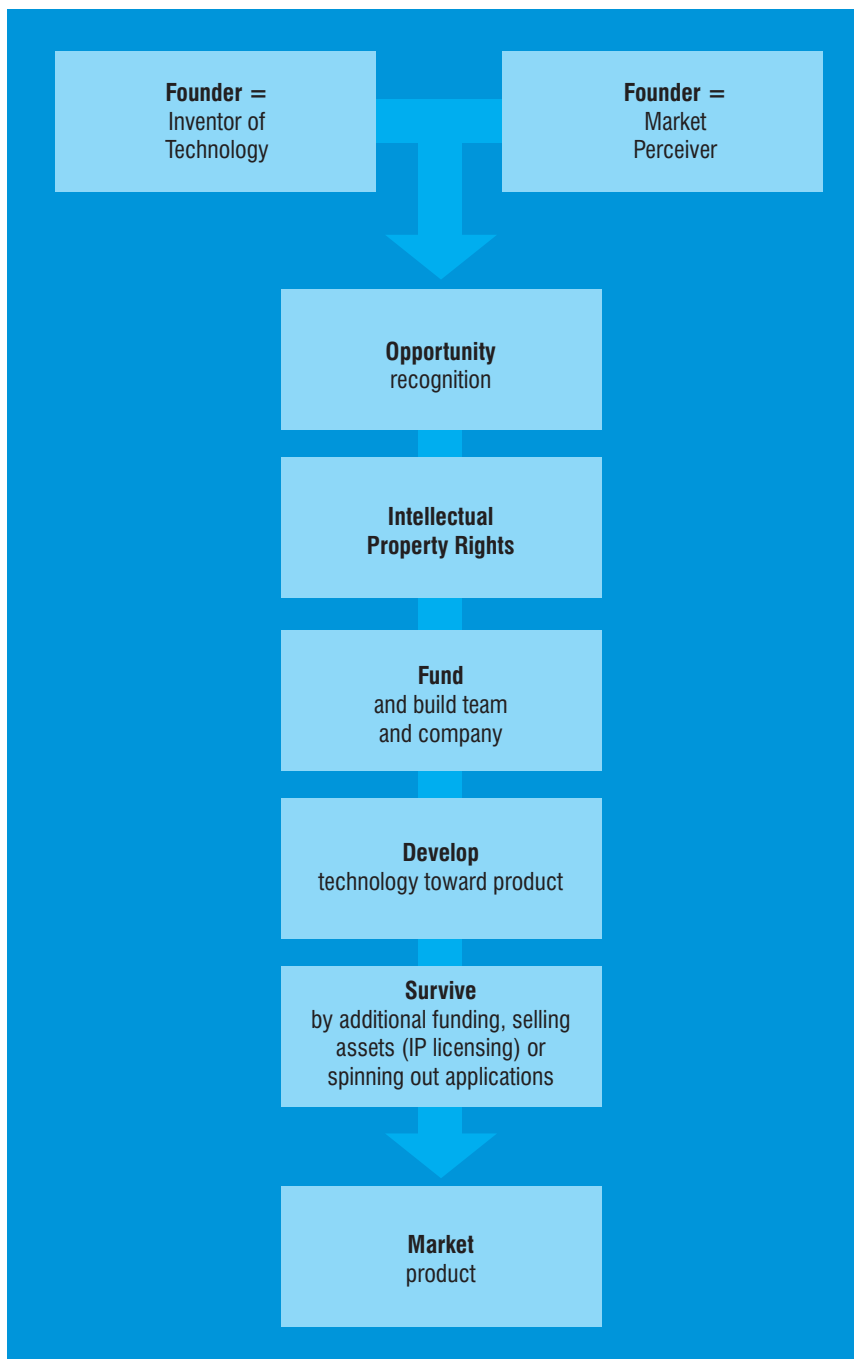


Figure 1: Path to entrepreneurship in life sciences

In order to build successful enterprises in the biosciences, prospective entrepreneurs need to follow the tips below:

Timing - the entrepreneur needs to predict future changes in society and markets - timing can be a real determinant of success

- > There is need to take a macro view and predict how the industry or a particular sector will develop and how it will look in 5 – 10 years time
- > Aspiring entrepreneurs must never think the market is static - relevant competitors are those in the future

The competitive space will change down the line and aspiring entrepreneurs must be prepared

Location - clustering leads to positive externalities and this connotes the saying that birds of the same feathers flock together:

- > Clustering enables companies to be tuned into the industries strategic shifts and become successful together
- > Clustering provides an environment that will attract world-class talent, knowing that if things don't work with one company, there are others nearby
- > Clustering allows mixing of skill sets, and the convergence of many disciplines and cultures

There are some challenges that an entrepreneur in this current dispensation faces. Some of them include:

- > in the network era, new products and services are the results of social organizations of knowledge networks
- > appropriation of such products through patenting and other forms of IPR could be challenged
- > open source innovation models are opening up and freeing knowledge which other firms could patent, thus changing the innovation landscape
- > there is a shift of power of regulation from the domain of politics to production means
- > social and policy organizations are becoming hostile and defensive towards biotechnology

2. Establishing a Successful Enterprise

According to Ramsey & Windhaus (2009), there are certain things - attributes, behaviors, attitudes, and practices that must be fully developed, implemented, and managed by a small business owner in order to start, operate and grow a profitable small business. Among these are: doing what you enjoy; taking what you do seriously; planning everything; managing money wisely; asking for the sale; remembering it's all about the customer; becoming a shameless self-promoter (without being obnoxious); projecting a positive business image; getting to know your customers; leveling the playing field with technology; building a top-notch business team; becoming known as an expert; creating a competitive advantage; investing in yourself; being accessible; being knowledgeable; building a rock-solid reputation; selling benefits; getting involved; grabbing attention; mastering the art of negotiations; designing your workspace for success; getting and staying organized; taking time off; limiting the number of hats you wear; and following-up constantly. The work of Tiffany & Peterson (2004) on business planning supports similar perspectives on successful small business development. Following is a brief discussion of each of the foregoing attributes.

Doing what you enjoy

It has often been said that *'if you do what you really enjoy, you will never work a day in your life'*. The rationale is that what you enjoy doing, even if it is work, often feels like play. If you enjoy working in your small business, you will end up giving it a lot of your time, with the result that the business will get a lot of benefit, and, as a result, you will also get a lot out of the business. What you get out of your business - in the form of personal satisfaction and enjoyment and financial gain and stability will be the sum of what you put into the business. It then goes without say that if you do not enjoy what you are doing (your business), it is highly unlikely that the business will succeed. So, bottom line is that if you do not enjoy what you are doing, chances are you will not succeed. It is, therefore, important that the decision to go into business and the choice of what business to go into should take into consideration what the entrepreneur really enjoys doing.

Taking what you do seriously

You have to believe in what you are doing before anyone else can believe in it. Your belief in your product or service can actually become contagious in that more people become converts to the product or service just because you believe in it very strongly. The reverse is also true – no one will believe in your business, product, or service unless you believe in it first. You cannot expect to be effective and successful in business unless you truly believe in your business and in the goods and services that you sell. But taking your business seriously often goes beyond your belief in the goods and services that your business offers. It includes the commitments and promises that you make to your customers and the diligence with which you fulfill the commitments and keep the promises. Far too many small business owners fail to take their own businesses seriously allowing themselves to get easily sidetracked and not staying motivated. Too often they fall prey to 'naysayers' who do not take them seriously, sometimes because they work out of their homes as opposed to working from an office building, office park, storefront, or factory. The first step to being taken seriously by your customers, suppliers, and even competitors is taking what you do seriously.

Planning everything

It has often been said that *'failing to plan is planning to fail'*. This adage is just as true in establishing a new enterprise, if not truer. Planning every aspect of your new business is not only necessary, it builds habits that every new business owner needs to develop, implement, and maintain. The act of business planning is very important and requires you, the business owner, to analyze each business situation, to research and to compile data, and to make conclusions based mainly on the facts as revealed through the research findings. Business planning also serves the function of having your goals and strategies for achieving them on paper. You can use the plan you create as both a map to take you from start-up to success and as a yardstick to measure the success of each individual segment within the plan.

Managing money wisely

There is an old adage that says *'a penny saved is a penny earned'*. The rationale is that watching your expenditure is as important as watching your sales and deserves just as much attention. There are two aspects to wise money management: the money received from clients in exchange for goods and services provided (income); and the money spent on inventory, supplies, wages and other items required to keep the business operating (expenses). The lifeblood of any business enterprise is its cash flow. When this 'lifeblood' is cut off for whatever reason, survival becomes a big struggle. Many otherwise successful businesses have been known to buckle under for their inability to pay bills when they become due. So, keep cash flowing in (and out) of your business in a planned manner. This means setting priorities and expending only on the most important and urgent things. You need money to buy inventory, pay for services, promote and market your business, repair and replace tools and

equipment, and to pay yourself and your staff. Therefore, all new business owners need to become wise money managers to ensure that the cash keeps flowing and the bills get paid.

Asking for the sale

Asking for the sale should happen as soon as the customer is adequately educated on the product or service. It is the culmination of all the sales, marketing, and advertising efforts. A new business entrepreneur must always remember that marketing, advertising, or promotional activities are completely worthless, regardless of how clever, expensive, or perfectly targeted they are, unless one simple thing is accomplished - asking for the sale. This is not to say that being a great salesperson, advertising whiz, or a public relations specialist is not a tremendous asset to your business, it is just that all of these skills will be for naught if you do not actively ask people to buy what you are selling.

Remembering it's all about the customer

There is a relatively new adage that says *'the customer is king'* and another one that says 'the customer is always right'. The rationale is that whatever you do in your new business, you are doing it for the want, need, and satisfaction of the customer. If your target customer does not care for your product or service, your business is history. Your new business is not about the products or services that you sell, nor is it about the prices that you charge for your goods and services. Your new business is not about your competition and how to beat them. Your business is all about your customer, end of story. They are the people that ultimately decide if your business goes boom or bust. Everything you do in business must be customer focused, including your policies, warranties, payment options, operating hours, presentations, advertising and promotional campaigns, and website. The first step to being customer focused is getting to know your customer. The second step is remembering that all that you do is for and about the customer.

Becoming a shameless self-promoter (without becoming obnoxious)

Use every possible opportunity to create awareness about yourself, your business, product and services. These opportunities can be those created by you, the entrepreneur, such as inviting current and potential customers to visit your premises or to sample your products and services, or they can be those created by others such as taking part in seminars and conferences related to your industry or products. One of the greatest myths about personal or business success is that eventually your business, personal abilities, products or services will get discovered and be embraced by the masses that will beat a path to your door to buy what you are selling. But how can this happen if no one knows who you are, what you sell and why they should be buying? Self-promotion is one of the most beneficial, yet most underutilized, marketing tools that the majority of new business owners have at their immediate disposal. When attending and participating at industry, product, or service seminars make sure you are

noticed – by presenting papers or participating in panels.

Projecting a positive business image

When people see you and your business in a positive light, they will want to do business with you. You have but a passing moment to make a positive and memorable impression on people with whom you intend to do business. Remember the adage that says ‘you never have a second chance to make a first impression’. New business owners must go out of their way and make a conscious effort to always project the most professional business image possible on the ‘get go’. This is especially important since a majority of new business owners do not have the advantage of elaborate offices or elegant storefronts and showrooms to ‘wow’ prospects and impress customers. Instead, they must rely on imagination, creativity and attention to the smallest detail when creating and maintaining a professional image for themselves and their new businesses.

Getting to know your customers

Business research study results have shown that a large majority of business (80%) will come from repeat customers and that only the other 20% will come from new customers. Therefore, along with trying to draw new customers, the more you can do to woo your regular customers the better off you will be in the long run. Giving your customers personalized attention is one way to achieve this goal, and is very much appreciated and remembered in the modern high-tech world where businesses are increasingly relying on computers to maintain their customer relations for them. Call it high-tech backlash if you will, but customers are sick and tired of hearing that their information is somewhere in the computer and must be retrieved, or told to push a dozen digits to finally get to the right department only to end up with voice mail--from which they never receive a return phone call. One of the biggest features and often the most significant competitive edge the small business entrepreneur has over the larger competitors is the ability to offer personalized attention. The new business owner can actually answer phone calls, get to know customers, provide personal attention and win over repeat business by doing so.

Leveling the playing field with technology

You and your new business may not be household names yet, but you can have a web-presence that put many big businesses to shame. One of the most amazing aspects of the internet is that a one or two person business operating from a home or basement office can have a superior website to a \$50 million company, and no one can tell the difference. Such a web presence comes with the credibility necessary to attract any kind of customer. Although it is wise to avoid getting overly caught up in the high-tech world such as having computers answer customer phone calls, it is important to know how to take advantage of it. The best technology is that which helps you, not that which impresses your neighbors. Make sure you

are keeping up with the high-tech world in line with your needs.

Building a top-notch business team

As a new business owner you are a manager. Management has sometimes been defined as ‘achieving results through people’. No one person can build a successful business alone, as it is a task that requires a team that is both competent and as committed as you are to the business and its success. Your business team may include family members, friends, business alliances, employees, sub-contractors, suppliers, industry and business associations, local government, and the local community. The important thing is to put together a team that can and will get the job done (Hill, 1987).

Becoming known as an expert

An expert is someone who is a specialist in a specific area. When people and businesses want to outsource services, they look for experts who can do the job very well. Becoming known as an expert in your business, product, or service area means that people and businesses will seek you out when they need your expertise. This means that becoming known as an expert allows your business to sell itself and to grow. When you have a problem that needs to be solved, do you seek just anyone's advice or do you seek an expert in the field to help solve your particular problem? Obviously, you want the most accurate information and assistance that you can get. You naturally seek an expert to help solve your problem. You call a plumber when the hot water tank leaks, and not just any plumber for that matter, an expert plumber. You call a real estate agent when it's time to sell your home, and not just any real estate agent, but one who has established a good reputation in that area. You call a dentist when you have a toothache, and not just any dentist, an expert in the area of your special need. Therefore, it only stands to reason that the more you become known for your expertise in your business, the more people will seek you out to tap into your expertise, creating more selling and referral opportunities. In effect, becoming known as an expert is another way of prospecting for new business. Instead of finding new and qualified people to sell to, these people seek you out for your expertise.

Creating a competitive advantage

Yours will not be the only company selling a particular product or offering a particular service. Every market segment is crowded with businesses doing the same things, selling the same products, or offering the same services. Because of this crowding of the market, a business needs to establish, develop, or otherwise identify certain areas of the business in which it can perform better than the competition. These become its competitive advantages. Many businesses have used information technology to create competitive advantages. For example, Dell Computers is just one of the many companies that sell personal computers (PCs) of similar quality and cost, but its competitive advantage may be in its delivery time. Because of its sophisticated network of suppliers and a robust portal, you may receive your order of a PC

from Dell in two days (in the continental USA) while it will take its competitor five to seven days to deliver a similar computer to you. Under this scenario, Dell is not able to beat the competition on quality or cost, but is able to beat them on deliver time, its competitive advantage. A new business must have a clearly defined unique selling proposition. It must ask the question "why will people choose to do business with us instead of with the competition?" In other words, what one aspect or combination of aspects is going to separate your business from your competition? Will it be better service, a longer warranty, better selection, longer business hours, more flexible payment options, lowest price, personalized service, better customer service, better return and exchange policies or a combination of several of these? (Harvard Business School Press, 2005).

Investing in yourself

As a new business owner, you can only take your business as far as your knowledge goes. In order to sell in international markets, for example, you have to know about them first. Expanding your own personal knowledge base, therefore, expands your company's potential. Invest in yourself so that you are prepared to take the business to new heights. Successful entrepreneurs buy and read business and marketing books, magazines, reports, journals, newsletters, websites and industry publications, with the understanding that these resources will improve their understanding of the business environment, marketing functions, and other skills. They join business associations and clubs and network with other skilled business people to learn their secrets of success and to help define their own goals and objectives. Successful entrepreneurs attend business and marketing seminars, workshops and training courses, even if they have already mastered the subject matter. They do this because they have understood that education is an ongoing process, and that there are ways to do things better, in less time, with less effort. They never stop investing in the most powerful, effective, and immediate business tool at their disposal - themselves.

Being accessible

Being accessible to your customers is important and it means being available to them when they need you. Be available to answer customer questions, not only about product and service quality and availability but also about failures in the system – such as when product and service quality have failed to meet stipulated standards or have not been delivered as promised. We're living in a time when we expect our fast food lunch at the drive-thru window to be ready in minutes, our dry cleaning to be ready for pick-up on the same day, our money to be available at the ATM machine at the press of a button, and our pizza to be delivered 'in 30 minutes or it's free'. In keeping with the times and with the competition, you must make it as easy as possible for people to do business with you. Making it easy for people to do business with you means that you must be accessible.

Being knowledgeable

Take great pride in knowing your product or service well. The better you understand your product or service, the better you can sell it on the market. In fact marketing is not much more than educating the customer on the value proposition of the product or service. Once the customer understands the product, s/he becomes comfortable enough to buy it. Many 'don't buy' decisions are made on the basis of not knowing or not understanding the product or service enough. Be knowledgeable about your product or service, share that knowledge with others and your business will grow in leaps and bounds. Remain cognizant that people will work hard, go out of their way, or be inconvenienced just for the privilege of giving you their hard-earned money. You must be able to provide customers with what they want, when they want it.

Building a rock-solid reputation

Being known around your customer circles as a reliable and dependable person and company has tremendous value. If your customers think they can rely on you to provide and deliver the products and services they are looking for, they will want to do business with you. When more and more people want to do business with you, your new business start-up can only grow. A good reputation is unquestionably one of the new business owner's most valuable assets. But a good reputation cannot be bought rather it is something that you earn by honoring your commitments and keeping your promises. Consistency in your product and service offerings is another key factor to building a good reputation. If you cannot come through with the same quality products and level of service for your customers on a regular and consistent basis, they have no basis for trusting you. Without trust among your customers, you cannot have a good reputation. Without a good reputation, it is difficult to grow your business.

Selling benefits

People make purchases for the benefits they stand to receive from the purchased products and services. This means that before a purchase can take place, the buyer has to have an understanding of the benefits of the purchase. From the opposite side of the purchase is the sale. Before a sale can take place, the seller has to successfully sell the benefits of the product or service to the buyer. Not understanding this fundamental fact, novice entrepreneurs and sales personnel will try to push product and service features, rather than their benefits, to the detriment of the business. Selling the benefits associated with owning and using the products and services is what sales professionals focus on to create excitement which allows them to sell, to sell more, and to sell more frequently to their customers. Your advertising, sales presentations, printed marketing materials, product packaging, website, newsletters, trade show exhibits, and signage are vital and effective only so far as they sell the benefits of your products and services. Every medium you use to communicate with your target audience has to always be selling the benefits associated with owning your product or using your service.

Getting involved

Both individuals and businesses do not operate in isolation. We all belong to our local communities. The fact and sense of belonging is fundamental to business growth. Every community wants to develop, grow, and improve in some way. A successful business within a community provides much benefit to that community, such as employment opportunities for the youth. For these reasons, members of a community will support businesses in their community in many different ways, including buying from them. It is an accepted fact that people like to do business with people they know, like, and respect, and with people who do things to help them as members of the same community. As a new entrepreneur, therefore, you should always go out of your way to get involved in the community that supports your business. You can do this in many ways, including pitching in to help local charities or the food bank, becoming involved in organizing community events, and getting involved in local politics. You can, for example, join associations and clubs that concentrate on programs and policies designed to improve the local community.

Grabbing attention

While long-term planning is good for business, the priority for a start-up business is grabbing immediate attention with quick results, and this is where it should spend most of its marketing and promotional budget. A small business owner cannot afford to spend its time, money, and energy on marketing and promotional activities aimed at building awareness solely through long-term, repeated exposure. If you do, chances are you will go broke long before this goal is accomplished. Instead, every marketing and promotional activity you engage in should put money back into your pocket quickly so that you are able to reiterate the process, spend the budget, get results, and put more money back into the campaign – so that you can continue to grab more attention and to grow your business.

Mastering the art of negotiation

Make no mistake about it, business deals are more fundamental than the money needed to buy the business itself. A deal comes first then money follows, never the other way around. Striking a good business deal depends very much on the negotiation skills of the involved parties. The overall goal is a fair bargain for each side, not just for one of the parties. The ability to negotiate effectively is unquestionably a skill that every new business owner needs to make every effort to master. It is perhaps second in importance only to asking for the sale in terms of new business musts. Mastering the art of negotiation means that your skills are so finely tuned that you can almost always orchestrate a win-win situation in every deal. These win-win arrangements mean that everyone involved feels they have won, which is really the basis for building long-term and profitable business relationships. In business, negotiation skills are used on a daily basis.

Designing your workspace for success

Commercial real estate in the central business district of any city is expensive and often out of reach for many small new businesses. In fact for many new businesses it is a death trap. As part of your start-up and growth strategy, carefully locate, plan, and design your office workspace for success by ensuring maximum personal performance and productivity and, if necessary, to project professionalism for visiting clients. If at all possible, resist the temptation to turn a corner of your living room or bedroom into your office. If you operate from home, ideally, you will need a separate room with a door that closes to keep business activities in and family members out, at least during prime business and revenue generating hours of the day. A den, spare bedroom, basement or converted garage are good candidates for your new office. If this is not possible, you will have to find a means of converting a room with a partition or simply find hours to do the bulk of your work when nobody else is home.

Getting and staying organized

One of the major trappings of a small business is the sheer volume of work against the number of staff the business can afford to engage. It is about achieving much on a shoe string budget, in limited space, within a limited timeframe. Getting and staying organized will play a key role in helping achieve these objectives. The key to staying organized is not about which type of file you have or whether you keep a stack or two of papers on your desk. Rather, it is about managing your business effectively and efficiently. It is about having systems in place with which to do things. You want to establish a routine by which you can accomplish as much as possible in a given workday, whether that is three hours for a part-time business or eight hours for a full-time business. In fact, you should develop systems, procedures, and routines for just about every single activity you undertake in the business. Small things such as creating a ‘to-do’ list at the end of each business day, or for the week, will help keep you on top of important tasks to tackle and in the appropriate order. Creating a single calendar to work from, rather than multiple sets for individual tasks or jobs, will also ensure that jobs are completed on schedule and appointments kept. Incorporating family and personal activities into your work calendar is also critical so that you work and plan from a single calendar.

Taking time off

Another major trapping of running a start-up business is *‘giving it your all’*, often interpreted by new entrepreneurs to mean working around the clock. The temptation to work around the clock is very real for some new business owners. After all, they do not have a manager telling them it is time to go home because the company cannot afford the overtime pay. A new business owner, especially one working from home, needs to establish a regular work schedule that includes time to stretch your legs, exercise, take lunch breaks, take some days off, and to go on scheduled vacations. Create the schedule as soon as you have made the commitment to start a new business. Your schedule needs to be flexible, and do not fill every possible hour in

the day. Give yourself a backup hour or two. All work and no play makes you burn out very fast, makes you grumpy, while grumpy customer service is not what people want.

Limiting the number of hats you wear

One common characteristic of successful entrepreneurs is that they are innovative. Innovation creates many business opportunities through niches and competitive advantages. While being innovative is a very good thing, there is a trapping in the possibility of coming up with many different ideas and angles of a business, resulting in having many initiatives all going on at the same time – ‘wearing many hats’. It is a better idea to start one initiative at a time, and to grow each idea sequentially in the case of a serial entrepreneur. Wearing many hats at the same time disperses energy and attention to the many initiatives, thereby denying focused attention to each, with the result of likelihood of failure for each. Inside the business, it is difficult for most business owners not to take a hands-on approach and to try to do as much as possible and tackle as many tasks as possible in their business simultaneously. The ability to multitask is good, in fact, it is a common trait shared by successful entrepreneurs. However, it can become a liability if not kept in check. Once in a while you have to stand back, take stock, and look beyond today to determine what is in the best interest of your business and yourself over the long run. Identify areas where you can either outsource the service to others or when to hire a new employee. Many successful entrepreneurs will tell you that from the time they started out, they knew what they were good at and what tasks to delegate to others.

Following-up constantly

Constant contact, follow-up, and follow-through with customers, prospects, and business alliances should be the mantra of every business owner, new or established. Constant and consistent follow-up enables you to turn prospects into customers, increase the value of each sale and buying frequency from existing customers, and build stronger business relationships with suppliers and your core business team. Follow-up is especially important with your existing customer base, as the real work begins after the sale. It is easy to sell one product or service, but it takes work to retain customers and keep them coming back.

3. Identifying an Innovation that can be Commercialized

An innovation can be defined as the creation of better or more effective products, processes, services, technologies, or ideas that are accepted by markets, governments, and society. Technology, on the other hand, can be defined as the making, usage, and knowledge of tools, machines, techniques, crafts, systems or methods of organization in order to solve a problem or perform a specific function. For the purpose of this discussion, however, the terms innovation and technology are used interchangeably. The terms technology transfer and commercialization are defined below, however, the two terms are often used interchangeably in some situations.

a. Commercialization

According to Abramson et. al. (1997), commercialization is the process that converts ideas, research, or prototypes into viable products that retain the desired functionality. It is often a necessary step to commercial success for innovations coming from startup ventures or company research efforts. The commercialization process often has the following three key aspects:

1. looking at several ideas to identify one or two products or businesses that can be sustained long-term (the funnel);
2. a stage-wise process where each stage has its own key goals and milestones; and
3. involvement of key stakeholders early, including customers

b. Technology transfer

Technology transfer is the process of sharing of skills, knowledge, technologies, methods of manufacturing, samples of manufacturing and facilities among universities, industry, governments and other institutions to ensure that scientific and technological developments are accessible to a wider range of users who can then further develop and exploit the technology into new products, processes, applications, materials or services (Speser, 2006).

c. Transfer process

Many companies, universities and governmental organizations now have an "Office of Technology Transfer" dedicated to identifying research which has potential commercial interest and develop strategies on how to exploit it. For instance, a research result may be of scientific and commercial interest, but patents are normally only issued for practical processes, and so someone—not necessarily the researchers—must come up with a specific practical process, and this is now largely done by the Technology Transfer Office. Another consideration is commercial value of the technology or innovation. The process of commercially exploiting research varies widely, can involve licensing agreements and setting up joint ventures and partnerships to share both the risks and rewards of bringing new technologies to market, and so need specialized attention (Vijay, 1997). Other methods of commercialization include corporate vehicles such as spin-outs that are used where the host organization does not have the necessary will, resources or skills to develop a new technology. Most commercialization approaches are associated with raising Venture Capital (VC) funds as a means of funding the development process. Technology Transfer Offices have primary focus on commercialization and may work on behalf of research institutions, governments and even large multinationals. Where start-ups and spin-outs are the clients, commercial fees are sometimes waived in lieu of an equity stake in the business (Ndede-Amadi, 2011). As a result of the potential complexity of the technology transfer process, Technology Transfer Offices are often multidisciplinary, including economists, engineers, lawyers, marketers and scientists (Speser, 2006).

d. Technology Readiness

According to Mankins (1995), one method of identifying an Innovation that can be commercialized is the Technology Readiness Level (TRL), a measure that has been used by the USA's National Aeronautics and Space Administration (NASA) and other organizations to assess the maturity of evolving technologies (e.g. materials, components, and devices) prior to incorporating that technology into a system or subsystem, defined as commercialization for our purpose. It is based on the premise that when a new technology is first invented or conceptualized, it is not suitable for immediate application. Rather, new technologies are subjected to experimentation, refinement, and increasingly realistic testing before it can be commercialized. The primary objective of using Technology Readiness Levels is to help management in making decisions concerning the development and transitioning of technology. Advantages of using the TRL tool to assess the readiness of a technology for commercialization include the following:

- > It provides a common understanding of technology status
- > It is a tool for risk management
- > It is useful for making decisions concerning funding of the transfer process
- > It is useful for making decisions concerning transition of technology

There are several TRL models that have been developed and used by other organizations. Table 1 below shows NASA’s Technology Readiness Level, with each level described in the facing column. Figure 2 below is a pictorial depiction of the NASA’s technology readiness level (TRL).

Table 1: Technology Readiness Levels in the National Aeronautics and Space Administration (NASA)

Technology Readiness Level	Description
1. Basic principles observed and reported	This is the lowest "level" of technology maturation. At this level, scientific research begins to be translated into applied research and development.
2. Technology concept and/or application formulated	Once basic physical principles are observed, then at the next level of maturation, practical applications of those characteristics can be 'invented' or identified. At this level, the application is still speculative: there is not experimental proof or detailed analysis to support the conjecture.
3. Analytical and experimental critical function and/or characteristic proof of concept	At this step in the maturation process, active research and development (R&D) is initiated. This must include both analytical studies to set the technology into an appropriate context and laboratory-based studies to physically validate that the analytical predictions are correct. These studies and experiments should constitute "proof-of-concept" validation of the applications/concepts formulated at TRL 2.
4. Component and/or breadboard validation in laboratory environment	Following successful "proof-of-concept" work, basic technological elements must be integrated to establish that the "pieces" will work together to achieve concept-enabling levels of performance for a component and/or breadboard. This validation must be devised to support the concept that was formulated earlier, and should also be consistent with the requirements of potential system applications. The validation is "low-fidelity" compared to the eventual system: it could be composed of ad hoc discrete components in a laboratory.
5. Component and/or breadboard validation in relevant environment	At this level, the fidelity of the component and/or breadboard being tested has to increase significantly. The basic technological elements must be integrated with reasonably realistic supporting elements so that the total applications (component-level, sub-system level, or system-level) can be tested in a 'simulated' or somewhat realistic environment.
6. System/subsystem model or prototype demonstration in a relevant environment (ground or space)	A major step in the level of fidelity of the technology demonstration follows the completion of TRL 5. At TRL 6, a representative model or prototype system or system - which would go well beyond ad hoc, 'patch-cord' or discrete component level breadboarding - would be tested in a relevant environment. At this level, if the only 'relevant environment' is the environment of space, then the model/prototype must be demonstrated in space.
7. System prototype demonstration in a space environment	TRL 7 is a significant step beyond TRL 6, requiring an actual system prototype demonstration in a space environment. The prototype should be near or at the scale of the planned operational system and the demonstration must take place in space.
8. Actual system completed and 'flight qualified' through test and demonstration (ground or space)	In almost all cases, this level is the end of true 'system development' for most technology elements. This might include integration of new technology into an existing system.
9. Actual system 'flight proven' through successful mission operations	In almost all cases, the end of last 'bug fixing' aspects of true 'system development'. This might include integration of new technology into an existing system. This TRL does <i>not</i> include planned product improvement of ongoing or reusable systems.

(Source: Mankins (1995), *Technology Readiness Levels: A White Paper*)

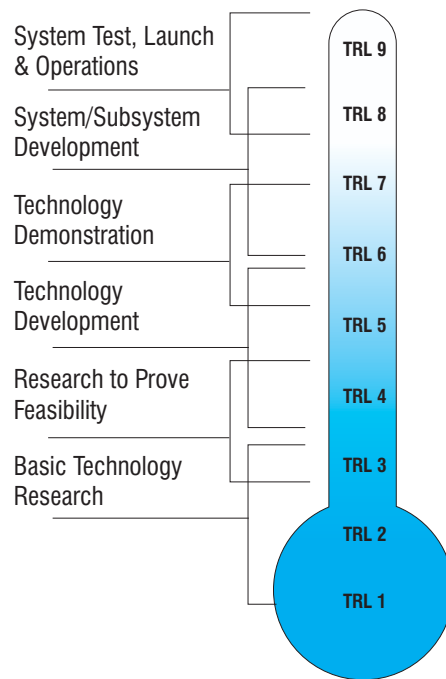


Figure 2: Technology Readiness Levels in the NASA

(Source: Mankins (1995), Technology Readiness Levels: A White Paper)

Discussion

Technology readiness level is a relative term that should be understood and used in the context of the particular technology or innovation being developed. By the same token, the method of technology transfer or commercialization is also relative. For example, a technology developed by NASA is much more likely to be integrated into an already existing system of sub-system as opposed to being subjected to commercialization in the regular sense of the concept of technology transfer. For these reasons, both the NASA and the European Space Agency (ESA) (see below) Technology Readiness Level measurement methods are for illustration purposes only, in an attempt to achieve a general understanding of the process of assessing technology readiness for integration or for commercialization.

The European Space Agency (ESA) has a different definition and an alternative TRL model. In it, as in the NASA model, instruments and spacecraft sub-systems are classified according to a TRL on a scale of 1 to 9. Levels 1 to 4 relate to creative innovate technologies pre or during mission assessment phase. Levels 5 to 9 relate to existing technologies and to missions in definition phase. The ESA TRL model is shown in Table 2 .

Table 2: Technology Readiness Levels in the European Space Agency (ESA)

Technology Readiness Level	Description
TRL 1.	Basic principles observed and reported
TRL 2.	Technology concept and/or application formulated
TRL 3.	Analytical & experimental critical function and/or characteristic proof-of-concept
TRL 4.	Component and/or breadboard validation in laboratory environment
TRL 5.	Component and/or breadboard validation in relevant environment
TRL 6.	System/subsystem model or prototype demonstration in a relevant environment (ground or space)
TRL 7.	System prototype demonstration in a space environment
TRL 8.	Actual system completed and "Flight qualified" through test and demonstration (ground or space)
TRL 9.	Actual system "Flight proven" through successful mission operations

(Source: <http://sci.esa.int/science-e/www/object/index.cfm?fobjectid=37710>). Notes: If the TRL is too low, then a mission risks being jeopardized by delays or cost over-runs. It is a responsibility of the Advanced Studies and Technology Preparation Division to promote the technology readiness at a very early stage in order to make new missions feasible.

e. Commercializable Innovations

Contrary to popular belief, innovations, like ideas, are not in short supply. What is in short supply are commercializable ones. The end result of a successfully commercialized innovation is either a new or expanded business. The success of a business hinges on the ability and capacity of its management to identify a few commercially viable innovations and to deploy resources around them to make them commercial success stories (Touhill, et al. 2008). To succeed in this endeavor, management needs to observe a few guidelines, including the following five:

1) Continually focus resources on the innovations with the greatest potential for commercial success. Although this does not guarantee the commercial success of the innovations, it increases the likelihood of success of both the innovations and the business. One of the major challenges of commercializing innovations is financing. Successfully commercializing a few innovations mean more resources with which to commercialize new innovations. Not only that, it becomes easier to attract more funding, from corporate partners and commercial banks, which puts more successful products under the company's belt.

2) Determine which innovations are truly capable of producing new wealth. A business that has a robust research and development program will not fall short of innovations from its

research results. With several options to choose from, it is important to develop explicit criteria for selecting commercially viable innovations. Among these criteria should be the innovation's ability to create new wealth. This approach is important considering that sometimes increased sales in one product may mean decreased sales in a substitute product, leading to no substantive gains for the company. If there is a choice to make between two innovations, one of which would attract a totally different set of clientele, it is the one to select.

3) Focus on the innovations that are truly the right ones to put money and resources behind. A rigorous analysis needs to go behind every commercialization decision. Such analyses need to go beyond cost-benefit to other considerations such as the kind of technology it is, other competing products and technologies on the market, existence of a target market, potential size of the target market, ability to recover the investment quickly, ability of the competition to come up with a competing innovation in a short period of time – before costs are recovered, among others.

4) Separate the truly viable innovations from all the rest. Commercial viability is what separates an excellent innovation from good ones. An innovation is only as good as its worth in the market place. A commercially viable innovation will provide return on investment, the primary objective of any business. Businesses invest in order to make money. This is just as true of innovations as it is of products and services.

5) Identify 'if', 'why', or 'why not' an innovation has the potential for commercial success. The commercial success of an innovation is in its future. The existence or absence of this potential can only be determined through an in-depth and detailed analyses of if it can happen, and why or why not it can happen. This is important as some studies have shown that only about 10% of innovations in any given set can actually be validated as having a good potential for commercial success. It is important to identify the other 90% early to avoid wasting resources on them.

For all the above reasons, it is important to rank innovations within a business to help make optimal selections for commercialization. To achieve this goal, the business needs to either come up with a standardized way of making such selections, or adopt existing selection methods with requisite modifications. For example, the Technology Readiness Levels discussed above are good guidelines for ranking and then selecting innovations for commercialization. Under ideal circumstances, an innovation should not be commercialized until it reaches Level 9. Internally developed tools such as the sample questionnaire below can prove useful in identifying innovations for commercialization:

Table 3: Questionnaire for Ranking Innovations

<p>Executive Summary of the Innovation</p> <ol style="list-style-type: none">What, briefly, is your innovation?What is the current scenario in the field in which your innovation appears?What is the problem in the present scenario that your innovation seeks to address?How does your innovation address this problem?What is particularly novel or noteworthy about your innovation?
<p>Technology commercialization efforts so far</p> <ol style="list-style-type: none">Provide information on any significant milestone achieved after the innovation got patented (i.e. introduction to the market / test marketing report, significant upgrade of an existing product, etc.)Describe any practical results that the technology / product has achieved to date, such as sales, profits, alternative usages, citations, prizes, etc.Provide information on any progress towards / commercialization of the productGive names and contact details of agencies or industries that have shown interest in your innovation (attached related documents, if any)What are your future plans for this innovation (e.g. marketing strategy?)In case of selection, would you like to commercialize the technology at your own expense (entrepreneurship mode); transfer or license the technology at your own expense; or transfer or license the technology through other networks?Identify optimal business models, distribution models, and pricing models for commercialization of the innovation.<ol style="list-style-type: none">What are the customer expectations?Who are the potential partners and early backers of the innovation?

Source: Frederick Schwartz in "The end of the millennium (as we know it)" in *Invention & Technology*, Winter 2000

Table 4 below presents another tool for assessing, ranking, and selecting innovations for commercialization.

Table 4: Commercializability criteria for evaluating a technological invention

<p>1) INVENTION PERFORMANCE: Does the invention perform the task that it claims to perform?</p> <ol style="list-style-type: none">0 No. It probably will not work1 Yes, but requires substantial changes2 Yes, but will require substantial changes during development3 Yes, but may require minor changes during development4 Yes. It will not require changes.
<p>2) SOCIETAL INFLUENCE: The new invention/idea/product would likely have an influence on society that:</p> <ol style="list-style-type: none">0 Very harmful1 Moderately harmful2 Neither harmful or beneficial3 Beneficial4 Very beneficial
<p>3) LEGAL: The new invention/idea/product will comply with applicable law ...</p> <ol style="list-style-type: none">0 Under no circumstances1 With significant modifications2 With some modification3 With minor modifications possibly necessary4 Without any changes

4) POSSIBLE HAZARDS: Bearing in mind its possible hazards and side effects, the new invention/idea/product is likely to be ...

- a. 0 Very dangerous
- b. 1 Dangerous
- c. 2 Moderately safe
- d. 3 Safe
- e. 4 Very safe

5) DEVELOPMENTAL STAGE: Submitted information can best be described as ...

- a. 0 A rough idea
- b. 1 A descriptive idea
- c. 2 An idea with drawings
- d. 3 An idea with a prototype
- e. 4 An idea ready for market

6) INVENTION R&D: The research and development necessary to achieve a market ready product, in terms of difficulty and expense, is likely to be ...

- a. 0 Very high
- b. 1 High
- c. 2 Moderate
- d. 3 Low
- e. 4 Very low

7) MANUFACTURING: Bearing in mind the current technology and what would be needed to manufacture or practice the invention/idea/product, manufacturing or practicing the invention will be ...

- a. 0 Unfeasible now or any time soon
- b. 1 Feasible, but very complicated
- c. 2 Feasible, but with major foreseeable difficulties
- d. 3 Feasible, but with minor foreseeable difficulties
- e. 4 Feasible, without foreseeable difficulties

8) PROFITABILITY: Are the margins for profitability such that there will be a substantial profit? Projected revenues are likely to be ...

- a. 0 Very low
- b. 1 Low
- c. 2 Modest
- d. 3 High
- e. 4 Very high

9) DEMAND TREND: For products in the category of the invention/idea/product, the market demand seems to be ...

- a. 0 Very low, likely to become outdated
- b. 1 Low, decreasing
- c. 2 Moderate, stable
- d. 3 High, moderately increasing
- e. 4 Very high, increasing

10) SIZE OF MARKET: For products in the category of the invention/idea/product, the potential market seems to be ...

- a. 0 Very small, local or specialized market
- b. 1 Small, regional or relatively specialized market
- c. 2 Medium, multiple regions or moderately specialized market
- d. 3 Large, national or broad market
- e. 4 Very large, international or very broad market

<p>11) PRODUCT-LINE POSSIBILITY: The potential for the invention/idea/product to expand into a line of products is ...</p> <ul style="list-style-type: none"> a. 0 Very low, limited to the one product b. 1 Low, slight modifications possible c. 2 Moderate, many modifications possible d. 3 High, numerous products possible e. 4 Very high, a new market
<p>12) OVERALL CONSUMER APPEAL/DEMAND: Bearing in mind the potential consumers' overall attractiveness to the new invention/idea/product, the demand for the new invention/idea/product is likely to be ...</p> <ul style="list-style-type: none"> a. 0 Very low b. 1 Low c. 2 Moderate d. 3 High e. 4 Very high
<p>13) QUANTITY OF COMPETITION: Bearing in mind the existing products that the new invention/idea/product will compete with, the barriers to market entry are likely to be ...</p> <ul style="list-style-type: none"> a. 0 Very high, extremely difficult penetration b. 1 High, difficult penetration c. 2 Moderate d. 3 Low, easy market penetration e. 4 Very low, extremely easy market penetration
<p>14) QUALITY OF COMPETITION: Bearing in mind the existing products that the new invention/idea/product will compete with (including price, quality, etc.), the invention/idea/product will likely be perceived as...</p> <ul style="list-style-type: none"> a. 0 Very inferior, extremely difficult to overcome b. 1 Inferior, difficult to overcome c. 2 The same, some advantages and disadvantages d. 3 Superior, some advantage e. 4 Very superior, obvious advantage
<p>15) LICENSING POTENTIAL: Bearing in mind many of the preceding 15 questions, the chances that a manufacturer will seek to license the new invention/idea/product is ...</p> <ul style="list-style-type: none"> a. 0 Very low b. 1 Low c. 2 Average d. 3 Good e. 4 Very good
<p>Key to evaluation and recommendations:</p> <ul style="list-style-type: none"> a) 00 - 16 invention should be abandoned b) 17 - 32 cautious research and development (if not abandoned) c) 33 - 40 pertinent issues to be confronted before continuing R&D d) 41 - 56 continued R&D e) 57+ offer invention marketing & licensing services (commercialize)

Source: *Commercializing New Technologies: Getting from Mind to Market* by Vijay K. Jolly (1997), Harvard Business Press

f. Commercializing Innovations

Any business that intends to commercialize an innovation should undertake an analysis of the innovation's profit extraction potential. The decision to commercialize should only be made after the business asks itself a series of questions, the answers to which determine the mechanisms to be used to convert the technology to cash as well as the degree of risk involved in successfully completing the cash conversion (Speser, 2006). The table below shows sources of value and conversion mechanisms for commercialization of an innovation.

Table 5: Sources of Value and Conversion Mechanisms

Sources of Value	Conversion Mechanisms
Innovations	Sale
Complementary Business Assets	Out-License
> Purchasing	Joint Venture
> Manufacturing	Strategic Alliance
> Distribution	Integrate with Current Business
> Sales	Create new business
	Donate

Source: *Commercializing New Technologies: Getting from Mind to Market* by Vijay K. Jolly (1997), Harvard Business Press

From the table above, we see that there are several different options and approaches to commercializing an innovation. In weighing the pros and cons of commercializability of an innovation, it is important to look at each approach. In terms of conversation mechanisms for an innovation, it is noteworthy that the innovation can be sold outright, it can be licensed out, a joint venture can be formed to operationalize the innovation, a strategic alliance with others can be formed for this purpose, the commercialized innovation can be integrated with the current business, a new business can be created to house the new innovation, or the innovation can be donated. All these options provide value to the business that owns the innovation and should be considered and valued in the 'commercialize' or 'do not commercialize' decision process.

g. Commercialization Strategy

Commercially viable products are generally of high quality, designed to be readily manufacturable at low costs and to be launched into the market quickly. Commercialization also involves formulating the manufacturing and supply chain strategies, devising implementation plans, and implementing such plans. It can also be seen as the process of introducing a new product or production method into the market. As a process, it can be considered as one for introducing a new product, previously proto-tested product, into the market. It happens when a company decides to launch its new product into the market place, and requires the building of a marketing plan and budget to launch the product. Successful commercialization will ultimately lead to or exceed predicted sales forecasts.

Commercialization should not, however, be confused with sales, marketing, or business development.

The actual launch of a new product, its commercialization, is the final stage of new product development, and the one where the most money is spent for advertising, sales promotion, and other marketing efforts. For this reason, it is important to lay out a commercialization strategy for each innovation. Such a strategy will specify milestones to be achieved and how each innovation will be funded. The table below shows one commercialization strategy approach, with the series of financing options that a company might consider in moving its technology from concept to the marketplace.

Table 6: Commercialization Strategy

The series of financing options that a company may consider when moving its technology from concept to the marketplace	
Milestone	How Funded?
a. Concept development	Personal or family savings
b. Business case development	Personal or family savings
c. Prototype development	Seed funding
d. Intellectual property protection	Seed funding
e. Beta testing	Corporate partner
f. U/L approval	Corporate partner
g. Test market introduction	Commercial bank loan
h. Marketing	Retained earnings
i. Scale-up production	Retained earnings

Source: *Commercializing New Technologies: Getting from Mind to Market* by Vijay K. Jolly (1997), Harvard Business Press

The concept development stage is so early that the entrepreneur often has to undertake much of the financing her/himself, as the product is still in the idea stage, still too young to attract external stakeholders. The same can be said of the business case development stage. At the prototyping stage, it is likely that some external stakeholders are able to see the value proposition and may invest in it by providing seed capital. It is also possible to get some seed funding for the intellectual property protection stage. The beta testing and U/L approval stages can be funded by corporate partners through a vigorous marketing strategy of the idea and its potential. The last two stages, marketing and scale-up of production should ideally be financed by earnings retained in the business (Touhill, et al. 2008).

4. Managing a Small Business

This part of the training manual on small business management highlights pertinent areas critical to running a successful small business. It explores problems faced by small businesses, the legal environment, the competition, sourcing for funds, and publicity for the business. The fundamentals required for creating a viable venture are also discussed.

a. Defining a small business

A small business is a business that is privately owned and operated, with a small number of employees and relatively low volume of sales. Small businesses are normally privately owned corporations, partnerships, or sole proprietorships. The legal definition of "small" varies by country and by industry, ranging from fewer than 15 employees under the Australian Fair Work Act 2009, 50 employees in the European Union and fewer than 500 employees to qualify for many USA Small Business Administration programs. Small businesses can also be classified according to other methods such as sales, assets, or net profits. In Kenya, there is no standard definition of a small business but lenders tend to have a generally accepted one - "micro-enterprises" are those with 10 or fewer workers, "small enterprises" have from 11 to 50 workers, and "medium enterprises" have from 51 to 100 workers; and that an SME is a business with six to fifty employees or with annual revenue below Kshs.50 million (Ndede-Amadi, 2008).

b. Advantages of a small business

A small business can be started at a very low cost and on a part-time basis. A small business is also well suited to marketing because it can easily serve specialized niches, something that would have been more difficult prior to the internet revolution which began in the late 1990s. Adapting to change is crucial in business and particularly small business; not being tied to any inertia, it is typically easier for a small business to respond to the marketplace quickly. Small business proprietors tend to be intimate with their customers and clients which results in greater accountability and maturity. Independence is another advantage of owning a small business. One survey of small business owners showed that 38% of those who left their jobs

at other companies said their main reason for leaving was that they wanted to be their own bosses. Freedom to operate independently is a reward for small business owners. In addition, many people desire to make their own decisions, take their own risks, and reap the rewards of their efforts. Small business owners have the satisfaction of making their own decisions within the constraints imposed by economic and other environmental factors. However, entrepreneurs have to work very long hours and need to understand that ultimately their customers are their bosses (Abrams, 2000).

c. Problems faced by small businesses

Small businesses often face a variety of problems related to their size. A frequent cause of bankruptcy is undercapitalization. This is often a result of poor planning rather than economic conditions - it is a common rule of thumb that the entrepreneur should have access to a sum of money at least equal to the projected revenue for the first year of business in addition to his anticipated expenses. For example, if the prospective owner thinks that he will generate Kshs.1, 000,000 in revenues in the first year with Kshs.1, 500,000 in start-up expenses, then he should have no less than Kshs.2,500,000 available. Failure to provide this level of funding for the company could leave the owner liable for all of the company's debt should he end up in bankruptcy court, under the theory of undercapitalization – depending on the country in which the business is located. In addition to ensuring that the business has enough capital, the small business owner must also be mindful of contribution margin (sales minus variable costs). To break even, the business must be able to reach a level of sales where the contribution margin equals fixed costs. When they first start out, many small business owners underprice their products to a point where even at their maximum capacity, it would be difficult and sometimes even impossible to break even. Cost controls or price increases often resolve this problem (Ndede-Amadi, 2008).

d. Marketing the small business

Finding new customers is one of the major challenges for small business owners. Small businesses typically find themselves strapped for time but in order to create a continual stream of new business, they must work on marketing their business aggressively. Common marketing techniques for small business include networking, word of mouth, customer referrals, yellow pages directories, television, radio, outdoor (roadside billboards), print, email and internet marketing. Electronic media like television can be quite expensive and is normally intended to create awareness of a product or service rather than to sell it (Ramsey & Windhaus, 2009).

Many small business owners find internet marketing more affordable. Google AdWords and Yahoo! Search Marketing are two popular options of getting small business products or services in front of motivated Web searchers. Successful online small business marketers are

also adept at utilizing the most relevant keywords in their site content. Advertising on niche sites can also be effective, but with the long tail of the internet, it can be time intensive to advertise on enough sites to garner an effective reach. Creating a business Web site has become increasingly affordable with many 'do-it-yourself' programs now available for beginners. A Web site can provide significant marketing exposure for small businesses when marketed through the Internet and other channels. Some popular services are WordPress, Joomla and Squarespace.

Social media has proven to be very useful in gaining additional exposure for many small businesses. Many small business owners use Facebook and Twitter as ways of reaching out to their loyal customers to give them news about specials of the day or special coupons and to generate repeat business. The relational nature of social media, along with its immediacy and 24-hour presence lend intimacy to the relationship small businesses can have with their customers, while making it more efficient for them to communicate with greater numbers. Facebook ads are also a very cost-effective way for small businesses to reach a targeted audience with a very specific message.

In addition to the social networking sites, blogs have become a highly effective way for small businesses to position themselves as experts on issues that are important to their customers. This can be done with a proprietary blog or by using a 'backlink' strategy wherein the marketer comments on other blogs and leaves a link to the small business' own web site.

A solid public relations strategy that utilizes speaking engagements, press releases, feature stories, events and sponsorships can also be a very cost-effective way to build a loyal following for a small business (Ndede-Amadi, 2008).

e. Principles of small business management

Managing a small business is not fundamentally different from managing a large organization. One major difference, however, is that a small business is generally run and managed by an owner manager, who is often the entrepreneur him/herself, whereas a large corporation is often run by a manager who does not necessarily own shares in the company. The rest is just a matter of differences on scale. A small business operates on a very small scale compared to a corporation.

Effective and efficient management leads to success, by achieving the objectives and goals of the organization or small business. When taking on the management of a company, there are certain essential skills that one must recognize as necessary and attain. These are Technical Skills, Human Skills, and Conceptual Skills. Technical skills consist of the ability to process the technical side of a job or part of your work. Proficiency in the technical knowledge of a

manager's job and company is critical if the job requires a manager to be "hands on" with the work. Human skill is the power to communicate with fellow workers. It is a skill that 99% of all businesses look for in a manager. Learning how to effectively communicate with people is a key principle of management that a manager needs in order to be successful in the role and position of a small business owner manager. Conceptual skills involve the formulation of ideas and concepts. Managers that have great conceptual skills generally possess the power to create innovative ideas and to deliver abstract theories. This skill set in the management of a business will give the small business the edge it needs against its competitors if it can be used to formulate groundbreaking concepts that will push it ahead of the competition (Axson, 2010).

f. Small business management concepts

Any organization, whether new or old, whether small or big, needs to run smoothly to achieve the goals and objectives for which it was set up. Towards this goal, it has to develop and implement its own management concepts. There are four basic management concepts that allow any organization to handle planned, tactical, and set decisions as planned, that give rise to the four concepts of management which are to plan, organize, direct, and control (Axson, 2007). Each of these is discussed next.

Planning

Planning is the foundation area of management. It is the base upon which all the areas of management should be built. Planning requires administration to assess where the small business is presently and where it would be in the future. From there an appropriate course of action is determined and implemented to attain the business's goals and objectives. Planning is an ongoing course of action.

Organizing

The second function of management is getting prepared and getting organized. Through this process, management will now determine the inside directorial configuration, establish and maintain relationships, and assign required resources. While determining the inside directorial configuration, management ought to look at the different divisions or departments. They also see to the harmonization of staff, and try to find out the best way to handle the important tasks and expenditure of information within the small business. Management determines the division of work according to its need. It also has to define suitable departmental structures to handle the authority and responsibilities.

Directing

Directing is the third function of management. Working under this function helps management to control and supervise the actions of staff. This helps them to assist the staff

in achieving the business's goals and also accomplishing their personal and career goals which can be powered by motivation, communication, department dynamics, and department leadership. Employees play an important role in achieving the small business's goals. Here lies the reason why managers focus on motivating their employees – in the form of prize and incentive programs based on job performance and geared in the direction of the employees requirements. It is very important to maintain a productive working environment, to build positive interpersonal relationships, and to acquire problem solving skills, which can be done only with effective communication. Understanding the communication process and working on areas that need improvement help owner managers become more effective communicators.

Controlling

Control, the last of the four functions of management, includes establishing performance standards which are based on the small business's objectives. It also involves evaluating and reporting of actual job performance, which informs further corrective and preventive actions.

g. Growing the Business

According to Ramsey & Windhaus, (2009), there are essentially four over-arching strategies for growing a business.

1. Get more customers and clients
2. Get your customers/clients to buy more frequently
3. Get your customers/clients to spend more money per transaction
4. Keep your customers longer

While there are only four primary strategies for growing a business, there are literally dozens of different techniques you can use to implement these four strategies. Strategies are important because they give us something concrete. Strategies tell us WHAT to do. Strategies endure while techniques may come and go. But the techniques are equally important. Techniques tell us HOW to do it. Below is a list of techniques for growing a business, categorized by the four strategies.

#1: Getting more customers

When we talk about growing a business, this is by far the most common approach: get more customers. And while this is certainly an important step, it is also the most expensive way to grow a business. And it takes the most effort, too. Here are nine ways to get more customers:

- > Drive more traffic to your web site
- > Improve the effectiveness of your advertisements and sales letters
- > Find new/better places to advertise (newspaper, TV, social media, etc.)
- > Create stronger offers that appeal to more people in your target market

- > Enlist the help of affiliates to reach more people
- > Ask for referrals
- > Down-sell prospects who reject your initial offer
- > Craft irresistible guarantees so your customers have little or no risk when they buy
- > Host a free tele-seminar where you can demonstrate your expertise and ask for the sale

#2: Get your customers to buy more frequently

Most entrepreneurs and business owners focus on getting the first sale, and then neglect to ever get a second. This is unfortunate because you make much more profit on subsequent sales. Here are six ways to get your customers to buy from you more frequently:

- > Create a customer mailing list; send them customers-only offers on a weekly or monthly basis
- > Send out promotional emails to your house list on a more frequent basis
- > Run time-limited or quantity-limited promotions and use scarcity to get customers to act now instead of later
- > Design a product funnel that automatically moves your clients from one purchase to the next
- > Start a monthly continuity program that automatically bills customers every month (print newsletter, membership site, etc.)
- > Use auto-responder email sequences to automatically introduce your prospects to all of your products

#3: Get your customers to spend more money per transaction.

This is probably the simplest and easiest way to grow a business. But for some reason, many entrepreneurs avoid this strategy because they fear how their customers will react. They fear their customers don't have more money to spend. Here's a suggestion: Get over your fear. By implementing these techniques, you can easily grow your business 5% or more within the next few months. A word of caution though... raising prices is not something you do willy-nilly. It helps to have a good reason for raising prices; it also helps to add more value to a product/service. Here are seven ways to get your customers to spend more money per transaction:

- > Increase your fees and prices
- > Add more value to your products and services
- > After a customer buys one product, up-sell or cross-sell them another related product
- > Offer payment plans on your expensive products and services
- > Charge for shipping separately
- > Use phone sales to help close large ticket purchases
- > Do a product launch

#4: Keep your customers longer

This fourth strategy is often overlooked, but is highly effective. If you can keep a customer or client for an extra month or two, or even an extra year, that could bring thousands of extra dollars to you — especially if you have a continuity program or a well-designed promotional calendar. Here are nine ways to encourage loyalty and keep your customers for a longer period of time:

- > Send out surprise bonus gifts with new purchases (you may even consider giving away business promotional items that are branded with your business name so you stay in the top of your customers' minds)
- > Create a follow-up sequence of communication designed to get customers and clients to actually use the product or service they have purchased
- > Call your best customers and thank them for their business
- > Send out birthday cards and Christmas cards and gifts
- > Deliver more value than you have promised to deliver (go above and beyond)
- > Ask your customers for testimonials (after a customer has publicly declared their support of you, they will automatically be more loyal to you and your business)
- > Create incentives to encourage customer longevity
- > Publish the date when a person subscribes and/or becomes a customer (example: Customer since 4/99)
- Give your customers public recognition in your newsletter or blog

h. Expanding Your Business

There are many practical ways to expand your business. When you first started your business, you probably did a lot of research. You may have sought help from advisors; you may have gotten information from books, magazines and other readily available sources. You invested a lot—in terms of money, time and sweat equity to get your business off the ground. Those who have survived start-ups and built successful businesses may be wondering how to take the next step and grow the business beyond its current status. There are numerous possibilities, 10 of which are outlined here. Choosing the proper one (or ones) for a particular business depends on the type of business, available resources, and how much money, time and sweat equity the small business owner is willing to invest all over again (Patterson & Floyd, 2009).

Open another location

This might not be the best choice for business expansion, but it is listed first here because that is what often comes to mind first for so many entrepreneurs considering expansion. "Physical expansion is not always the best growth answer without careful research, planning and number-planning. For anyone considering another location, consider the following tips:

- > Make sure you are maintaining a consistent bottom-line profit and that you have shown steady growth over the past few years

- > Look at the trends, both economic and consumer, for indications on your company's staying power
- > Make sure your administrative systems and management team are extraordinary, as you will need them to get a new location up and running
- > Prepare a complete business plan for a new location
- > Determine where and how you will obtain financing
- > Choose your location based on what is best for your business, not for your wallet

Offer your business as a franchise or business opportunity

Streamlining internal systems and marketing in nearby towns, cities, and countries in the region will help bring in the first few franchisees. With several units and some time under your belt, you will then sign on with regional franchise broker firms. With 10 or more franchisees regionally, you can stay true to your vision of steady growth. It is advisable to network within the franchise community - becoming a member of a franchise association and finding a good franchise attorney as well as a mentor who has been through the franchise process. There is need to be open to growing and expanding your vision but at the same time, be a strong leader who knows how to keep the key vision in focus at all times.

License your product

This can be an effective, low-cost growth medium, particularly if you have a service product or a branded product. You can receive upfront monies and royalties from the continued sales or use of your product - if it is successful. Licensing also minimizes your risk and is low cost in comparison to the price of starting your own company to produce and sell your brand or product. To find a licensing partner, start by researching companies that provide products or services similar to yours. But before you set up a meeting or contact any company, find a competent attorney who specializes in intellectual property rights. This is the best way to minimize the risk of losing control of your service or product.

Form an alliance

Aligning yourself with a similar type of business can be a powerful way to expand quickly. If the thought of shelling out commissions or any of your own money for the sake of an alliance makes you uncomfortable, look at the big picture: If you want to keep all the money to yourself, you are really shooting yourself in the foot. You need to align with other businesses that already have lists of prospective customers. It is the fastest way to success (Harvard Business School Press, 2002).

Diversify

Diversifying is an excellent growth strategy, as it allows you to have multiple streams of income that can often fill seasonal voids and, of course, increase sales and profit margins. It

broadens your target audience and increases your presence in the marketplace, giving you the credibility to approach a much larger customer base. Here are several ideas for diversifying your product or service line:

- > Sell complementary products or services
- > Teach adult education or other types of classes
- > Import or export yours or others' products
- > Become a paid speaker or columnist

Target other markets

Your current market is probably serving you well, but it is important to consider other markets. . For example, if your consumer market ranges from teenagers to college students, think about where these people spend most of their time. Is it feasible that you could introduce your business to schools, clubs or colleges? You could offer discounts to special-interest clubs or donate part of your profits to schools and associations. Let your imagination take you where you need to be. Then take your product to the markets that need it.

Win a government contract

The best way for a small business to grow is to have the government as a customer, since it is the largest buyer of goods and services in the country. Working with your local small business development offices as well as with your local and regional economic development agencies will help you determine the types of contracts available to your type and size of business. A fair amount of patience is required in working to secure most government contracts, however, Requests for proposals (RFPs) usually require a significant amount of groundwork and research. If you are not prepared to take the time to fully comply with RFP terms and conditions, you will only be wasting your time.

Merge with or acquire another business

This is a good small business growth strategy, although the process can be intense and exhausting. Here are four keys to the success of some acquisitions:

Customer retention

- > Do what it takes to ensure retention of a large customer base
- > Staff retention

Rehire or retain the best and brightest of the other company's staff

- > Melding technologies

One of the reasons for acquisition is similarities between the product architectures of the two companies. This allows for a smooth integration of the two technologies – as the case may be.

Focus

oOne of the biggest reasons for an acquisition to work well is the focus that the new company brings to an otherwise neglected product or service.

Expand globally

You will need a foreign distributor who will carry an inventory of your product and resell it in their domestic markets. You can locate foreign distributors by scouring your city or region for a foreign company with the help of others such as the Export Promotion Council of Kenya. Trade groups, foreign chambers of commerce, and branches of chambers of commerce in foreign countries are also good places to find distributors you can work with (Mullins & Komisar, 2009).

Expand to the Internet

Landing your Web site in search engine results is key as more than 80 percent of traffic comes via search engines. With now more than 4 billion Web pages, and with traffic on the Internet doubling every 100 days, making your Web site visible is vital. Design and programming are also important, but it is your content that will draw a visitor into your site and get them to stay. Putting together a content strategy based on user behavior, measuring and tracking visitor click streams, and writing the content based on researched keywords will get you excellent search results and meet the needs of your visitors (Mullins & Komisar, 2009).

5. From Feasibility Plan to Business Plan

a. Feasibility Plan

According to Berrie (2008), a comprehensive business feasibility study contains detailed information about your business structure, your products and services, the market, logistics of how you will actually deliver a product or service, the resources you need to make the business run efficiently, as well as other information about the business. A feasibility study assesses a business initiative and considers both its pros and cons, analyzing alternative potential business scenarios. It looks at the viability of an idea with emphasis on identifying potential problems (and opportunities), and attempts to answer one main question: Will the idea work and should you proceed with it? All feasibility studies should look at if things work, how they will work, and identify potential problems. A feasibility study can be carried out on an idea, a campaign, a product, a process, or an entire business. A feasibility study precedes a business plan. Before writing a business plan, one needs to identify how, where, and to whom they intend to sell a service or product. One also needs to assess the competition and to figure out how much money they need to start the business and to keep it running until it is established – all of which is achieved through a feasibility study. Feasibility studies address things like where and how the business will operate. They provide in-depth details about the business to determine if and how it can succeed. They serve as a valuable tool for developing a winning business plan.

i. The importance of a feasibility study

The information you gather and present in your feasibility study will help you:

- > List in detail all the things you need to do to make the business work;
- > Identify logistical and other business-related problems and solutions;
- > Develop marketing strategies to convince a bank or investor that your business is worth considering as an investment; and
- > Serve as a solid foundation for developing your business plan.

Even if you have a great business idea, you still have to find a cost-effective way to market and sell your products and services. This is especially important for store-front retail businesses where location could make or break your business. For example, most commercial space leases place restrictions on businesses that can have a dramatic impact on income. A lease may limit business hours, days, and parking spaces, restrict the product or service you can offer, and in some cases, even limit the number of customers your business can receive each day.

ii. The Components of a Feasibility Study

- > *Description of the Business:* The product or services to be offered and how they will be delivered.
- > *Market Feasibility:* Includes a description of the industry, current market, anticipated future market potential, competition, sales projections, potential buyers, etc.
- > *Technical Feasibility:* Details how you will deliver a product or service (i.e., materials, labor, transportation, where your business will be located, technology needed, etc.).
- > *Financial Feasibility:* Projects how much start-up capital is needed, sources of capital, returns on investment, etc.
- > *Organization Feasibility:* Clearly states what legal and operational structure will work for the organization. These include professional skills necessary for achievement of its aims.

Market Feasibility

What is a Market Feasibility Study and how does it differ from a Marketing Plan? A feasibility study analyzes potential business scenarios. A Marketing Plan, on the other hand, maps out specific ideas, strategies, and campaigns based on feasibility study investigations, which are intended to be implemented. One can think of market feasibility studies as logistical studies and marketing plans as specific, planned courses of action to take (Dougherty & Gray, 2006).

Things to consider in a market feasibility study include:

- > Description of the Industry
- > Current Market Analysis
- > Competitor Analysis
- > Anticipated Future
- > Market Potential
- > Potential Buyers and Sources of Revenues
- > Sales Projections

How to Write an Industry Description

Give a brief one-to-two paragraph description of the industry your business is categorized under. Determining your industry is important for receiving government contracts, attracting investors, and for receiving grants (if your formation is a nonprofit).

Analyzing your current market

This section of a market feasibility study describes the current market for your product or service. If you are offering something so unique that there are few market statistics, you can either use related industry information, or even conduct your own independent study. Ways to conduct your own research for new ideas include: polling Internet forums, questionnaires addressed to targeted consumer groups or the general population, or even customer surveys. Any "proof" you have that there is a demand (or market) for your product or services will help you sell your idea. This is particularly important if you are marketing something unique, or within a very small and specialized market. You need to show that your idea is novel because you have found a niche and not because there is no existing market for the idea. A good source for finding out what is selling (and what is not) is the media, among many sources. Industries showing employee growth are often good indicators of an industry's overall stability. Massive layoffs by few employers of employees indicate fewer business opportunities. Where there is demand for something, there should be correlating growth in employment, the number of new companies being formed, and in the industry's overall combined revenue.

Anticipated future market (based on industry trends)

This section should include a narrative description as well as attached spreadsheets, graphs and tables showing trends, statistics, or projections. There are no sure-fire ways to tell if an industry will have measurable growth in the future, but you can make logical and reasonable predictions based on trends, past growth, and current markets.

Use facts, not fiction: It is critical in this section that your projections are fact-based as much as possible. Any business takes risks, the key is to minimize those risks by carefully studying businesses that are already successful. Rather than target just the entire industry, try to isolate similar businesses and study what they are doing, how they are doing it, and their financial track records.

Visit your competitors' websites: You can obtain a lot of information by just visiting company websites and looking over product lines. Look for discontinued products or services and high-priced items. Somewhere in between these two things are probably the most stable long-term items. Discontinued might mean consumers are no longer demanding the product, while high-priced items may indicate a fad.

Look at big companies' strategies: Since big companies spend big monies on market research, take advantage of their spent money and public information.

For example, if you are trying to crack the Soft drink market, look at Coca Cola and our own

Kuguru Foods or Milli. What new product lines or services are they offering? Chances are good that they spent millions of Kenya Shillings researching industry trends to develop new product ideas (Ndede-Amadi, 2008).

Study press releases: Look for press releases about businesses in your industry. Press releases are an advertisement, but they also often tell why a company is branching out, closing a division, or changing its product line. They have already done the research for you so do not hesitate to take clues from them.

Tips on how to research local competition in business

If you are planning to serve only a local market, start by identifying every competitor within a fifty (50) mile radius. The fastest way to do this is to use a telephone book or an online business directory.

- > List each competitor by location and distance from you, and from each other (you should closely examine all competing businesses that are within fifteen (15) kilometers of your location);
- > Consider their locations, business hours, and how long they have been in business (these things can help you determine how hard it will be to establish a similar business in the same geographic area).

You should also make note of any similar businesses in your area that have recently close down. There may be a reason such as poor location, high taxes or operating restrictions, or there may not be enough demand for the product or service in that area to sustain a business. Information obtained from researching local competitor can tell you what works and what has not worked.

How to calculate sales projections

Sales projections can be a challenge for any new business owner because there is little or no track record to support how fast you will grow or what products or services will sell best. However, sales projections should factor in how much time and money will be invested into the business, and the markets you will be targeting.

For example, if you sell your products or services to Nakumatt or Tuskeys, your sales are more likely to grow faster and your profits to be higher than if you sell your product at the Kisumu's Jubilee Market or only in other local markets and shops (Ndede-Amadi, 2008).

For these reasons, it is important that you write a market feasibility study first. Your market study will help you decide where to sell your product or services, and what products and services are most likely to generate the most revenue. If you have an Internet-based business:

- > Estimate the total traffic (number of visitors) to your website each month
- > Project anticipated site traffic volume over time
- > Use traffic projections to estimate the average number of sales per every 10,000 visits to your site
- > Calculate the average amount for each sale

The more traffic you can drive to your site, the more opportunities you have for making a sale. Do you have good Search Engine Optimization (SEO) skills? Do you have your website live and ready to go? These things are important to all Internet businesses because as your site becomes more popular, you can project an increase in sales.

Tip: Summarize sales projections in the body of the study, but attach a spreadsheet showing actual numbers based on sales projections.

How to identify potential customers, clients, and contract sources

This component of your small business market feasibility study should be descriptive. Your potential customers, clients, and contract sources should include the following:

- > A list of current customers, clients, and contracts and the potential for new or renewed contracts
- > Any sales leads that may generate new customers or clients
- > A list of government contracting agencies with a brief description of what type of contracts they solicit, and how they pertain to your industry
- > A list of market types you currently target or intend to target, such as senior citizens, working mothers, organizations, specialty retailers, etc.

Depending upon the nature of your business, it may not be possible to associate specific amounts of revenue with a particular market, but you can at least try to estimate the percentage of total revenue expected from each source.

For example, if you plan to sell products to five specialty stores, list each store you plan to sell to and total overall revenue for a category “specialty store” rather than an amount for each individual store.

Technical Feasibility

The Technical Feasibility Study assesses the details of how you will deliver a product or service (i.e., materials, labor, transportation, where your business will be located, technology needed, etc.). Think of the technical feasibility study as the logistical or tactical plan of how your business will produce, store, deliver, and track its products or services.

A technical feasibility study is an excellent tool for trouble-shooting and long-term planning.

In some cases it serves as a flow chart of how your products and services evolve and move through your business to physically reach your market.

The Technical feasibility study must support your financial information

Do not make the mistake of trying to entice investors with your staggering growth projections and potential returns on their investment that only includes income (revenue) to the business. With any increase in revenue there is always an increase in expenses. Expenses for technical requirements (i.e., materials and labor) should be noted in the technical feasibility study.

You should also not strictly rely on feasibility study conclusions to impress an investor. An experienced investor or lending institution will read your entire report and come to their own conclusions. Therefore, it is critical that the technical and financial data in your study reconcile. If other parts of your feasibility study shows growth, you will also have to project labor and other costs and the technical ability to support that growth.

The technical component serves as the written explanation of financial data because it offers you a place to include detailed information about why an expense has been projected high or low, or why it is even necessary. It demonstrates to potential investors and lenders (and in some cases, potential clients) that you have thought through the long-term needs your business will have as it grows.

Preparing an outline for writing your technical feasibility study

The order in which you present technical information is not as important as making sure you have all the components to show how you can run your business. You do not have to include specific financial information in the technical portion of your feasibility study, but all information in this component must support your financial data represented elsewhere. Basic things that most businesses need to include in their technical feasibility studies include:

- > Materials
- > Labor
- > Transportation (or Shipping)
- > Physical Location
- > Technology

Calculating material requirements

In this section you list the materials you need to produce a product or service, and where you will get those materials. Include information such as if volume discounts will be available as your business grows, or if you ever plan to manufacture your own parts at some point in time. Things to include in your list of materials are:

- > Parts needed to produce a product,

- > Supplies (glue, nails, etc.), and
- > Other materials that are involved in producing or manufacturing your product.

You do not need to include actual financial data in this portion of the study but financial data supporting your narrative assessment should be included in a separate spreadsheet as an attachment.

Financial Feasibility Study

A financial feasibility study is an assessment of the financial aspects of a business, in this case, for starting and running a business. It considers many things including start-up capital, expenses, revenues, and investor income and disbursements. Other portions of a complete feasibility study will also contribute data to your basic financial study. A financial feasibility study can focus on one particular project or area, or on a group of projects (such as advertising campaigns) (Justis & Kreigsmann, 1979). However, for the purpose of establishing a business or attracting investors, you should include at least the following three key things in your comprehensive financial feasibility study:

- > Start-up capital requirements
- > Start-up capital sources, and
- > Potential returns for investors

Start-up capital requirements

Start-up capital is simply how much cash you need to start your business and keep it running until it is self-sustaining. You should include enough capital funds (cash, or access to cash) to run the business for one to two years.

Finding start-up capital funding sources

There are many ways to raise capital for your business, but no matter what route you take, investors are more likely to invest, banks are more likely to approve loans, and large corporations are more likely to give you contracts, if you have personally invested into the business yourself. When you make a list of funding sources, be sure to include anything that you can contribute to the business, including free labor. If you are starting a nonprofit organization, your donated professional time may even be tax deductible.

Potential returns for investors

Determine your start-up cost structure: Running your own software company is going to have different start-up requirements than opening a pet store, for example. Some sources (e.g. Startupnation.com) say there are six at least cost categories for new companies as follows:

- > Cost of sales
- > Professional fees

- > Technology costs
- > Administrative costs
- > Sales and marketing costs
- > Wages and benefits

Give thought to how these cost categories will be weighted across your business. Going back to the earlier example, the software firm presumably would want to allocate more money to technology while the pet store presumably would need several shifts of employees, which means wages will carry a higher cost (Schwetic & Vaseghi, 2007).

Develop comparables: Look at industry leaders to help predict your own business's costs. If you are opening a Finance company, scan the financial statement of a similar company that is publicly traded, e.g. Centum, InvesTech etc. Obviously your revenue numbers will look a little different, but break down how much a coffee chain spends on cost of sales and administrative expenses as a percentage of revenue. Keep in mind that large companies and chains will be more efficient since they have greater buying power and economies of scale than a start-up, but you can still use these percentages as goals to shoot for.

Contact trade associations, small-business message boards or entrepreneurs in related fields: Trade associations are an invaluable source of information for both new and established companies e.g. Matatu Owners Association, Chamber of Commerce, etc. Also, don't be afraid to seek out other entrepreneurs who have set up shop in your industry, or perhaps a related one, and talk to them about their experience with start-up costs, especially unexpected costs (Ndede-Amadi, 2008).

Project start-up costs conservatively: Business success stories like Google, Kenya Airways, Pollmans etc were not overnight sensations. Keep in mind that you will most likely need a few months of funding to cover expenses before you even open for business when calculating start-up costs. And once you do begin operating, it likely will take a significant amount of time until the business is self-sustaining. When approaching banks and other lenders for money, try to include a substantial cushion for beginning operations to ensure you will have enough money to set up an office, take orders, hire employees if necessary, and cover other related costs. Be reasonable with your revenue assumptions in the early stages and be conservative with cost projections. It is also possible to structure a small-business loan to defer payments during the initial operating period.

Separate one-time start-up costs from recurring costs: Distinguish between which costs you will have to account for year-after-year, such as salaries and rent, and which upfront costs will be one-time charges, such as office furniture. This should allow you to establish a budget for

after the start-up period. Look for opportunities to delay non-vital expenses such as office decorations until after you have begun getting some business (Georgakellos & Marcis, 2009).

Organizational Feasibility Study

According to Woodmorappe (1996), the purpose of an organizational feasibility study is to define the legal and corporate structure of the business. An organizational feasibility study may also include professional background information about the founders and principals of the business and what skills they can contribute to the business (Matson, 2000). Your organizational feasibility study should include:

- > Description of your business structure
- > Description of your organizational structure
- > Internal and external principles and practices of the business
- > Professional skills and resumes

Description of your business structure

This section contains a narrative description of the legal requirements for establishing your business and why you feel this is the right structure for your business (Young, 1970). Discuss the pros and cons of different business structures.

For example, a sole proprietorship leaves the sole proprietor open to both financial and legal liability risks. A high-risk business should never be set up as a sole proprietorship because it will make it difficult to attract investors as well as clients and customers. It is also the hardest and most expensive form of business to insure.

Organizational structure

Discuss your business' organizational structure. One of the best ways to present this information is with an organizational chart. An organizational chart shows the hierarchy or chain of command in your business. It lists key positions and subordinate positions under department heads, managers and supervisors.

Principles and practices of the business

Every business should have a published code of ethics and principals that govern how the company conducts its business. In this section, include both internal and external principals of operations (Matson, 2000).

Internal operations business principles and practices:

- > Businesses that are incorporated must have a board of directors. Do you have a conflict of interest policy in place? Will you use any specific “Rules” for conducting meetings?
- > Do you offer services where clients need to be screened for eligibility for financial aid,

social services, or are there other pre-requisite requirements such as being a senior citizen, minority, or disabled?

- > Do you have hiring and employee training and management practices in place?
- > Do you have an overall corporate philosophy that inspires, encourages, or offers incentives to employees?
- > Do you have an anti-discrimination policy in place?

External business practices and principles

Do you have a customer policy or philosophy? Examples of client/customer philosophies include:

- > We do not serve clients; we team with clients to meet their goals.
- > We value creativity and imagination and use these to our client's advantage.
- > Our employees maintain high ethical standards that reflect on how we treat our clients.

Professional skills and resumes

A business' strengths come from the talent, skills, and experience of those running the company. In this section, you give a brief overview of all founders, employees, and partners involved in the business that will be contributing their skills and input into how the business is operated. You should also include any board members, directors, and officers. Include in your list of principals (most important people in your business or organization), a brief overview of how their particular skills will serve the business. You can also include accomplishments that relate to the business. It is also beneficial to attach resumes for at least the top three principals listed (Covello & Hazelgren, 1995).

b. Business Plan

According to Horan (2006), if the feasibility study indicates that the business idea is sound, the next step is a business plan. The business plan continues the analysis at a deeper and more complex level, building on the foundation created by the feasibility study. A business plan has three primary functions:

1. To serve as an Action Plan
2. To serve as a Road Map
3. To serve as a Sales Tool

According to Covello & Hazelgren (2006), there are basically two types of business plans, both designed to help develop the new business from conceptualization to operation. The first type of business plan is a Concept Presentation Plan. This type of plan contains no financial projections or financial statements. Its primary purpose is to convince stakeholders that there is a sound and appealing business concept. The Concept Presentation Plan should include the following elements:

- > Cover page
- > Mission statement
- > The principals
- > Products
- > Service philosophy
- > Market trend analysis
- > Target market
- > Marketing techniques
- > Target market locations
- > Sample menu

The second type of business plan is a Full Financial Business Plan. Typically, you will need a Full Financial Business Plan to borrow money from a bank, or to entice investors to lend you money. It can contain all the elements of the concept presentation plan, but primarily it examines in-depth what the total costs of your project will be, when the project will turn a profit, and what level of return you can expect.

According to Ndede-Amadi (2011), a business plan defines your business precisely, identifies your goals, and serves as a resume for your business. It helps you allocate resources properly, handle unforeseen circumstances, and make the right decisions and choices. It will inform your sales personnel, suppliers, customers and others about your operations and goals. Much of what you need to run a successful operation depend on it, such as outside funding, credit from suppliers, management of your operation and finances, promotion and marketing of your business, and achievement of your business goals and objectives. Business plans are required when applying for business loans or seeking investors. In addition, a good business plan is a crucial part of any loan package as it provides specific and organized information about your company and how you will repay any borrowed money.

Unfortunately, many entrepreneurs drag their feet when it comes to preparing a good, written business plan document, arguing that their marketplace changes too fast for a business plan to be useful or that they just don't have enough time. The facts are, however, that just as a good builder will not begin construction without a blueprint, a good business owner should not rush into a new venture without a plan – no matter how eager. Before you begin writing your business plan, however, consider the following four core questions:

- > What service or product does your business provide and what needs does it fill?
- > Who are the potential customers for your product or service and why will they purchase it from you?
- > How will you reach your potential customers?
- > Where will you get the financial resources to start and run your business?

i. Descriptive Narrative of Your Business

Without going into detail, this section should include a high level look at how all of the different elements of your business fit together. The company description section should include information about the nature of your business as well as a list of the primary factors that you believe will make your business a success.

When defining the nature of your business (or why you're in business), be sure to list the marketplace needs that you are trying to satisfy. Include the ways in which you plan to satisfy these needs using your products or services. Finally, list the specific individuals and/or organizations that you have identified as having these needs.

Critical success factors might include a superior ability to satisfy your customers' needs, highly efficient methods of delivering your product or service, outstanding personnel, or a key location. Each of these would give your business a competitive advantage.

ii. The Executive Summary

The executive summary is the most important section of your business plan as it provides a concise overview of the entire plan along with a history of your company. It tells your reader where your company is and where you plan to take it. Since it is the first thing your readers see, it is the thing that will either grab their attention, retain their interest, and make them want to keep on reading or it will be the thing that makes them stop reading and want to put the entire document down. More than anything else, however, this section is important because it tells the reader why you think your business idea will be successful. Although it comes first, the Executive summary should be the last section you write. After you've worked out all the details of your plan, you'll be in a better position to summarize it - and it should remain just that, a summary (i.e. no more than 2-4 pages).

Contents of the Executive Summary

- > The Mission Statement briefly explains the thrust of your business. It could be two words, two sentences, or a paragraph. It should be as direct and focused as possible, and it should leave the reader with a clear picture of what your business is all about
- > Date business began
- > Names of founders and the functions they perform
- > Number of employees
- > Location of business and any branches or subsidiaries
- > Description of plant or facilities
- > Products manufactured or sold /services rendered
- > Banking relationships and information regarding current investors
- > Summary of company growth including financial or market highlights (e.g. your company

doubled its worth in a 12-month period; you became the first company in your industry to provide a certain service)

> Summary of management's future plans

With the exception of the mission statement, all of the information in the Executive Summary should be highlighted in a brief (even bulleted) fashion. If you are just starting a new business, chances are that you will not have a lot of information to plug into Executive Summary as indicated. In that case, focus on your experience and background as well as the decisions that led you to start this particular enterprise. Include information about the problems your target market has and what solutions you provide. Show how the expertise you have will allow you to make significant inroads into the market place. Tell your reader what you are going to do differently or better. Convince the reader that there is a need for your service or product, before going ahead to address your (the company's) future plans (Berle & Kirschner, 1996).

Include a table of contents directly following the Executive Summary to assist the reader in locating specific sections in your business plan. Make sure that the content titles are very broad (i.e. avoid detailed descriptions in your table of contents).

iii. General Company Description

In this section, articulate the Vision and Mission Statements of the business, its goals, objectives, and business philosophy. A general company description mainly dwells on the current status of the company and provides a brief of its future operations. "What business am I really in?" is a question that informs the purpose of the business and one that every business owner has to ask himself. Some businesses have failed because their owner managers never stopped long enough to ask and answer this question. A well-written business plan is essential to starting and running a business. A good business plan describes in detail the mission and goals of the business and how these goals will be achieved.

Example: One watch store owner realized that most of his time was spent repairing watches, while most of his money was spent selling them. He finally decided he was in the watch repair business and not in the watch sales business. Upon making this decision and discontinuing watch sales, his profits improved dramatically – as he was now spending his time and money at the same place.

iv. Operational Plan

According to Berry (2004), every business should have a plan for its operations which should address issues of service or product line, production, location, accessibility, the legal environment, inventory, suppliers, personnel and management, and credit policies, among others.

Service or Product Line

What are you selling? In this section, describe your service or product, emphasizing the benefits to potential and current customers. Focus on the areas where you have a distinct advantage. Identify the problem in your target market for which your service or product provides a solution. Give the reader hard evidence that people are, or will be, willing to pay for your solution. List your company's services and products and attach any marketing/promotional materials. Provide details regarding suppliers, availability of products/services, and service or product costs. Also include information addressing new services or products which will soon be added to the company's line. Overall, this section should include:

A detailed description of your product or service (from your customers' perspective). Here, you need to include information about the specific benefits of your product or service. You also want to talk about your product/service's ability to meet consumer needs, any advantages your product has over that of the competition, and the present development stage your product is in (i.e., idea, prototype, etc.)

Information related to your product's life cycle. Be sure to include information about where your product or service is in its life cycle, as well as any factors that may influence its cycle in the future

Any copyright, patent, and trade secret information that may be relevant. Here, you need to include information related to existing, pending, or anticipated copyright and patent filings along with any key characteristics of your products/services that you cannot obtain a copyright or patent for. This is where you should also incorporate key aspects of your products/services that may be classified as trade secrets. Last, but not least, be sure to add any information pertaining to existing legal agreements, such as nondisclosure or non-compete agreements

Research and development activities you are involved in or are planning to be involved in. R&D activities include any in-process or future activities related to the development of new products/services. This section should also include information about what you expect the results of future R&D activities to be. Be sure to analyze the R&D efforts of not only your own business, but also that of others in your industry

Organization & Management

This section should include your company's organizational structure, details about the ownership of your company, profiles of your management team, and the qualifications of your board of directors.

Who does what in your business? What is their background and why are you bringing them

into the business as board members or employees? What are they responsible for? These may seem like unnecessary questions to answer in a one- or two-person organization, but the people reading your business plan want to know who is in charge, so tell them. This section should include who's on the board (if you have an advisory board) and how you intend to keep them there. What kind of salary and benefits package do you have for them? What incentives are you offering? How about promotions? Reassure your reader that the people you have on staff are more than just names on a letterhead.

v. Professional Advisory Support

According to Carlock & Ward (2010), many businesses use outside advisory and support services in addition to management and other personnel.

Board of Directors

The major benefit of an unpaid advisory board is that it can provide expertise that your company cannot otherwise afford. A list of well-known, successful business owners/managers can go a long way toward enhancing your company's credibility and perception of management expertise.

vi. Marketing Plan

The market analysis section of the business plan should illustrate your knowledge about the particular industry your business is in. It should also present general highlights and conclusions of any marketing research data you have collected. This section should include an industry description and outlook, target market information, market test results, lead times, and an evaluative assessment of your competition (specific details of your marketing research studies should be moved to the appendix section of your business plan).

Industry Description and Outlook

This overview section should include a description of your primary industry, the current size of the industry as well as its historic growth rate, trends and characteristics related to the industry as a whole (i.e., What life cycle stage is the industry in? What is its projected growth rate?), and the major customer groups within the industry (i.e. businesses, governments, consumers, etc).

Identifying Your Target Market

Your target market is simply the market (or group of customers) that you want to target (or focus on and sell to). When you are defining your target market, it is important to narrow it to a manageable size. Many businesses make the mistake of trying to be everything to everybody, a philosophy that often leads to failure. In this section, you should gather information which identifies the:

Distinguishing characteristics of the major/primary market you are targeting. This section might include information about the critical needs of your potential customers, the degree to which those needs are (or are not) currently being met, and the demographics of the group. It should also include the geographic location of your target market, the identification of the major decision-makers, and any seasonal or cyclical trends which may impact the industry or your business.

Size of the primary target market. Here, you give information regarding the number of potential customers in your primary market, the number of annual purchases they make in products or services similar to your own, the geographic area they reside in, and the forecasted market growth for this group.

The extent to which you feel you will be able to gain market share and the reasons why. In the accompanying research, you will have determined the market share percentage and number of customers you expect to obtain in a defined geographic area. You will need to outline the logic and assumptions you used to develop these estimates.

Your pricing and gross margin targets. Here, you define the levels of your pricing, your gross margin levels, and any discount structures that you plan to set up for your business, such as volume/bulk discounts or prompt payment discounts.

Resources for finding information related to your target market. These resources might include directories, trade association publications, and government documents.

Media you will use to reach your target audience. These might include publications, radio or television broadcasts, or any other type of credible source that may have influence on your target market.

Purchasing cycle of your potential customers. Here, you need to identify the needs of your target market, do research to find the solutions to their needs, evaluate the solutions you come up with, and finally, identify who actually has the authority to choose the final solution.

Trends and potential changes which may impact your primary target market. Key characteristics of your secondary markets. Just like with your primary target market, here you again want to identify the needs, demographics, and the significant trends which will influence your secondary markets in the future.

Your niche market

A market in its entirety is too broad in scope for any but the largest companies to tackle successfully. The best strategy for a smaller business is to divide demand into manageable

market niches. Small operations can then offer specialized goods and services attractive to a specific group of prospective buyers.

There are undoubtedly some particular products or services you are especially suited to provide. Study the market carefully and you will find opportunities.

Example: Surgical instruments used to be sold in bulk to both small medical practices and large hospitals. One small business owner realized that the smaller practices could not afford to sterilize instruments after each use like hospitals did, but instead simply disposed of them. The firm's sales representatives talked to surgeons and hospital workers to learn what would be more suitable for them. Based on this information, the company developed disposable instruments which could be sold in larger quantities at a lower cost.

While researching your own company's niche, consider the results of your market survey and the areas in which your competitors are already firmly situated. Put this information into a table or a graph to illustrate where an opening might exist for your product or service. Try to find the right configuration of products, services, quality, and price that will ensure the least direct competition.

A well-designed database can help you sort through your market information and reveal particular segments you might not see otherwise. For example, do customers in a certain geographic area tend to purchase products that combine high quality and high price more frequently? Do your small business clients take advantage of your customer service more often than larger ones? If so, consider focusing on being a local provider of high quality goods and services or a service-oriented company that pays extra attention to small businesses. If you do target a new niche market, make sure that this niche does not conflict with your overall business plan.

Example: A small bakery that makes biscuits by hand cannot go after a market for inexpensive, mass-produced biscuits (successfully), regardless of demand.

Competitive analysis

When you are doing a competitive analysis, you need to identify your competition by product line or service as well as by market segment. Assess their strengths and weaknesses, determine how important your target market is to your competitors, and identify any barriers which may hinder your entry into the market. Be sure to identify all of your key competitors for each of your products or services. For each key competitor, determine what their market share is, then try to estimate how long it will take before new competitors will enter into the marketplace. In other words: what is your window of opportunity? Finally, identify any indirect or secondary

competitors which may have an impact on the success of your business. The strengths of your competitors are also competitive advantages which you too can provide. The strengths of your competitors may take many forms, but the most common include:

- > An ability to satisfy customer needs
- > A large share of the market and the consumer awareness that comes with it
- > A good track record and reputation
- > Solid financial resources and the subsequent staying power that comes with it
- > Key personnel

Weaknesses are simply the flip side of strengths. Analyze the same areas as you did for your competitors' strengths to determine what their weaknesses are. For example, are they unable to satisfy their customers' needs? Do they have poor market penetration? Are their track records or reputation not up to par? Do they have limited financial resources? Are they not able to retain good people? All of these can be 'red flags' for any business. If you find weak areas in your competition, be sure to find out why they are having problems. This will allow you to avoid the same mistakes they have made.

If your target market is not important to your competition, then you will most likely have an open field to run in - if your idea is a good one - at least for a while. However, if the competition is keen on your target market, be prepared to have to overcome some barriers. Barriers to any market might include the following:

- > A high investment cost
- > The time it takes to set up your business
- > Changing technology
- > Lack of quality personnel
- > Customer resistance (i.e. long-standing relationships, brand loyalty)
- > Existing patents and trademarks that you can not infringe upon

Marketing and Sales Strategies

Marketing is the process of creating customers, and customers are the lifeblood of your business. In this section, the first thing you want to do is define your marketing strategy. Because there is no single way to approach a marketing strategy, your strategy should be part of an ongoing self-evaluation process that is unique to your company. However, there are steps you can follow which will help you think through the strategy you would like to use.

An overall marketing strategy should include a:

Market penetration strategy. This strategy seeks to increase market share of the current product or services in the existing market. It is generally adopted by a firm to raise its sales revenue without making changes to its products or services. It can be implemented by increasing the

sales force, increasing distribution and promotion of products, and by increasing expenditure in marketing and advertising activities that result in increased sales.

Strategy for growing your business. This strategy might include an internal strategy such as how to increase your human resources, an acquisition strategy such as buying another business, a franchise strategy for branching out, a horizontal strategy where you would provide the same type of products to different users, or a vertical strategy where you would continue providing the same products but would offer them at different levels of the distribution chain.

Channels of distribution strategy. Choices for distribution channels could include an internal sales force, distributors, or retailers.

Communication strategy. How are you going to reach your customers? Usually some combination of promotions, advertising, public relations, personal selling, and printed materials (such as brochures, catalogs, flyers, etc.) works best.

Once you have defined your marketing strategy, you can then define your sales strategy. How do you plan to actually sell your product? Your Overall Sales Strategy should include the following:

A sales force strategy. If you are going to have a sales force, do you plan to use internal or independent representatives? How many salespeople will you recruit for your sales force? What type of recruitment strategies will you use? How will you train your sales force? What about compensation for your sales force?

Your sales activities. When you are defining your sales strategy, it is important that you break it down into activities. For instance, you need to identify your prospects. Once you have made a list of your prospects, you need to prioritize it. Next, identify the number of sales calls you will make over a certain period of time. From there, you need to determine the average number of sales calls you will need to make per sale, the average (Kenya Shilling) size per sale, and the average (Kenya Shilling) size per vendor.

Market tests

When you are including information about any of the market tests you have completed for your business plan, be sure to focus only on the results of these tests. Any specific details should be included in the appendix. Market test results might include the potential customers who were contacted, any information or demonstrations that were given to prospective customers, how important it is to satisfy the target market's needs, and the target market's desire to purchase the products or services of your business at varying prices.

Lead times

Lead time refers to the amount of time between when a customer places an order and when the product or service is actually delivered. When you are researching this information, determine what your lead time will be for the initial order, reorders, and volume purchases.

vii. Personal Finance

Personal finance is the application of the principles of financial economics to an individual's financial decisions. In this section you should include the following information:

- > How much money will you need at various points in the future?
- > How do you go about getting that money?
- > What is your annual income?
- > How can you increase your income?
- > What are your annual expenses?
- > How can you reduce your expenses?
- > How do you best budget for your available income each year?
- > How much money can you save each year?

Include personal financial statements for each owner and major stockholder, showing assets and liabilities held outside the business and personal net worth. Include the following information:

- > Who are the partners in the business and what is their net worth?
- > Where is your operating capital going to come from?
- > What are the possible sources of capital finance?

Capitalization & Startup Expenses

Capitalization denotes the total amount of funds used to finance a firm's balance sheet and is calculated as market capitalization plus debt. Market capitalization is the number of common shares multiplied by the current price of those shares. Capitalization, therefore, is a measure by which we can classify a company according to size.

Starts-up expenses are the resources applied on the conceptualization, onset and early stages of the development of a business entity. You will have many expenses before you even begin operating your business. It is important to estimate these expenses accurately and to plan where you will get sufficient capital. This is a research project, and the more thorough your research efforts, the less are the chances that you will leave out important expenses or underestimate them. Even with the best of research, however, opening a new business has a way of costing more than you anticipate. There are two ways to make allowances for such surprise expenses. The first is to add a little "padding" to each item in the budget. The problem with that approach, however, is that it destroys the accuracy of your carefully thought-out

plan. The second approach is to add a separate line item, called contingencies, to account for unforeseeable expenses (Abrams, 2000). This is the approach we recommend. The common kinds of start-up expenses that most small businesses face include the following:

1. Research and development costs:

Whether you hire a market research firm or do research by yourself, you need to budget for costs involved in knowing more about your market. Interviewing potential customers or suppliers, checking the 'Yellow Pages', or photocopying trade publications and articles about your business all involve costs.

2. Business Plan Preparation:

If you are preparing the business plan yourself, the only cost to you is your time. However, there are entrepreneurs who need help in developing their business plans. If you are one of those business owners, you need to include the costs of hiring consultants or business plan writers into your initial budget.

3. Product Development and Beginning Inventory:

This will be your most significant start-up cost. To get a better estimate, you can ask potential suppliers for required inventory levels for your type of business. Some entrepreneurs, particularly those who create their own products, take years of product development before a prototype can be launched. You need to factor in the length of time it will take you to develop your first products.

4. Advertising and Marketing Promotion Expenses:

You can choose to have some 'buzz' for your business, even before you officially open. Some entrepreneurs do a pre-launch campaign to generate interest for their products or services. You can also plan for a 'grand opening' promotion as well. The cost, of course, will depend on how simple or elaborate your pre-launch activities will be.

5. Cash:

This refers to the amount of cash that you need to run your cash register. One thing that your business should never be caught without is cash.

6. Cost of Financing:

You also need to allocate some funds to help you cover your cost of financing, whether you got your funds from the bank or from your credit card. Be prepared to pay the interest on your loans, particularly if you used your credit cards to finance your business.

7. Remodeling and Decorating:

This will include physical and cosmetic improvements to the new business facility. Solicit bids from contractors or interior designers, even if you decide to do everything later on, to give you an idea of how much these jobs cost.

8. *Fixtures and Equipment:*

The fixtures and equipment needed for your new business are normally substantial, depending on your kind of business. A restaurant business, for example, will need modern kitchen equipment, chairs and tables, tableware and utensils. On the other hand, a home business will require significantly less in terms of fixtures and equipment. Computers, fax machines, and modems are some of the most important equipment that you would need. In addition, you should provide some budget for the costs of installing the fixtures and equipment and making sure that these are ready for use.

9. *Hiring employees:*

Allocate a few months' salary for the payroll of your new employees. While employee costs will not actually start until you are open for business, some entrepreneurs hire a few employees even before the business is launched to help in the initial groundwork.

10. *Insurance Costs:*

You will need liability and property insurance to protect yourself and your business assets. Some businesses also require workers' compensation, health, life, fire, product liability and professional malpractice insurance. Check what you need for your kind of business.

11. *Lease Payments:*

These include amounts that must be paid for equipment and facility leases before opening. Expect to pay several months' worth of lease payments even before you open your doors for business.

12. *Licenses and Permits:*

This amount will include all fees charged by the local and government agencies. The more regulated your industry, the higher the fees and charges. Various local authorities also have different licensing requirements and fee structures.

13. *Professional Fees:*

You will probably need the assistance of a lawyer in drawing up the proper documents and filing them with the government if you are forming a partnership, Limited Liability Company or Corporation. You can opt to incorporate your own business yourself, as long as you understand each form and requirements. Part of the professional fees you need to budget for

include the accountant's fees, should you decide to outsource your record keeping or accounting tasks.

14. Signage Costs:

The signs for your business establishment can leave a significant dent on your budget. Obtain bids from sign-making companies, depending on how elaborate you plan your signs to be.

15. Supplies:

This is the part of your budget for all the office, cleaning and employee supplies that your business needs in its first few months. To help you save, try buying wholesale if you can meet the minimum order requirements.

16. Cost of Web Site Creation:

If you are planning to supplement your brick-and-mortar business with online operations, you need to budget for the costs of creating a web site. These include web-hosting fees, web designer, e-commerce components (shopping cart, merchant account, etc). You also need to allocate some amount to cover the marketing and promotion expenses of your online business.

17. Unanticipated Expenses:

The rule of thumb is to allocate about 10 to 20 percent of your total start-up budget for contingencies and other unexpected expenses

viii. Financial Planning

The broader financial plan consists of a 12-month profit and loss projection, a four-year profit and loss projection (optional), a cash-flow projection, a projected balance sheet, and a break-even analysis, ration analysis, and sensitivity analysis. Together they constitute a reasonable estimate of your company's financial future. Most importantly, the process of thinking through the financial plan will improve your insight into the inner financial workings of your company (Berry, 2004).

i. 12-Month Profit and Loss Projection:

Many business owners think of the 12-month profit and loss projection as the centerpiece of their plan. This is where you put it all together in numbers and get an idea of what it will take to make a profit and be successful. Your sales projections will come from a sales forecast in which you forecast sales, cost of goods sold, expenses, and profit month-by-month for one year. Profit projections should be accompanied by a narrative explaining the major assumptions used to estimate company income and expenses.

ii. Four-Year Profit Projection (Optional)

The 12-month projection is the heart of your financial plan. This section is for those who want to carry their forecasts beyond the first year.

Projected Cash Flow

If the profit projection is the heart of your business plan, cash flow is its life-blood. Businesses fail because they cannot pay their bills. Every part of your business plan is important, but none of it means a thing if you run out of cash. The point of this worksheet is to help you plan how much you need before start-up, for preliminary expenses, operating expenses, and reserves. You should keep updating it and using it afterward. It will enable you to foresee shortages in time to do something about them perhaps cut expenses, or perhaps negotiate a loan. But foremost, you shouldn't be taken by surprise. There is no great trick to preparing it: The cash-flow projection is just a forward look at your 'current' account.

For each item, determine when you actually expect to receive cash (for sales) or when you will actually have to write a check (for expense items). You should track essential operating data, which is not necessarily part of cash flow but allows you to track items that have a heavy impact on cash flow, such as sales and inventory purchases.

Your cash flow will show you whether your working capital is adequate. Clearly, if your projected cash balance ever goes negative, you will need more start-up capital. This plan will also predict just when and how much you will need to borrow. Explain your major assumptions, especially those that make the cash flow differ from the Profit and Loss Projection. For example, if you make a sale in month one, when do you actually collect the cash? When you buy inventory or materials, do you pay in advance, upon delivery, or much later? How will this affect cash flow?

Are some expenses payable in advance? When? Are there irregular expenses, such as quarterly tax payments, maintenance and repairs, or seasonal inventory build-up that should be budgeted for? Loan payments, equipment purchases, and owner's draws usually do not show on profit and loss statements but definitely do take cash out. Be sure to include them. And of course, depreciation does not appear in the cash flow at all because you never write a cheque for it.

iii. Opening Day Balance Sheet

A balance sheet is one of the fundamental financial reports that any business needs for reporting and financial management. A balance sheet shows what items of value are held by the company (assets), and what its debts are (liabilities). When liabilities are subtracted from assets, the remainder is owners' equity. Use a startup expenses and capitalization spreadsheet

as a guide to preparing a balance sheet as of the opening day. Then detail how you calculated the account balances on your opening day balance sheet.

iv. Break-Even Analysis

A break-even analysis predicts the sales volume, at a given price, required to recover total costs. In other words, the sales level is the dividing line between operating at a loss and operating at a profit. Expressed as a formula, break-even is:

$$\text{Breakeven Sales} = \text{Fixed Costs} / \text{Revenue per unit} - \text{Variable Costs per unit}$$

(Where fixed costs are expressed in units of currency (e.g. dollars or shillings), but variable costs are expressed as a percent of total sales).

Note: Include all assumptions upon which your break-even calculation is based.

v. Ratio Analysis

Financial or Accounting ratios are useful measures of a business's performance and financial situation at a point in time. They are calculated from information provided by both accounting and financial statements such as the income statement, balance sheet, cash flow statement, and the statement of retained earnings. Ratios are used by managers inside the business by current and potential owners of the business and by the business's creditors. Some examples include: Liquidity Ratios provide information about a business's ability to meet its short-term obligations. Three liquidity ratios that are used most often are the Current Ratio (the ratio of current assets to current liabilities); the Quick Ratio (the ratio of current assets, less inventory, to current liabilities); and the Cash Ratio (the ratio of cash and marketable securities to current liabilities). A high liquidity ratio demonstrates the business's ability to meet short-term obligations when they become due. Current assets include cash, marketable securities, accounts receivables, inventory, and notes receivables. Current liabilities include accounts and notes payable in the short term.

Asset Turnover Ratios show how efficiently the business utilizes its assets and are sometimes referred to as Efficiency, Asset Utilization, or Asset Management Ratios. The two most common asset turnover ratios are the Receivables Turnover (the ratio of Annual Credit Sales to Accounts Receivables, which measures how quickly a business collects its accounts receivables); and the Inventory Turnover (the ratio of Cost of Goods Sold to Average Inventory, which measures the average number of days worth of inventory on hand).

Financial ratios quantify many aspects of a business and are an integral part of financial statement analysis. Other ratios include Activity Ratios which measure how quickly a business

converts non-cash assets to cash assets; debt ratios which measure the business's ability to repay long-term debt; profitability ratios which measure the business's use of its assets and control of its expenses to generate an acceptable rate of return; and market ratios which measure investor response to owning a company's stock but also the cost of issuing stock. Ratios are often expressed as a decimal value, such as 0.10, but can be expressed in the equivalent percent value, such as 10%.

vi. Sensitivity Analysis

Sensitivity analysis investigates how projected performance varies along with changes in the key assumptions on which the initial projections are based. If a small change in a parameter results in relatively large changes in the outcomes, the outcomes are said to be sensitive to that parameter. This may mean that the parameter has to be determined very accurately or that the alternative has to be redesigned for low sensitivity.

According to Ndede-Amadi (2011), the financials should be developed after you have analyzed the market and set clear objectives. That is when you can allocate resources efficiently. The following is a list of the critical financial statements to include in your business plan packet:

vii. Historical Financial Data

If you own an established business, you will be requested to supply historical data related to your company's performance. Most creditors request data for the last three to five years, depending on the length of time you have been in business. The historical financial data would be your company's income statements, balance sheets, and cash flow statements for each year you have been in business (usually for up to 3 to 5 years). Often creditors are also interested in any collateral that you may have that could be used to ensure your loan, regardless of the stage of your business.

viii. Prospective Financial Data

All businesses will be required to supply prospective financial data, whether startup or growing. Most of the time, creditors will want to see what you expect your company to be able to do within the next five years. Each year's documents should include forecasted income statements, balance sheets, cash flow statements, and capital expenditure budgets. For the first year, you should supply monthly or quarterly projections. After that, you can stretch it to quarterly and/or yearly projections for years 2 through 5. Make sure that your projections match your funding requests, as creditors will be on the lookout for inconsistencies. It is much better if you catch mistakes before they do. If you have made assumptions in your projections, be sure to summarize what you have assumed. This way, the reader will not be left guessing.

Finally, include a short analysis of your financial information. Include a ratio and trend analysis for all of your financial statements (both historical and prospective). Since pictures speak louder than words, you may want to add graphs of your trend analysis (especially if they are positive).

ix. Funding Request

In this section, you will request the amount of funding you will need to start or expand your business. If necessary, you can include different funding scenarios, such as a best and worst case scenarios, but remember that later, in the financial section, you must be able to back up these requests and scenarios with corresponding financial statements. You will want to include the following in this section:

- > your current funding requirement
- > your future funding requirements over the next five years
- > how you will use the funds you receive, and
- > any long-range financial strategies that you are planning that would have any type of impact on your funding request.

When you are outlining your current and future funding requirements, be sure to include the amount you want now and the amount you want in the future, the time period that each request will cover, the type of funding you would like to have (i.e., equity, debt), and the terms that you would like to have applied. How you will use your funds is very important to a creditor. Is the funding request for capital expenditures; working capital; debt retirement; or for acquisitions? Whatever the purpose of the funding, be sure to list it in this section.

Last of all make sure that you include any strategic information related to your business that may have an impact on your financial situation in the future, such as:

- > going public with your company
- > having a leveraged buyout
- > being acquired by another company
- > the method with which you will service your debt, or
- > whether or not you plan to sell your business in the future

Each of these is extremely important to a future creditor, since they will directly impact your ability to repay your loan(s).

6. Ethics in Running a Small Business

According to Badaracco Jr. (1997), regardless of size, all businesses have the same objective, that of making profits, which necessitates the same operational model. Therefore, business ethics and related issues such as corporate social responsibility (CSR), are not just big business issues, they are issues core to small business as well. Ethical business practices include assuring that the highest legal and moral standards are observed in relationships with the people in the business community – including the most important person in the business - the customer.

Ethics

Ethics involves learning what is right or wrong, and then doing the right thing. However, "the right thing" is relative. Most ethical dilemmas in the workplace are not simply a matter of choosing between right and wrong, it is often much more involved than that. In the ethics debate, there are those who assert that there is always a right thing to do based on moral principle, and then there are others who believe that the right thing to do depends on the situation – and that ultimately it is up to the individual to decide what is the right and the wrong thing to do. Many ethicists consider emerging ethical beliefs to be "state of the art" legal matters, which means that what becomes an ethical guideline today is often translated to a law, regulation or rule tomorrow. Values which guide how we ought to behave are considered moral values (e.g. respect, honesty, fairness, responsibility). Statements around how these values are applied are sometimes called moral or ethical principles (Collins, 2001).

Business Ethics

The concept of business ethics has come to mean different things to different people. However, it is generally regarded as knowing what is right or wrong and doing what is right in the workplace, with respect to their effects on products or services and with regard to stakeholders. Attention to ethics in the workplace sensitizes both leaders and staff on how they should act. But perhaps even more important is that attention to ethics in the workplaces helps ensure that when leaders and managers are struggling in times of crises and confusion,

they still retain a strong moral grounding. In addition, attention to business ethics in the work place provides numerous other benefits.

Managing ethics programs in the workplace

A business can manage ethics in the workplace by establishing an ethics management program. Ethics programs convey company values, often using codes and policies to guide decisions and behavior, and can include extensive training and evaluation, depending on the organization. These programs are rarely alike between any two organizations, but they will provide guidance in ethical dilemmas within the organization. The reality is that every business has an organizational ethics program made up of values, policies and activities which impact the propriety of organizational behaviors, even though most do not know that they do.

A basic purpose of an ethics management program is balancing competing values and reconciling them. A good example of competing values is pushing products at all costs vis-a-vis educating the consumer. Even then, it is true that business people need more practical tools and information to help them understand competing values and how to manage them.

Developing Codes of Ethics

According to some ethics scholars, a philosophy generally describes the highest values to which the company aspires to operate, and will contain the 'dos.' A code of ethics, on the other hand, will specify the ethical rules of operation, and will contain the 'don'ts'. Others disagree, however, that codes have any value, arguing that too much focus is often put on the codes themselves, which are not influential in managing ethics in the workplace. They argue further that developing and continuing dialogue around the values of the code is more important.

Developing Codes of Conduct

For large organizations that include several large programs or departments, there is need to develop an overall corporate code of ethics and then a separate code to guide each of the programs or departments. Codes of conduct are insufficient if intended only to ensure that policies are legal. On the contrary, all staff must understand and buy into the ethics program being driven by top management. It is noteworthy that codes of ethics and codes of conduct may be the same in some organizations but different in others, depending on the organization's culture and operations as well as on the ultimate level of specificity in the codes themselves.

Assessing and Cultivating Ethical Culture

Culture is comprised of the values, norms, and behaviors within a business, and every organization has one. Ethics, on the other hand, is about moral values, or values regarding

right and wrong. Because of these commonalities, cultural assessments can be valuable in assessing the moral values in an organization.

Ethics Training

An ethics program is essentially useless unless all staff members are trained about what it is, how it works and their roles in it. By its very nature, however, the program may invite suspicion if not handled openly and honestly. In addition, no matter how fair and up-to-date a set of policies is, the legal system will often interpret employee behavior as *de facto* (actual) policy, rather than written policies. Therefore, all staff must be aware of and act in accordance with policies and procedures. This is true whether policies and procedures are for an ethics program or for personnel management. An appropriate level of full accordance requires training about policies and procedures. The rise of ethics training inside organizations is one driver credited with changing the behavior and culture of those organizations. The aim of such training is to help employees make ethical decisions when the answers are unclear. The greatest benefit of an ethics training program is reducing the likelihood of fines and damaged reputations for breaching laws or moral norms, for both the organization and the individual. Additional benefits include increased employee loyalty and pride in the organization (Hartman, 2004).

b. Corporate Social Responsibility

Corporate Social Responsibility (CSR), also called *corporate conscience, corporate citizenship, social performance, or sustainable responsible business* is a form of corporate self-regulation integrated into a business model. CSR policy functions as a built-in, self-regulating mechanism through which a business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms. The goal of CSR is to embrace responsibility for the company's actions and to encourage a positive impact of its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere who may also be considered as stakeholders (Hargadon, 2003).

Approaches to CSR

One common approach of CSR is philanthropy, which includes monetary donations and aid given to local organizations and impoverished communities in developing countries. Some organizations do not like this approach as it does not help build on the skills of the local people, and prefer community-based development that generally leads to more sustainable development. Another approach to CSR is to incorporate the CSR strategy directly into the business strategy of an organization. A third approach that is garnering increasing interest is called Creating Shared Value (or CSV), a model based on the notion that corporate success and social welfare are interdependent. A business needs a healthy, educated workforce, sustainable resources and adept government to compete effectively. For society to thrive,

profitable and competitive businesses must be developed and supported to create income, wealth, tax revenues, and opportunities for philanthropy.

Many companies use the strategy of benchmarking to compete within their respective industries in CSR policy, implementation, and effectiveness. Benchmarking involves reviewing competitor CSR initiatives, as well as measuring and evaluating the impact that those policies have on society and the environment, and how customers perceive competitor CSR strategy. After a comprehensive study of competitor strategy and an internal policy review, a comparison can be drawn and a strategy developed for competition with CSR initiatives.

Increasingly, businesses are becoming interested in processes that can add visibility to their CSR policies and activities. One method that is gaining increasing popularity is the use of well-grounded training programs, where CSR is a major issue, and where business simulations play a part (Kotter, 1992).

c. Ethics in a Small Business

According to Seglin (2006), a small business owner, just any other business owner, need to behave ethically, and has to accept responsibility for the impact the business has on society. Most business owners do take responsibility for the near-term effects of their successful enterprises, but the very thoughtful ones also pay attention to the long-term psycho-social health and wealth of individuals and groups involved in and affected by the business. The small enterprise provides the right environment in which to work towards the long-term effects of the business on the environment, for example.

Research in the area of small business ethics has lagged behind, despite the fact that the small business is responsible for a large percentage of economic growth for many countries, both developed and developing. This, also despite the fact that there is clear evidence that, small businesses can be particularly vulnerable to unethical practices. And while the majority of small business owners/managers do not feel compelled to act unethically, there remains a significant percentage that do feel pressure to act in a less than ethical manner due to economic pressures brought about by their liability of smallness. Clearly, there remains a need for better understanding the perceptions, beliefs, and attitudes that impact the decision making of small business owners (Solomon, 1993).

To develop a code of ethics for your small business, use the following guidelines:

1. Identify the general principles that would lead to fair business practices
2. Check with the industry association for basic standards to review
3. Allow that ethical questions do not always have a unique, faultless answer

4. Write out specific statements that will assist in making day-to-day ethical decisions
5. Apply the code of ethics to a written policy and procedures manual identifying major rules for operating the business
6. Train employees (and family members) to make ethical decisions about the business

7. Technology Licensing

By the nature of products emerging from technology, it is necessary to put a legal structure in place to regulate transactions, markets and production. Technology Transfer Agreements will usually improve economic efficiency and be pro-competitive as they can reduce duplication of research and development, strengthen the incentive for the initial research and development, spur incremental innovation, facilitate diffusion and generate product market competition. However, licensing agreements may also be used for anti-competitive purposes, such as where two competitors use a licensing agreement to share-out markets between themselves or where an important licence holder excludes competing technologies from the market.

According to Parr & Sullivan (1996), a Technology Licensing Agreement grants a licensee the right to utilize specific technologies, patents, software, know-how or product designs. In a typical technology license agreement, a running royalty fee based on licensed product sales revenue is paid to the licensor on a periodic basis. Benefits of technology licensing include:

- > Shorten product development time
- > Gain entry into otherwise protected industries
- > Enhance quality of products and processes
- > Build competitive advantage
- > Increase sales revenue
- > Expand existing business capabilities

Technology that can be licensed out may range from public to nonpublic technical or other information, trade secrets, know-how, processes, formulations, concepts, ideas, preclinical, clinical, pharmacological or other data and testing results, experimental methods or results, descriptions, business or scientific plans, depictions, customer lists, any other written, printed or electronically stored materials, any and all other intellectual property, including patents, patent applications, to trademarks and trademark applications of any nature whatsoever.

Technology licensing signifies willingness to transfer and license to a licensee, and licensee willingness to acquire and license from licensor, certain technology and intellectual property and rights to the technology for the purpose of allowing licensee to develop and market products using such technology and intellectual property and rights to the technology.

A technology license may provide that the licensee may develop certain inventions, improvements, processes or know-how, or that it may obtain technology or patents or other proprietary rights useful in the business of the licensor, and, in each such case, licensor is willing to grant to licensee a license or sublicense to use such developments, technology or rights (Fox, 2008).

In consideration of mutual agreements set forth in a License Agreement and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged in the Technology License, the Licensor and Licensee may set forth the terms and conditions of such an agreement.

The transfer of technology is generally subject to the terms and conditions specified in the agreement, whereby the Licensor transfers and assigns to the Licensee all of the licensor's right, title and interest to the licensor's technology and the assets and equipment to be set forth in a separate letter agreement between the parties (often call the "Letter Agreement") (Guth, 2007).

a. Licenses and Right of First Refusal

Grant of License to Licensee: Subject to the terms and conditions of the License Agreement, Licensor may grant to Licensee perpetual, royalty-free and exclusive right and license, including the right to grant sublicenses, to improvements for use in the Licensee Field (Fox, 2008).

Third-Party Licenses: To the extent that any Licensor technology or improvements assigned or licensed to Licensee under the License Agreement consist of rights of Licensor under an agreement or license with or from a third party, any assignment or license granted to Licensee under the License Agreement can be limited to the rights which Licensor has a right to grant under such agreement or license and otherwise subject to any obligations assumed by Licensor in consideration of the grant or assignment of such right or license to Licensor which is to be assigned or sublicensed to Licensee.

Grant of Licenses to Licensor: Subject to the terms and conditions of the License Agreement, Licensee may grant to Licensor (i) a perpetual, royalty-free and exclusive (against Licensee and all other Persons) right and license, including the right to grant sublicenses, to the Licensor

Technology for the development, manufacture, use or sale of any products within the Licensor Field and (ii) a perpetual, royalty-free and nonexclusive right and license, including the right to grant sublicenses, to the Licensor Technology for the development, manufacture, use or sale of any products outside the Licensee Field and the Licensor Field.

Right of First Refusal: Under this provision, if Licensor proposes to sell, or license a third party to sell, any product for use within the Licensee Field (a "Product"), Licensor may be required to first provide Licensee with written notice of such proposal, including all material terms and conditions thereof (the "Product Notice"). For a specific number of days (e.g. 30 days) following receipt of the Product Notice, Licensee shall have the option to purchase or license from Licensor the Product upon the terms and conditions set forth in the Product Notice. In the event Licensee elects to purchase or license the Product from Licensor, Licensee shall give written notice of its election to Licensor within the specific number of days and the parties shall negotiate a mutually agreeable agreement for the purchase or license of the Product. If Licensee does not elect to purchase or license the Product, Licensor may, within a specified period following the expiration of the option right granted to Licensee, transfer or license the Product to the proposed transferee or any other transferee, provided that the transfer shall not be on terms and conditions more favorable to the purchaser than those contained in the Product Notice.

Termination of a Technology Licensing Agreement: The provisions of specific sections of the Agreement may terminate upon the earlier of (a) a specified period (e.g. four years) after the date of the Agreement or (b) the acquisition of all or substantially all of the business or assets, by merger, sale of assets or otherwise, of either Licensee or Licensor, provided, that any licenses or sublicenses granted under specific sections of the License Agreement shall survive such termination to the extent that they relate to improvements existing on such date of termination.

b. Registration Rights

According to Meeker (2004), it can be provided that Licensee not be required to effect more than two registrations in accordance with specific sections of the Agreement. If at the time of any request to register shares of Licensee Common Stock pursuant to that section of the Agreement, Licensee is engaged in any other activity which, in the good faith determination of Licensee's Board of Directors, would be adversely affected by the requested registration to the material detriment of Licensee, then Licensee may at its option direct that such request be delayed for a period not in excess of a specified period (e.g. six months) from the date of commencement of such other material activity, such right to delay a request to be exercised by Licensee not more than once in any specified period of time (e.g. two-years). It can be provided that Licensor to pay all Registration Expenses.

c. Technology, Patent Rights and Disclosure

Technology Transfer: It can be provided in the License Agreement that Licensor to provide to Licensee, or a sub-licensee designated by Licensee, reasonable technical assistance and instruction, at Licensee's or such permitted sub-licensee's sole option and expense, in understanding, interpreting and applying Licensor Technology and improvements for the purpose of commercially developing products within the Licensee Field. It can be provided further that Licensor to make its employees reasonably available for consultation by telephone, or in person at the offices of Licensor, in connection with such assistance and instruction, all at the sole expense of Licensee or such sub-licensee (Megantz, 1996).

Patent Rights: It can be provided in the License Agreement that Licensor to have the exclusive right, at its expense, to prepare, prosecute and maintain patent applications, and to maintain and enforce patents issued thereon with respect to improvements discovered, developed or otherwise acquired by Licensor.

Cooperation: It can be provided that each party to agree to cause each of its employees and agents to take all actions and to execute, acknowledge and deliver all instruments or agreements reasonably requested by the other party, and necessary for the perfection, maintenance, enforcement or defense of that party's rights as set forth in the Technology Licensing Agreement.

Confidential Information: It can be provided that any party receiving Confidential Information shall maintain the confidential and proprietary status of such Confidential Information, keep such Confidential Information and each part thereof within its possession or under its control sufficient to prevent any activity with respect to the Confidential Information that is not specifically authorized by the Agreement, use commercially reasonable efforts to prevent the disclosure of any Confidential Information to any other Person, and use commercially reasonable efforts to ensure that such Confidential Information is used only for those purposes specifically authorized in the Technology Licensing Agreement, provided, however, that such restriction shall not apply to any Confidential Information which is (a) independently developed by the receiving party, (b) in the public domain at the time of its receipt or thereafter becomes part of the public domain through no fault of the receiving party, (c) received without an obligation of confidentiality from a third party having the right to disclose such information, (d) released from the restrictions of this section of the Agreement by the express written consent of the disclosing party, (e) disclosed to any permitted assignee, permitted sub-licensee or permitted subcontractor of either Licensor or Licensee under the Agreement (if such assignee, sub-licensee or subcontractor is subject to the provisions of the particular section of the Agreement or comparable provisions of such other documents), or (f) required by law, statute, rule or court order to be disclosed (the

disclosing party shall, however, use commercially reasonable efforts to obtain confidential treatment of any such disclosure). The Agreement can provide that the obligations set forth in this particular section of the Agreement to survive for a specific period of time (such as five (5) years) from the termination or expiration of the Agreement. Without limiting the generality of the provisions, the Agreement can provide that Licensor and Licensee each use commercially reasonable efforts to obtain confidentiality agreements from its respective employees and agents, similar in scope to this section of the Agreement, to protect the Confidential Information. Licensor may agree to treat the Licensor Technology as Confidential Information of Licensee. Notwithstanding anything to the contrary in the Agreement, it can be provided that Licensor and Licensee may undertake to each be deemed to have satisfied its obligations under this section of the Agreement if it protects the Confidential Information of the other party with the same degree of care that it uses to protect its own similar Confidential Information (Megantz, 2002).

Permitted Disclosures: Notwithstanding the provisions of section of the Agreement, it can be provided that Licensor and Licensee may, to the extent necessary, disclose and use Confidential Information, consistent with the rights of Licensor and Licensee otherwise granted under the Agreement (a) for the purpose of engaging in research and development, conducting clinical testing and marketing programs, or securing institutional or government approval to clinically test or market any product, (b) for the purpose of sharing clinical trial results and data with third parties conducting clinical trials on, or (c) for the purpose of securing patent protection for an invention within the scope of the Improvements.

d. Disclaimer of Warranty; Consequential Damages

Disclaimer of Warranty: According to Poltorak & Lerner (2003), it can be provided that nothing in the Agreement to be construed as a representation made or warranty given by either party to the Agreement that any patents will issue based on pending applications within the Licensor Technology, or that any such patents which do issue will be valid, or that the practice by the other party to the Agreement of any license granted there under, or that the use of any Licensor Technology and Improvements transferred or licensed under the Agreement, to not infringe the patent or proprietary rights of any other person. In addition, Licensor and Licensee may acknowledge that THE TECHNOLOGY IS LICENSED AND TRANSFERRED, AS THE CASE MAY BE, TO LICENSEE AND LICENSOR, RESPECTIVELY, AS IS, AND LICENSOR AND LICENSEE EXPRESSLY DISCLAIM AND THEREBY WAIVE, RELEASE AND RENOUNCE ANY WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO SUCH TECHNOLOGY, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

Consequential Damages: It can be provided that EXCEPT AS OTHERWISE SET FORTH IN THE AGREEMENT, NEITHER PARTY TO THE AGREEMENT TO BE ENTITLED TO RECOVER FROM THE OTHER ANY SPECIAL, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES.

No Implied Waivers; Rights Cumulative: There may be provisions that no failure on the part of Licensor or Licensee to exercise no delay in exercising any right, power, remedy or privilege under the Agreement, or provided by statute or at law or in equity or otherwise, to impair, prejudice or constitute a waiver of any such right, power, remedy or privilege or be construed as a waiver of any breach of the Agreement or as an acquiescence therein, nor to any single or partial exercise of any such right, power, remedy or privilege preclude any other or further exercise thereof or the exercise of any other right, power, remedy or privilege.

Force Majeure: The Agreement may provide that Licensor and Licensee to each be excused for any failure or delay in performing any of its respective obligations under the Agreement, other than the obligations of Licensee to make certain payments to Licensor pursuant to a specific section of the Agreement, if such failure or delay is caused by Force Majeure (Tollen, 2011).

Notices: The Agreement may provide that all notices, requests and other communications to Licensor or Licensee under the Agreement to be in writing (including telecopy or similar electronic transmissions), to refer specifically to the Agreement and to be personally delivered or sent by telecopy or other electronic facsimile transmission or by registered mail or certified mail, return receipt requested, postage prepaid, in each case to the respective address specified in the Agreement (or to such other address as may be specified in writing to the other party to the Agreement. Any notice or communication given in conformity with this section of the Agreement be deemed to be effective when received by the addressee, if delivered by hand, telecopy or other electronic facsimile transmission, and a specific time period (such as three (3) days) after mailing, if mailed.

Further Assurances: Each of Licensor and Licensee may agree to duly execute and deliver, or cause to be duly executed and delivered, such further instruments and do and cause to be done such further acts and things, including, without limitation, the filing of such additional assignments, agreements, documents and instruments, that may be necessary or as the other party to the Agreement may at any time and from time to time reasonably request in connection with the Agreement or to carry out more effectively the provisions and purposes of, or to better assure and confirm to such other party its rights and remedies under the Agreement.

Successors and Assigns: The terms and provisions of the Agreement may inure to the benefit of, and be binding upon, Licensor, Licensee, and their respective successors and assigns; provided, however, that neither Licensor nor Licensee may assign or otherwise transfer any of its rights and interests, nor delegate any of its respective obligations under the Agreement, including, without limitation, pursuant to a merger or consolidation, without the prior written consent of the other party to the Agreement, which consent shall not be unreasonably withheld. The Agreement may provide that any attempt to assign or delegate any portion of the Agreement in violation of this specific section of the Agreement to be null and void. Subject to the foregoing, any reference to Licensor and Licensee under the Agreement may be deemed to include the successors thereto and assigns thereof.

Amendments: The Agreement may provide that no amendment, modification, waiver, termination or discharge of any provision of the Agreement, nor consent to any departure by Licensor or Licensee there from, can be effective unless the same be in writing specifically identifying the Agreement and the provision intended to be amended, modified, waived, terminated or discharged and signed by Licensor and Licensee, and each such amendment, modification, waiver, termination or discharge to be effective only in the specific instance and for the specific purpose for which given. The Agreement can provide that no provision thereof may be varied, contradicted or explained by any oral agreements course of dealing or performance or any other matter not set forth in an agreement in writing and signed by Licensor and Licensee.

Governing Law: It should be provided that the Technology Licensing Agreement be governed by and construed in accordance with the laws of the country of its jurisdiction.

Severability: The Technology License Agreement may provide that if any provision therein should be held invalid, illegal or unenforceable in any respect in any jurisdiction, then, to the fullest extent permitted by law, (a) all other provisions thereof should remain in full force and effect in such jurisdiction and to be liberally construed in order to carry out the intentions of the parties thereto as nearly as may be possible and (b) such invalidity, illegality or unenforceability not to affect the validity, legality or enforceability of such provision in any other jurisdiction. To the extent permitted by applicable law, Licensor and Licensee may thereby waive any provision of law that would render any provision thereof prohibited or unenforceable in any respect.

Headings: There need to be provision in the Agreement to the effect that headings used therein are for convenience only and not to in any way affect the construction of, or be taken into consideration in interpreting the Agreement.

Execution in Counterparts: The Agreement may provide that it may be executed in counterparts, each of which counterparts, when so executed and delivered, to be deemed to be an original, and all of which counterparts, taken together, to constitute one and the same instrument.

Entire Agreement: It may be provided that the Agreement together with any agreements referenced therein, constitutes, on and as of the date thereof, the entire agreement of Licensor and Licensee with respect to the subject matter thereof, and all prior or contemporaneous understandings or agreements, whether written or oral, between Licensor and Licensee with respect to such subject matter be thereby superseded in their entirety (Stark, 2007).

8. Intellectual Property (IP) Law

Intellectual Property is about the capacity of human beings to have Intellect and will power – the ability to choose freely. Intellectual Property (IP) is a term referring to a number of distinct types of creations of the mind for which a set of exclusive rights are recognized under the corresponding fields of law. Intellectual property legislation confers exclusive rights on holders of patents, rights, registered trademarks and other rights protected by the law. A holder of intellectual property rights is authorized to prevent any unauthorized use of its intellectual property and to exploit such property, particular by licensing it to third parties.

There are several reasons why Intellectual Property Rights should be protected:

- > Protect investments in time, money or other resources used to create new contributions to technology, commerce and entertainment
- > Governments encourage creators to disclose their creations to the public in order to promote the progress of science and useful arts which are the engines of development - investors demand this guarantee
- > Foster economic growth
- > Provide incentives for technological innovations, and
- > Attract investments that will create new jobs and career opportunities
- > Intellectual property also contributes to the creation of a competitive and transparent market in an economic system where consumers are protected and businesses are able to enter the market freely and to compete fairly
- > Intellectual property is also used to develop new businesses (e.g. M-Pesa, a system of transacting money using mobile phones which has contributed massively to job creation in the Kenya

According to Pressman & Elias (1999), Intellectual Property (IP) is a term referring to a number of distinct types of creations of the mind for which a set of exclusive rights are recognized under the corresponding fields of law. It is the area of law that deals with and oversees the creation of intellectual property patents, copyrights, trademarks and trade secret laws; the protection of intellectual property rights; and the legal pursuit of those who infringe

on another's rights to his/her intellectual property. It overlaps with several other areas of law, such as patent law, copyright law, contract law, tort law, trademark law and litigation. Under intellectual property law, owners are granted certain exclusive rights to a variety of intangible assets, such as musical, literary, and artistic works; discoveries and inventions; and words, phrases, symbols, and designs. Common types of intellectual property rights include copyrights, trademarks, patents, industrial design rights and trade secrets in some jurisdictions. A patent, for example, represents a legal [right] obtained by an inventor providing for exclusive control over the production and sale of his mechanical or scientific invention.

a. Support perspectives of IP

Historically, intellectual property rights were granted only when they were necessary to encourage invention, and they were limited in time and scope. Until recently, the purpose of intellectual property law was to give as little protection to the innovator as possible in order to encourage innovation. This meant that the innovator had only a limited time within which to enjoy the innovation before moving on to a new innovation. Currently, the objective of intellectual property legislators and those who support its implementation is "absolute protection". The proponents reason that if some intellectual property is desirable because it encourages innovation, more is better. The rationale is that creators will not have sufficient incentive to invent unless they are legally entitled to capture the full social value of their inventions (Razgaitis, 2009).

Economic growth

The World Intellectual Property Organization (WIPO) treaty and several related international agreements are premised on the notion that the protection of intellectual property rights is essential to maintaining economic growth. It gives two primary reasons for intellectual property laws:

- a. To give statutory expression to the moral and economic rights of creators in their creations and the rights of the public in access to those creations.
- b. To promote, as a deliberate act of government policy, creativity and the dissemination and application of its results and to encourage fair trading which would contribute to economic and social development.

Economists argue that intellectual property-intensive industries are estimated to generate 72 percent more value added (defined as price minus material cost) per employee than non-intellectual property-intensive industries. For example, they estimate that two-thirds of the value of large businesses in the USA can be attributed to intangible assets. Other efforts have drawn similar conclusions. For example, a joint research project of the WIPO and the United

Nations University measuring the impact of IP systems on six Asian countries reported a positive association between strengthening of the IP system and subsequent economic growth.

Morality

Although the relationship between intellectual property and human rights is a complex one, moral arguments have been made for intellectual property. For example, among supporters of IP rights was writer Ayn Rand, who argued that the protection of intellectual property is essentially a moral issue, that the human mind itself is the source of wealth and survival and that all property at its base is intellectual property. To violate intellectual property, he argued, is no different morally from violating other property, such as real property, rights which compromises the very processes of survival - and therefore constitutes an immoral act (Meeker, 2004).

According to Article 27 of the Universal Declaration of Human Rights, “everyone has the right to protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author”. Moreover, moral justifications for private property have been used to argue in favor of the morality of intellectual property, such as the following arguments:

1. *Natural Justice*: this argument is based on the premise that a person has a natural right over the labor and products of his/her body, which includes the hands and the mind. Appropriating these labor and products by others is viewed as unjust. Under this premise, it is possible to apply his argument to intellectual property rights, in which it would be unjust for people to misuse another's ideas, products of the mind.
2. *Utilitarian-Pragmatic*: according to this premise, a society that protects private property is more effective and prosperous than one that does not. For example, the development of the patent system in the USA has been credited for innovation and invention in 19th century America. The argument is that by providing innovators with "durable and tangible return on their investment of time, labor, and other resources", intellectual property rights seek to maximize social utility. The presumption is that intellectual property rights promote public welfare by encouraging the "creation, production, and distribution of intellectual works".
3. *"Personality"*: this argument is premised on the notion that ideas are an “extension of oneself and of one's personality”, and is based on a quote from Hegel that says: “Every man has the right to turn his will upon a thing or make the thing an object of his will, that is to say, to set aside the mere thing and recreate it as his own”.

Financial incentive

The exclusive rights that come with intellectual property protection are supposed to allow owners of intellectual property to benefit from them, providing a financial incentive for the creation of an investment in intellectual property.

b. Opposing perspectives of IP

Richard Stallman (founder of the Free Software Foundation), argues that, although the term *intellectual property* is in wide use, it should be rejected altogether because it "systematically distorts and confuses these issues, and its use was and is promoted by those who gain from this confusion." He claims that the term "operates as a catch-all to lump together disparate laws [which] originated separately, evolved differently, cover different activities, have different rules, and raise different public policy issues" and that it creates a "bias" by confusing these monopolies with ownership of limited physical things, likening them to "property rights". He advocates referring to copyrights, patents and trademarks in the singular and warns against abstracting disparate laws into a collective term. In addition, many free software activists have criticized the implied analogy of intellectual property with physical property (like land or an automobile), arguing that such an analogy is self-defeating because the two are fundamentally different. While physical property is generally rivalrous, intellectual works are not, meaning that if one makes a copy of a work, the enjoyment of the copy does not prevent enjoyment of the original.

Limitations

Some critics of intellectual property, such as those in the free culture movement, point at intellectual monopolies as harming health, preventing progress, and benefiting concentrated interests to the detriment of the masses, and argue that the public interest is harmed by ever expansive monopolies in the form of copyright extensions, software patents and business method patents. The Committee on Economic, Social and Cultural Rights (CESCR) recognizes that "conflicts may exist between the respect for and implementation of current intellectual property systems and other human rights". It argues that intellectual property tends to be governed by economic goals when it should be viewed primarily as a social product. That, in order to serve human well-being, intellectual property systems must respect and conform to human rights laws. According to the Committee, when systems fail to respect and conform to human rights laws, they risk infringing upon the human right to food and health, and to cultural participation and scientific benefits. Some libertarian critics of intellectual property have argued that allowing property rights in ideas and information creates artificial scarcity, thereby infringing on the right to own tangible property (Pressman & Elias, 1999).

Other criticism of intellectual property law concerns the tendency of the protections of

intellectual property to expand, both in duration and in scope. The trend has been toward longer copyright protection, raising fears that it may someday be eternal. Moreover, developers and controllers have sought to bring more items under the same intellectual property protection. The dilemma goes on: patents have been granted for living organisms, certain living organisms have been patentable for over a century, and colors have been trademarked. Because they are systems of government-granted monopolies copyrights, patents, and trademarks have been called intellectual monopoly privileges, (IMP). Among non-supporters of intellectual property rights was Thomas Jefferson, who wrote in a letter to Isaac McPherson in 1813: "If nature has made any one thing less susceptible than all others of exclusive property, it is the action of the thinking power called an idea, which an individual may exclusively possess as long as he keeps it to himself; but the moment it is divulged, it forces itself into the possession of every one, and the receiver cannot dispossess himself of it. Its peculiar character, too, is that no one possesses the less, because every other possesses the whole of it. He who receives an idea from me, receives instruction himself without lessening mine; as he who lights his taper at mine, receives light without darkening me."

Another limitation of most current Intellectual Property legislation is its focus on individual and joint works. For example, copyright protection can only be obtained in 'original' works of authorship, which definition excludes any works that are the result of community creativity. Good examples are native songs and stories: most current legislations, including the USA, do not recognize the uniqueness of indigenous cultural 'property' and its ever-changing nature. Asking native cultures to 'write down' their cultural artifacts on tangible mediums ignores their necessary morality and enforces a Western bias of the written form as more authoritative.

Ethics

The ethical problems brought up by intellectual property rights issues are most pertinent when it is socially valuable goods like life-saving medicines and genetically modified seeds that are given intellectual property protection. For example, pharmaceutical companies that produce the medicines apply for and obtain intellectual property rights in order to prevent other companies from manufacturing the same product without the additional cost of research and development. Application of intellectual property rights so obtained allows the pharmaceutical company to charge higher prices than the marginal cost of production in order to recoup the costs of research and development. This strategy immediately excludes, from the market, anyone who cannot afford the now relatively high cost of the product, even if it might be a lifesaving drug (Seglin, 2006).

a. Intellectual Property Management

Intellectual property management employs a variety of tools to achieve different end objectives of the various aspects of intellectual property management. These tools includes: institutional IP policies, IP audits and use of various agreements. It can also refer to strategies geared towards management of intellectual creations (intellectual assets) of determined economic value developed within an institution or organization. Essentially management of IP involves identifications and making inventory of the types of intellectual property; determination of ownership; securing the rights and transferring the rights (licensing or assignments) through various agreements (Poltorak & Lerner, 2003).

b. Why Protect Intellectual Property

- > Protect investment in time, money or other resources used to create new contribution to technology, commerce and entertainment.
- > Governments encourage Creators to disclose their creations to the public in order to promote the progress of science and useful arts which are the engines of development- investors demand this guarantee
- > Fosters economic growth
- > Provides incentives for technological innovation, and
- > Attracts investment that will create new jobs and opportunities.

c. Role of IP in Technology Transfer

An Intellectual Property right grants an owner a monopoly over time. A private investor or partner can get interested in an innovation due to the higher guarantee of success associated with this monopoly. As a result, Intellectual Property is a crucial bargaining chip for commercialisation of innovation and an important entry point in joint venture or partnership agreements (Megantz, 1996).

d. Intellectual Property in Kenya

Historical Background

In 1989 the Industrial Property Act Cap 509 was enacted by the Kenya Parliament. An invention by KEMRI dubbed “KEMRON” acted as the catalyst for the enactment of the Act when it was realised that the invention could not be patented in Kenya. The Kenya Industrial Property Institute (KIPI) was transformed from Kenya Industrial Property Office (KIPO) upon enactment of the Industrial Property Act 2001, with the responsibilities for examining applications for and grants industrial property rights for:

- > Patents for inventions
- > Utility models for innovations
- > Industrial Designs for aesthetic features of products
- > Trade and service marks for goods and services

Its core functions became to:

- > provide industrial property information to the public
- > promote inventiveness and innovativeness in Kenya
- > organize and conduct training in IP

KIPI is charged with the mandate to administer Industrial Property Rights (IPRs), provision of technological information and training in IPRs and the promotion of inventiveness and innovativeness. In executing this mandate, KIPI fosters protection of innovation and intellectual property to catalyze technological development (The Industrial Property Regulations, 2002).

Between 1914 and 1989 the Patents Registration Act Cap 508 was the law governing patent protection in Kenya. The law required an inventor to apply and obtain protection in the United Kingdom (UK) before having the same registered in Kenya. Under that law:

1. Industrial Property Rights were administered by the Kenya industrial property institute (KIPI) under IPA 2001 & TM of 1957 & Amended in 2002.
2. Copyright & Neighbouring Rights was administered by Office of Registrar General under the Copyright Act, 2001
3. Plant Breeder's Rights was administered by KEPHIS under an Act of 1997 (The Industrial Property Act, 2001).

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