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ENTREPRENEURSHIP

A PERSONAL GUIDEBOOK FOR STARTING YOUR OWN BUSINESS

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SECTION I:
WHAT IS ENTREPRENEURSHIP

A. ENTREPRENEURSHIP IS...

Entrepreneurship is defined in many different ways. For this guide, we'll say you are an entrepreneur when you identify a special product or service that you can offer to other people or businesses, that they want to have, and most of all, that they will pay enough so that you can earn a living.

Sometimes a business starts when someone sees a need and no one has invented a product to serve that need. In other cases, someone may be offering a product but not doing a very good job. You may think of ways to improve the existing product and make it better for consumers. The mark of a true entrepreneur is someone who is fascinated with a saleable idea that serves a real purpose in the marketplace.

A more formal definition of entrepreneurs is:

> The function of entrepreneurs is to reform or revolutionize the pattern of production by exploiting an invention or, more generally, an untried technological possibility for producing a new commodity or producing an old one in a new way, opening a new source of supply of materials or a new outlet for products, by reorganizing a new industry.
> (Hisrich & Brush, p. 3)

Entrepreneurs can be in any profession: teaching, medicine, research, law, architecture, social work, business, etc. Entrepreneurs are driven to get their products and services into the hands of people who need them.

Your job as an emerging entrepreneur is to decide what type of business you want to start and to determine who is interested in what you want to offer.

SECTION II: WOMEN AND BUSINESS

A. WOMEN ARE INTERESTED IN BUSINESS

The number of women starting their own businesses is increasing dramatically. For example, in the United States the number of women entrepreneurs is increasing three times greater than men.

The reasons women are entering the world of business are similar to reasons given by men: desire to achieve something important, need to be independent, high interest in job satisfaction and economic necessity.

B. WOMEN ENTREPRENEURS FACE SPECIAL PROBLEMS

All aspiring entrepreneurs face the risk that the marketplace will not support their business concept or that changing conditions will undermine even the best products and services. Women aspiring to start businesses experience special problems that are not as common for men. Women also have additional demands that draw upon the time and energy available to running a business.

A woman is expected to take care of her children, husband, perhaps parents, brothers and sisters and maybe even others. She must juggle her life between work and family, with both requiring 150% of her time and effort.

Many women are socialized not to take risks. They may quit too soon when things don't go smoothly. They may be more fearful than men when investing extra money in an idea with no guarantee of success.

Both men and women have preconceived notions of a woman's 'rightful place.' Women may be told they do not have talent for certain business skills such as finance, management, or leadership. When women believe these stereotypes, they limit their opportunities.

Although women have the intelligence and managerial abilities to be successful entrepreneurs, they are frequently lacking in some of the learned skills that their male counterparts may have developed through education and experience. Potential roadblocks to women's success are their lack of experience and undeveloped skills necessary for business success, such as independence,self-confidence, assertiveness, and drive. These are skills which men learn while growing up.

Men make contacts throughout their lives which lead to a defined network for business referrals, for potential customers, and which open doors for financing. Women often lack these networks.

Male entrepreneurs use networks to acquire investors and to acquire bank financing or personal loans in addition to personal funds as sources of start up funds. More often, women rely solely on personal assets or savings.

Other areas where women may lack training are: executive management, financial responsibility, financial planning, accounting, marketing, and operations.

As a result of these drawbacks, many women who could make a significant contribution to the business world simply never get started. Other women try but are discouraged by the obstacles they find in their paths.

Women are a major untapped resource, and are just beginning to come into their own. Through education, experience, encouragement, and special attention to the problems faced by women, the marketplace will grow and flourish through the contributions of women.

C. SUCCESSFUL ENTREPRENEURS

Characteristics that make the difference between a successful and a mediocre entrepreneur are vision, persistence, hard work, and goal orientation. These characteristics support a belief in an idea and a personal commitment to make that idea a reality. If you are serious about being a business owner, ask yourself--are you willing to commit yourself and work very hard to make something you really believe in a success?

It is never too soon to start preparing for the possibility of starting a business. Here are some things you can do to get ready:

1. Gain experience in the following areas: budgeting, personnel, negotiating, marketing, and decision making. Do volunteer work if it will give you these skills.

2. Seek out opportunities to experience, learn and polish areas required in business--especially financial management.

3. Create a support system or a network that can provide you with information, ideas, encouragement and personal support and will be there to help you become successful.

4. Always seek further education.

D. TRAITS FOR SUCCESS

The following traits are ones that women can acquire, develop, expand, and own in their bag of successful tools for entrepreneurship.

- persistence
- courage
- big picture view of what is going on
- confidence in ability to influence what is going on
- political know how
- public relations skills
- negotiation skills
- appropriate use of anger and forceful statements

E. CHARACTERISTICS OF SUCCESSFUL ENTREPRENEURS

The following characteristics are ones that are used to describe successful entrepreneurs. Which are your strengths now? Which ones will you need to strengthen. This is strictly a personal assessment. Check under the heading that describes how well developed you think you are with each characteristic.

Characteristics	Very Well Developed	Well Developed	OK	Not Well Developed	Needs Improvement
Self-starter					
Willing to work all hours					
A person who wears all hats					
Likes competition					
Concentrates on quality					
Wants to serve people exceptionally well					
Willing to take calculated risks					
Sees a job through to the finish					
Likes to solve problems					
Willing to improve knowledge in all business activities					

Identify one characteristic that you would like to strengthen and list three ways you can improve. Periodically, assess how you're doing. Keep improving.

F. WORDS OF WISDOM

Keep These Thoughts in Mind:

Learn business skills. It's easy to put your effort into creative aspects but it still comes down to making money.

Don't expect to make a large profit in the first year. It may be the third or fourth year before your business is operating with a substantial profit.

Plan to start somewhere and expand. For example, a small business might start with fresh chapatis, cheese and coffee by the kilo. Continued growth could include special breads, soups, sandwiches and eventually a full-fledged restaurant offering a varied menu with three meals a day.

Keep your business new. Make changes on an on-going basis.

Words of Wisdom From Kenyan Women:

Successful Kenyan women (Profiles, p. 4) in agriculture said the following about becoming successful:

- You must like what you do to be successful, and a commitment to your field is essential.

- A positive attitude and the willingness to work hard are of great importance.

- You must not be afraid to try new things, and you must stand up for yourself in the face of adversity.

- Confidence in your ability is necessary, as is the willingness to listen to and respect your colleagues and your customers.

- Pay attention to what you want to do and find knowledgeable people for support and encouragement.

- See the big picture. Agriculture offers an opportunity to make a real contribution to Kenya's development.

Successful Entrepreneurs Say:

Success stories for thirty five entrepreneurs (KTTC) summarizes the keys to successful business women.

- High quality products and service
- Hard work
- Owner involvement in the business
- Hiring and training good employees
- Clear performance standards for employees
- Continued training for the owner
- Good communication with clients
- Keeping up with new developments
- Learning new techniques
- Identifying new markets for products/services
- Reliable delivery
- Quality control for products
- Constant monitoring of business performance
- Flexibility and adaptability
- Making new contacts, establishing new networks
- Cleanliness
- Range of prices for products
- Courteous treatment of customers
- Continued competitive prices and service
- Prompt service
- Setting business goals
- Attractive displays
- Separate business from friends and relatives
- Excellent customer relations
- Ability to sell ideas to others

If you would like to know more about women and entrepreneurship, see the following publications

The Woman Entrepreneur. Starting, Financing, and Managing a Successful New Business by Hisrich and Brush.

Success Stores on Entrepreneurs edited by Mburugu and Thiongo.

SECTION III: IDENTIFYING THE RIGHT BUSINESS

A. DREAMS AND PLANS

Your job as an emerging entrepreneur is to decide what type of business you want to start and to determine who will buy what you offer. In other words you are asking: Does your business idea make sense? Can you make money?

An entrepreneur must accomplish two things before launching a business. The first is to identify a business dream and evaluate the potential of that dream. The second is to develop a detailed, written plan that will determine the direction the business will take.

YOUR DREAM considers the business potential for your idea. In other words, who will pay for your product(s) and service(s) and what benefits will your business offer? Why will your business be successful? In business terms, dreams are expressed or defined as market analysis and feasibility studies. This involves asking many questions, getting a wide variety of answers from a myriad of sources including libraries, trade associations, consumer surveys, and then checking your ideas with trusted associates.

YOUR PLAN describes how you will accomplish your dream. How you will meet or beat your competition. What your marketing strategies will be. Your plan includes your financial projections. What it will cost to get started. What it will take to keep going. Pricing strategies. Cash flow projections. Capital considerations. Your plan describes how you will change and continue to be a healthy, growing business. It identifies who will manage and how employees will be trained and managed. This is where you consider problems and potential solutions.

As you begin to identify your business dream, start with your own ideas and hunches. Then you check these out in a wide variety of places. Now go back to your thinking again and sort out the workable ideas from the ideas with limited value.

There are four initial procedures as you evaluate your entrepreneurial dream: A. Think through your business idea as thoroughly as possible. B. Get as much information as you can. C. Ask for potential customer reaction. D. Based on what you know, consider the present and future potential of your business.

Use the following worksheet pages to direct your thinking. The more thorough you can be with your answers, the closer you are to launching your business. You may already have an idea about a business that you would like to start. On the other hand, you may think you would like to start a business but don't really know specifically what type of business.

THINK, ASK, THINK, ASK....

B. THINK THROUGH YOUR BUSINESS IDEA AS THOROUGHLY AS POSSIBLE.

Do this section by yourself. This is your chance to challenge your thinking. Make yourself comfortable and dream. Don't be critical or too practical -- just put things down as you think them. There will be plenty of time for refining and polishing your ideas later. New ideas are seldom perfect ideas. If you don't know, leave the question for now and go on. You'll have an opportunity to get more information from other people.

1. Where do you plan to locate your business?

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2. Describe the product(s) or service(s) you want to offer:

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____

3. What needs will your product(s)/service(s) meet for customers?

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4. What are the market trends for your product/service?

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5. Describe the people who will want your products/services as completely as possible. Will your customers be individuals or businesses? How many are there? Describe age, gender, employment, income level, lifestyles. What else do you know about them?

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6. What are the traditions and beliefs of your customers that might affect their buying behavior?

7. How much money do they have to spend on your product? How often will they buy from you?

8. How many potential customers might be in your location? Are there enough to support your business?

9. When would people buy from you? (Daily--morning, afternoon, evening; weekly; weekends: monthly; seasons--spring, winter, etc.)

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10. What benefits will you offer the customers you have identified?

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11. Will your product(s)/service(s) save money for people? How?

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12. Will your product(s)/service(s) offer higher quality? Will your price also be higher? Explain:

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13. Will you produce your product(s)/service(s)? If not, who will and where will they be produced?

14. What special or unique features will your product/service have that will attract more people to buy from you?

15. What problems might arise while offering your product(s) and service(s)?

16. How will equipment be serviced and maintained? What if it breaks down, where can it be fixed?

17. What might occur that would limit the sales of your product(s)/service(s) in the first year, in three years, in five years?

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C. GET AS MUCH INFORMATION AS YOU CAN

To accomplish this part, you will use a combination of your own ideas plus available printed research. Sources of information include the library, government publications, trade associations, periodicals, commercial research sources, and entrepreneurship project agencies.

Here are some suggestions of places to get information:

Library
Government Agencies
Nongovernment Agencies
Chamber of Commerce
Trade Associations
Bankers
Professionals
Newspapers
Magazines
Marketing Specialists
Businesses who have needs they can't fill
Businesses who must get products from other locations and would prefer to get them locally
Businesses who want products that would help them do a better job
Local people who want something they can't get
Family
Friends
Casual Acquaintances

D. DO A REALITY CHECK WITH POTENTIAL CUSTOMERS

Walk around the community where you are thinking about establishing a business. Pay close attention to the things that people are buying. Are there many businesses already established similar to yours?

Do a customer survey. Customers are both individuals and businesses who may want what you have to offer. Talk to a wide range of people who you think might be interested in what you offer. Assure them that you want candid, honest responses from them--they won't be very helpful if they only tell you what they think you want to hear.

18. Would you buy my product(s)/service(s)? Why or why not?

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____

____

____

19. What would make them more appealing to you?

____

____

____

____

20. Are my prices attractive and competitive?

E. IS THE BUSINESS VIABLE?

Now bring in other people. Establish a Board of Directors who will help you sort through your ideas and the information you have gathered. Go back to any unanswered questions and get their ideas. Now is the stage for hard talk and analytical thinking. What will work? What can you change? How do you need to adjust your original idea? Your Board of Directors is your network and support group who will help you become successful.

21. Does this look like a good business idea?

22. Will the business be profitable?

23. **How could the idea be changed to improve it?**

24. **What other ideas might work even better than this one?**

If you would like more information, see the following publications in the Centre for Women Studies and Gender Analysis library:

<u>Doing a Feasibility Study. Appropriate Business Skills for Third World Women</u> edited by Suzanne Kindervatter.

<u>Writing Business Plans That Get Results: A Step-by-Step Guide</u> by Michael O'Donnell.

SECTION IV: CREATIVE PLANNING

A. DEVELOPING A PLAN

It is very difficult to predict how things will go for your business. Remember, your projections are only best guesses at this point and your purpose in creative planning is to help you expand your thinking about your business potential as well as to convince potential investors of the value of your ideas. Investors will want to know that you are knowledgeable and have been thorough in your planning.

As you develop your plan, you'll need to think hard about 1) how you will accomplish your goals, and 2) what questions your investors will have.

Ask honest and objective friends to help you think through your plan. They may not be experts in your product, but everyone is a consumer of something and given the opportunity to put on a thinking hat, people can be most helpful to each other. Your friends and advisors will want you to be successful and can help you see pitfalls that you might miss.

A plan is filled with "what ifs" and statements that are possibilities. A good plan will have gathered as much information as possible and tied together in a way that is convincing, interesting, and engaging.

When you are enthusiastic about the potential of your business, it may seem depressing to talk about less than positive results, but it is credible and convincing to give several possible scenarios. One scenario might suggest what would happen if market conditions were weak. Another might be extremely positive (even more than you dream), and the third scenario would cover what you think will realistically happen. It is important that everyone know at the beginning that all may not go as hoped, and that everyone stands a chance of losing money just as everyone hopes they will earn money.

Do your best to answer the following questions. Remember to think broadly and be creative. Ask questions, ask advice. Read, watch, observe and you will be well on your way to an exciting and viable business. The areas you will address include: Pricing and Sales, Competition, Management, Regulations and Licenses, and Potential Problems.

B. CONSIDERING THE COMPETITION

25. Who are your competitors?

____

____

26. What are your competitors charging for products similar to what you plan to offer?

____

____

____

27. What are the strengths and weaknesses of your competitors?

____

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____

____

28. How will you do better than your competitors? Will you be more competitive based on higher quality? better price? better service? reaching more people through advertising? more innovative approach? more convenient location?

____

____

____

C. PRICING AND SALES--HOW MUCH SHOULD YOU CHARGE?

There are several different methods for determining what your selling price should be. Two ways are: 1. Cost plus profit equals price, and 2. Breakeven pricing.

1. To Set Prices by the Cost Plus Profit Equals Price Method:

a. Start by estimating how many items you can make and sell (or buy and sell) in a particular time period. The number of items can be called a batch and the time period is called a production cycle (or just cycle).

b. Next, estimate your variable costs for a cycle. These costs are required each time you make or buy a batch of products to sell.

Variable costs may include:

Raw Materials
Transportation
Packaging
Other

Total Variable Costs
Per Cycle

c. Now estimate your total operating costs for one year. Operating costs are fixed and will occur regardless of whether you sell something or not.

Operating costs may include:

Facilities Rent
Equipment
Ready-made Items
Salary
Workers
Public Relations
Training
Loans
Reserve

Total Operating Costs Per Year

d. Divide Total Operating Costs Per Year by the number of cycles in one year.

$$\frac{\text{Total Operating Costs}}{\text{Number of Production Cycles In One Year}} = \text{Total Operating Costs Per Production Cycle}$$

e. Add Total Variable Costs Per Cycle and Total Operating Costs Per Cycle. The result is Total Costs Per Cycle.

Total Variable Costs Per Cycle
+<u>Total Operating Costs Per Cycle</u>
Total Costs Per Cycle

f. Divide Total Costs Per Cycle by the number of items (batch) you can make in that cycle.

$$\frac{\text{Total Cost Per Cycle}}{\text{Number of Items Per Cycle}} = \text{Cost Per Item}$$

g. Decide how much to add for profit based on:
1) what your competition charges, and
2)what your customers will pay.

Per Item Cost + Profit = Selling Price Per Item

h. Estimating Your Profit--are you making money? Is it enough money?

1) Number of Items Sold Per Month x Selling Price Per Item = Sales Income Per Month

2) Sales Income Per Cycle - Cost Per Cycle = Profit Per Cycle

For Example:

a. 100 items are made and sold each month.

b. Total Variable Costs Per Cycle (month) are 5,000 KSH.

c. Total Operating Costs Per Year are 180,000 KSH.

d. $\frac{\text{Total Operating Costs}}{\text{Number of Cycles In One Year}}$ = Total Operating Costs Per Cycle

$\frac{180{,}000}{12}$ = 15,000 KSH per month

e. Total Variable Expenses Per Cycle
+<u>Total Operating Expenses Per Cycle</u>
Total Costs Per Cycle

5,000
+<u>15,000</u>
20,000 KSH per month

f. $\frac{\text{Total Cost Per Cycle}}{\text{Number of Items Per Cycle}}$ = Cost Per Item

$\frac{20{,}000 \text{ KSH}}{100}$ = 200 KSH per item

g. Per Item Cost + Profit = Selling Price Per Item

200 KSH + 100 = 300 KSH Per Item

h. 1) Number of Items Sold Per Month x Selling Price Per Item = Sales Income Per Month

100 x 300 KSH = 30,000 KSH

2) Sales Income Per Cycle - Cost Per Cycle = Profit Per Cycle

30,000 KSH - 20,000 KSH = 10,000 KSH

2. Breakeven Pricing

a. Estimate variable costs per item by adding all variable costs per cycle and dividing by items per cycle.

$$\frac{\text{Variable Costs Per Cycle}}{\text{Number of Items Produced Per Cycle}} = \text{Variable Cost Per Item}$$

The Variable Cost Per Item is the minimum you can charge, but, of course, you cannot support yourself by charging what it cost you.

b. Now consider how much your competition charges. Can you charge the same, more, or less?

c. Now we want to know how many items we must sell to pay the operating costs for that cycle. We take Total Operating Costs for the Cycle and divide by the Selling Price of the Item minus the Variable Cost Per Item. The result is your Breakeven Point. You must sell that many items before you begin to make a profit. You can ask yourself, "can you sell that many items plus the number you want to sell to reach your profit goal."

$$\frac{\text{Total Operating Costs for the Cycle}}{[\text{Selling Price Per Item} - \text{Variable Cost Per Item}]} = \text{Breakeven Point}$$

For example, let's use the same figures that were used in the Cost Plus Profit Equals Price Method.

a. From our previous example, we know that the Production Cycle is one month, the Variable Costs are 5,000, and we produce 100 items.

$$\frac{\text{Variable Costs Per Cycle}}{\text{Number of Items Produced Per Cycle}} = \text{Variable Cost Per Item}$$

$$\frac{5000 \text{ KSH}}{100} = 50 \text{ KSH}$$

b. We know our competition charges 275 KSH but our products are higher quality and our customers will pay 300 KSH.

$$\frac{\text{Total Operating Costs Per Cycle}}{[\text{Selling Price Per Item} - \text{Variable Cost Per Item}]} = \text{Breakeven Point}$$

$$\frac{15{,}000}{[300 - 50]} = 60 \text{ Items}$$

The Breakeven Point is 60 items. For every item you sell above 60, you make a profit of 250 shillings (300 KSH selling price minus 50 KSH variable cost).

If the breakeven point does not seem adequate, consider:

1) a higher price if you think you can get it, or
2) how you can sell more items.

3. Setting Profit Goals

In addition to paying for operating costs of 15,000 KS, we want to make a profit of 3000 KSH. The first 60 items cover the operating costs. How many more items must we sell to get a 3000 profit? Remember, for every item that costs 300 KSH, 50 KSH goes to variable costs.

$$\frac{\text{Profit Goal}}{[\text{Selling Price} - \text{Variable Costs}]} = \text{Items To Be Sold}$$

$$\frac{3000 \text{ KSH}}{250} = 12 \text{ Items}$$

We must sell 72 items to make a profit of 3,000 KSH.

4. Volume Goals

Instead of deciding how much profit we want to make, we can estimate how many items we think we can reasonably sell and then compute our profit.

Total Items Sold x (Item Price - Variable Costs)
- Operating Costs = Total Profit

Let's say we think we can sell 70 items.

70 x (300 - 50) - 15,000 = 2,500 KSH

We make a profit of 2,500 KSH by projecting that we can sell 70 items rather than trying to reach a profit goal of 3,000 KSH by selling 72 items.

D. MANAGEMENT

29. Who will manage the business?

30. What experience, skills, abilities, etc. does the manager have?

31. Where will management turn for help if needed?

32. Will there be a Board of Directors? How will they be identified? What will the function be for the Directors?

33. How many employees will be needed?

34. What functions will they perform?

35. What will the job descriptions be? Who will develop them?

36. What hours will they work?

37. How will employees be trained and who will train them?

38. Who will monitor employee behavior?

39. Will there be incentives for employees? How will employees be motivated?

40. What will be done to create a pleasant and positive work environment?

E. REGULATIONS, LICENSES, ETC.

41. Who must approve this business (administrators, government agencies, other regulatory groups)? What must you do to obtain the approval?

F. SERVICE

42. How will you make sure your customers are satisfied with what you sell them?

43. How will you make sure that your customers receive quality products and outstanding service?

44. How will you make sure that your customers receive quality products and outstanding service and will continue to return to buy from you?

G. FUTURE PLANS

45. What additional services might be added in the future?

46. Will you add new products after you are established? What will they be?

47. Will you look for new customers after your business is started? Who will they be?

48. How might additional products and services increase your profits?

H. ESTABLISHING A TIMELINE

TIMELINE

What Needs To Be Done	Who Will Do It	Beginning Date	Completion Date

Timeline

Above each day of the month, indicate what will be accomplished and use the initials of the person who will do it.

April

1	2	3	4	5
6	All students meet with faculty advisor 7	8	JM,KL,EA do market research 9	10
11	KA,LS check equipment prices 12	13	14	15
16	17	BK, JT, ST meet with chef 18	19	20
SM,LA check food prices 21	JL estimate cost/profit 22	23	LS write job description for workers 24	25
26	27	All students meet with faculty advisor 28	29	30

Timeline

Above each day of the month, indicate what will be accomplished and use the initials of the person who will do it.

____
Month

1	2	3	4	5
6	7	8	9	10
11	12	13	14	15
16	17	18	19	20
21	22	23	24	25
26	27	28	29	30

SECTION V: MARKETING

Most people feel that marketing is mysterious difficult and that only the professionally trained really know how to market effectively. Right? Wrong! Let's eliminate that notion right now and say, marketing is simply keeping your customers in mind at all times. What do they need? What do they want? How can you give them more than they expect.

The purpose of marketing is getting your products and/or services to people, living up to and exceeding the expectations of your customers, and maintaining your efforts to be profitable.

If you're not sure what customers want, ask them. Ask professionals and your friends to help you identify how to meet people's needs better.

A. WHY MARKET?

Marketing is one of the most important things a business owner must do. Marketing is:

- getting potential buyers to pay attention to your business
- letting buyers know about your product
- making sure that your product is easily available
- creating a product that is attractive and appealing to buyers
- developing a product that is more attractive or unique than similar products
- setting a price (fair and competitive) that people will pay
- setting a price so you can make a profit

B. PROBLEMS TO BE SOLVED BY CREATIVE MARKETING

When entrepreneurs complain that business isn't good, it might be because:

1. The business offers the same products that everyone is selling. Have you been to Thompson Falls or other places where there are many craft kiosks? Too often, you will find the same thing in shop after shop. This is called market saturation.

2. Products are too expensive and people can't afford them or really don't even want them. One businesswoman described an unsuccessful cake shop in an area where people had little extra money. Even though the cakes were delicious, people did not have extra money to buy cakes.

3. The business started without checking to see if the need was already being met. If you are a great seamstress, you may decide to open a clothing alteration business. If you open the business in a place where there are already 15 other seamstresses, it will be difficult to launch the business. Conduct a market assessment of location and need for product before opening.

C. KEYS TO A SUCCESSFUL MARKETING PLAN

Good ideas are not enough. You must also be persuasive and have a plan of action.

Condense what you do in a very brief idea--no more than seven words. Use this idea on business cards and when you meet people. This is the essence of what you have to offer. For example, a video company could be called Video Documents. "Keep Your Memories Alive." This short concept projects the value of having a living document of important events. All of your marketing is then centered on this core concept.

It is important to recognize the difference in marketing plans for large businesses such as Blue Band, Kenya Commercial Bank, etc. who can buy large display ads in newspapers, time on television and radio. Small business folks must focus their efforts, use low cost ideas, and work hard to get people's mouths moving about their products.

The key for emerging entrepreneurs is personal--personal contact, personalized letters, person service....

Keep your mind open for ways to be different and attract positive attention.

Keep up with what is going on. Read newspapers and magazines. Watch informational television programs. If you don't know what is going on, you can misjudge the needs and desires of your customers.

D. IDEAS FOR LOW-COST MARKETING

When you are starting in business, concentrate on marketing schemes that will give you more mileage for fewer shillings.

Here are a number of low cost ideas. These suggestions include personal contact, things to hand out, things to post, customer recommendations, displays, incentives, education, community involvement, and paid advertisements.

Personal Contact

● Personal letters to friends, business associates, acquaintances. Letters are inexpensive and effective and often overlooked as a marketing tool. Be personal-- mention the person's name, anything interesting about their life, working and living habits, hopes and goals, problems.

You can double the effectiveness of a letter if you will 1) write another personal letter in 2 weeks, 2) call the prospect, 3) do both. After two letters, you will not be a stranger but an expected caller. You might want to offer an incentive to visit your business.

Make sure the letter focuses on benefits for the reader.

Probably only one letter in ten will bring results, but this business can be just what you want. If possible, include a newspaper article, a trade magazine article or additional information with your letter to add value by the reader.

● Hand deliver personal letters.

● An effective way to get information and market your product/service is to do market research. Develop a questionnaire and contact as many people as you can. You will gather valuable information and prospective customers will begin to know about you.

You'll want to know:

Products/services being purchased.
Where they are purchasing them.
Amount people are willing to pay.
Why they buy these products from the places they buy.
What would they like to get they are not currently getting?

"We are trying to learn as much as possible from _______ in __________ so we can offer a [product/service] that is needed and wanted. Please help us by answering the following questions. You will not be asked to sign so your answers will be anonymous. We promise that with your help we can offer something that will be truly beneficial to you and to ____________."

● Canvassing. This means making personal contact with customers. In other words, you are asking prospective customers for their business. Canvassing is a good way to learn if there are any objections to what you offer and what they are. To be successful at canvassing, you need to be enthusiastic about what you offer, have an honest enjoyment of people, and determination and persistence that won't quit.

The steps to canvassing are:

1. Initial contact. Try to establish a relationship. Start by making a favorable comment about the person you are addressing. After a short period, find out if this person/business is interested in what you offer. If they are, make a presentation.
2. Presentation. Outline the features of what you offer and describe the benefits to the customers. Whenever you mention a feature, describe the benefit to the customer.
3. Close. Completing the sale. Close with a question that requires more than a yes or no answer. "Would you like for me to deliver your milk and cheese on Thursday or Friday?"
Always look good. Wear clean, neat clothes.
Offer your business card. This makes you official.
You may want to have a brochure.
Does your business lend itself to free demonstrations or samples?

Things To Hand Out

● Business cards with the name of the company, the core concept, a logo or visual representation of the company, and all the information necessary for people to reach your business.

● Brochures to people who might be interested in what you offer or know people who might be interested. For customers to pass along. Brochures provide detail about products/services. Brochures can be mailed, mailed with a personal letter, placed in mailboxes, slipped under doors, slipped under windshield wipers, handed out at markets, on streets, trade shows, placed in racks that say "Take One."

What goes into a brochure?
Cover: art work, company name and points of value to the customer.
Page two: something about you, your experience, training, skills, perhaps a photo.
Page three: photos of product or service with a short description of what the business offers.
Page four: additional products and short description.
Page five: comments from satisfied customers.
Page six: how to get in touch with you.

Think about running tiny display ads or classified ads. People who respond to your add will provide you with a mailing list for mailing your brochures.

- Handbills/flyers

- Serve refreshments

- Advertising specialties include ball-point pens, matches, calendars, key chains, book marks, caps, T-shirts, shopping bags, decais, calendars, scratch pads, auto litter bags, and buttons to name a few. Specialty items put your name in front of prospective customers. They may breed loyalty.

- Samples of your products. Let customers have a chance to try your product. Free copies of newsletters. Free home trials. Cookies (tiny for samples). Free one-hour consulting time.

Things to Post

- Signs on bulletin boards. Small signs on bulletin boards are effective for: tutors, gardeners, plumbers, typists, movers, accountants, music teachers, painters, mechanics, seamstresses. Your can find bulletin boards on campuses, libraries, laundromats, bookstores, hairstyling salons. Keep the lettering very clear. Use colored paper.

Most persuasive words:

you	money	save	discovery	proven
sale	love	results	free	benefits

- Business signs. Use powerful graphics and motivating words. "Hot Donuts Now" Select light lettering against a dark background. Words should be as large as possible.

● Point of purchase signs are used to create impulse sales. A marked down book. The Point of Purchase Advertising Institute claims that 64.8% of all buying decisions are made right in the place of business.

● Posters

Customer Recommendations

● Ask customers to tell their friends. "If you're really satisfied with my service/product, I'd sure appreciate it if you would tell your friends."

● Ask customers, friends and business associates to give you names of people who would be interested in your product.

● Request recommendations from customers that can be used in brochures, sales letters, etc.

● Spread your slogan: "If you like our service, tell a friend. If you don't like our service, tell us."

● Offer exceptional service and products that live up to their expectations. Your reputation will be spread by word of mouth.

Displays

● Attractive displays of merchandise in your shop.

● Displays at agriculture shows, library or other public places.

● Trade shows: people who are in the market for your type of product.

● Train employees to practice suggestive selling. What else might the customer want that they haven't even considered?

Incentives

● Offer discounts, free gifts, special treatment...

Education

● Write a newsletter with valuable ideas.

● Offer free lectures, seminars and demonstrations and then convince attendees to become paying customers. Give valuable information and demonstrate your expertise for 45 minutes and then spend the next fifteen minutes selling what you want to sell. You have to advertise your free offer so you have a large group of prospects. Tell the truth in your ads and try to attract honest prospects not just warm bodies. Then be sure you or an associate can sell your offering to those prospects after the seminar is over.

● Offer classes to establish your expertise.

Community Involvement

● Become involved in your community. Serve on tasks forces, join civic groups, contribute a portion of your time to volunteer efforts that benefit your community. As a result, you become known to others which builds their trust in you and your business.

Paid Advertisements

● Classified ads. Some people swear classified ads sell better than any other type of advertising. Identify the papers and magazines which the people you want as customers read. Read the ads to see which you like. Which ones draw your attention?

Don't try to keep your ad short or use abbreviations or initials. Use lots of facts. List your features. Use catchy words. Write as though you are talking directly to someone.

● Radio: most intimate, talks to people.

● Newspaper: newsy, informational.

● Magazines: an opportunity to provide more information.

● Television: demonstrations

● Direct mail: careful direction to your intended customers.

How many should you use? AS MANY AS YOU CAN.

E. MARKETING STRATEGIES

Marketing Strategies are used to get your products into the hands of people who want them. There are several things you can do.

1. Create needs. People are often quite adaptable and it isn't until they find there is a better product or a better way to make their lives easier, that they realize that it would be valuable to them. Figure out what would make people's lives easier.

2. Develop new uses for existing products. For example, sell water jugs to tourists for vases. Kangas could be made into aprons.

3. Develop complementary products. If you sell milk, also sell yogurt and ice cream.

The customer is king.
Don't ever take the customer for granted.
Develop a relationship with your customers.
Exceed their expectations.
Get your customers talking about you.
Seek complaints. The more your customers complain, the more loyal they will be.
Do something extra for your customers--every chance you get.

F. SECRETS OF MARKETING

The three secrets of marketing according to Jay Levinson:

- Commitment to your marketing program
- Know that your marketing efforts are an investment
- Be consistent and stick with your program even as you make adjustments as you go.

Stick with your marketing plan. Although it might take as little as three months before your marketing efforts are paying dividends, it is more realistic to think in terms of six months. It could even take one year. Don't get discouraged. Just keep working.

Marketing should be considered a conservative investment that will take time to bear results. Your marketing efforts won't [usually] give you overnight success, but if you measure your progress by looking back in three years, you'll see the steady progress you've made. Be persistent and patient.

Consistency means sticking with your message. Keep putting the word out. Even when you and your family are tired of your message, keep sending it out. People like familiarity. this bring confidence in you and what you offer. And this means sales.

G. EIGHT TRUTHS ABOUT MARKETING

Jay Levinson reminds us never to become complacent about our business because:

1. Your customers are constantly changing.
2. People forget fast.
3. There is almost always competition.
4. Marketing strengthens your identity.
5. Marketing is the key to survival and growth.
6. Marketing keeps old customers.
7. Marketing keeps morale high.
8. Marketing makes you healthier than your competitors who do not market.

H. USING CONSUMER COMPLAINTS AS A MARKETING TOOL

No matter how hard you try to do everything right and please your customers all the time, things do go wrong. Be prepared to turn a customer complaint into customer sales. When a customer complains, stop and take a deep breath and do everything you can to determine how the customer can be satisfied.

Before and between each step, stop and take a breath.
1. Acknowledge the person is upset.
2. Make a sad/glad statement
I'm sorry you had a problem or I'm glad you called it to my attention.
3. Make a positive statement
4. Ask the "magic question."
What will make you happy?
5. Make a settlement
6. Bonus Step: Do something extra and unexpected.

I. DO YOUR OWN MARKETING PLAN

49. What is the name for your business?

____

50. Condense your business idea into an idea of no more than seven words to use on business cards and in other types of advertising.

____

____

51. Describe the special or unique features of the products/services you are offering.

____

____

____

52. List 5-10 benefits and state them as believably as possible. Put them in terms of benefits for your customers. [Remember, people BUY benefits not features.]

____

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____

53. Think of some of the products that are sold in your community. What are the messages from these sellers that persuade you to buy their product and not other products? What horror stories do you have? What positive stories do you have? Write your own ideas about what you know from your own personal experiences about marketing?

____

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54. What can you do to get people's attention? Why would they want your product?

____

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55. Write a message that would motivate your prospective customers to do something--visit your store, call you, fill in a coupon, write for more information, come in for a demonstration. Compose three-sentence strategies. Be creative. Remember messages that tell how a product benefits a customer are usually more effective than those which only give information.

____

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56. Make a list of all your potential customers.

____

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____

57. List ten low-cost marketing tools you plan to use and your reasons for using each.

If you would like to know more about marketing, see the following publications in the Centre for Women Studies and Gender Analysis library.

Marketing Strategy by Suzanne Kindervatter with Maggie Range.

The Business of Small Business by Women's Economic Development Corporation.

Word-of-Mouth Marketing by Jerry R. Wilson.

Fort Collins Chamber of Commerce Marketing Seminar

Empowering Vision by Marianne Weidlein with Stephanie Roth.

Marketing Without Advertising by Michael Phillips and Salli Raspberry

Writing Business Plans That Get Results. A Step-by-Step Guide by Michael O'Donnell.

SECTION VI: WRITING A BUSINESS PLAN

When a new entrepreneur is excited about getting started with a business, the idea of writing a business plan seems stodgy, dull, and too time consuming. When you consider the fact that 80-90 percent of all new businesses fail, the value of developing a well thought through business plan becomes obvious and necessary.

A. PURPOSE OF A PLAN

Writing a business plan forces you to think through all of the aspects of your business. Your plan must be focused on what you want to happen.

There are three major reasons to write a business plan:

1. It forces the entrepreneur to think through the pluses and minuses and the possibilities and obstacles of a new business.

2. It provides direction and impetus for the business. A plan is both the dream and the working document to address obstacles as they occur. In other words it keeps the businessperson on track to success.

3. It is used when financing is required to convince potential funding agencies that the business is well conceived, planned and is a good risk for a loan.

B. BUSINESS PLAN FORMAT

The following sections cover the parts of a typical business plan. You can write each section from the questions you have already answered. Question numbers are listed for each section.

1. **Executive Summary**

Brief description of why the business is valuable and will be useful to consumers. The purpose of the Executive Summary is to capture the attention of the reader and to convey such a sense of excitement that the reader wants to read the entire plan.

2. **Business Description**

a. The Business
b. Products and Services
(Questions 2, 3, 10-14, 21-24).
c. History
d. Management Team
The Management Team describes the expertise of those, especially you, who will be in charge of the business. This is where you convince people that you have the ability to conduct a business that will fill the needs of your market analysis. Potential investors will want to know if you can get the job done.
Business background
Management experience
Education
Experience with marketing, sales, promotion, and financial management
(Questions 1, 29-32).

3. **The Marketing Plan**

This is your dream. This section describes your analysis of the people who will buy your product/service, the reasons they would buy, the uniqueness of what you have to offer, and your analysis of the possibilities for the future of the business.

a. Market
Who are your customers?
(Questions 5-9, 18-20, 42-44).
b. Competition
Who are you competing with?
(Questions 25-28).
c Market Trends
(Question 4).
d. Marketing Strategies
Your plans for reaching your market

(Questions 49-57).
e. Potential Problems
(Questions 15-17).
f. Future Plans
(Questions 45-48).

4. The Financial Plan

This is the best estimate you can make about the start-up costs, the on-going expenses and the profit potential. In other words, how much money do you need to get started and how you plan to use the money.
a. Profit Potential
(See pp. 25-30).
b. Cash Flow Projections
c. Financial Statements
d. Financing Requirements
(Questions 58-65).

5. The Management Plan

Employees
(Questions 33-40).
Maintenance of Equipment
(Question 16).
Regulations and Licenses
(Question 41).

6. Time Line
Who will do what by when.
(See pp. 36-38).

The order that information is presented in a business plan is often quite different than the order in which it is gathered. You have already thought a great deal about your business in the first sections of this guidebook. Writing the business plan simply means taking the answers to the questions you have already completed and organizing the information into a formal, written document.

We'll proceed step by step through the business plan. To make it easy for you, each section will be keyed to the questions you've already answered.

C. TIPS FOR WRITING A CONVINCING BUSINESS PLAN

Now you're ready to assemble your business plan. You want your plan to reflect you. It should be personal, show your enthusiasm and engage other people who are potential investors. Don't be wordy, or stuffy or overly flowery. People aren't impressed with this type of language. When you use phrases such as "incredible profit", people begin to think you are overstating your case.

Don't use jargon or highly technical words if you can avoid them. If you must use words that are not commonly understood, define what they mean the first time you use them.

One recommendation on length of the plan is that it be approximately 25 pages in length. Longer is too wordy and won't be read. Too short will mean you haven't done your homework and won't be credible. Don't get stuck on length, however. Just get started and write your plan as completely and straight forward as possible. It is not unusual for business plans to take 300 hours and from one to six months to complete.

One of the main reasons to bother writing a business plan is to convince potential investors in the potential of your business. They will want:

A plan that is clear and easy to read, that looks professional, is neat and has no spelling errors.

To be convinced that there is a good opportunity for the business to succeed.

To be assured that enough thought has gone into the planning that their investment has a more than reasonable chance of paying off.

To know that the background and expertise of you and other employees can live up to the expectations of a successful business endeavor.

To see that you have considered customers, competitors, and potential problems to be able to deal with these as they arise.

If you would like to know more about writing business plans, see the following publications in the Centre for Women Studies and Gender Analysis library.

<u>Writing Business Plans That Get Results: A Step-by-Step Guide</u> by Michael O'Donnell.

SECTION VII: FINANCING YOUR BUSINESS

by

Lucy A. Ojode, MBA, CPA(K)
Judy McKenna, Ph.D.
Rose Mwonya, Ph.D.

A. WRITING A BUSINESS PROPOSAL

The purpose of a business proposal is to get funding. Don't lose sight of the fact that banks make a profit by lending money. They are not donor organizations. They don't care how much you NEED the money. They are interested in how well you have thought through a business plan that will convince them that you can repay your loan.

You will need to be convincing with your answers to the following questions to be successful in your efforts to borrow money:

B. PURPOSE FOR BORROWING

For working capital: This type of loan is used to meet the changing needs of your business. You will normally be expected to pay this loan back in one year. You must show how your profits will be sufficient to pay back the loan and the interest.

For growth capital: Needs that will increase your profits. Usually a longer loan. You must be convincing that this loan can be adequately paid off by profits in the time agreed upon.

C. AMOUNT NEEDED TO SUPPORT BUSINESS NEEDS

You must show that you have enough money and that the additional provided by the loan will allow the business to operate on a sound financial basis. For new businesses, this means sufficient capital to pay for start-up expenses plus the initial operating phase where profits may start small and increase. You must have sufficient capital to fund from one-third to one-half of the amount you project you need.

D. START-UP COSTS

Start-up Costs include your initial expenses to open your door to customers. Start-up costs include both operating costs and variable costs. Operating costs will occur regardless of whether you sell something or not. Variable costs are required each time you make or buy a product to sell. A new businessperson must have sufficient capital to open the door and keep it open until a strong customer base has developed. For expenses such as salary, workers, etc. estimate sufficient funds to last for six months, one year is better.

Operating Costs may include:	Variable Costs may include:
Facilities Rent:	Raw Materials:
Equipment:	Transportation:
Ready-made items:	Packaging:
Salary:	
Workers:	
Promotion:	
Training:	
Loans:	
Reserve:	

To estimate your start-up expenses, get current information for all costs you will need money to cover.

Estimated Start-up Expenses

	What We Need	Where We Can Get It	How Much It Will Cost
Facilities Rent:			
Equipment:			
Ready-made items:			
Salary:			
Workers:			
Marketing			
Training:			
Raw Materials:			
Transportation:			
Packaging:			
Reserve:			

How much money do you have? How much do you need? Is it possible to borrow?

E. COLLATERAL AND LOAN PERIOD

Lenders may be willing to loan money based on assets such as land, buildings or equipment. These assets can be used for security. These loans may last for three to seven years or perhaps longer. The entrepreneur should remember that the longer the loan, the more the total interest costs will be.

F. PAYING OFF THE LOAN

The lender will want to know if you have sufficient cash flow to repay the loan. They will want to know if you know if you can repay the loan. You must make an estimate of your on-going income and expenses to estimate if there is sufficient income above expenses to pay the interest and principle of the loan. (See "Pricing and Sales" p. 23).

58. I need to borrow money for: ________________________________

59. The amount of money I need is: ________________________________

60. The amount of money I have is: ________________________________

61. The amount I want to borrow is: ________________________________

62. I have the following collateral that can be used to guarantee my loan:

____

63. The number of years I want the loan to last is: ________

64. The difference between my income and my expenses per month will be: ___

65. This is more than adequate to pay back the principle and interest of a loan of:

____

G. SOURCES OF FINANCES

Sources of finance available to any business unit can be classified as: Long Term Sources and Short Term Sources.

Long Term Sources are:

1. Share Capital

This may consist of ordinary share capital or preference share capital. Ordinary share capital (equity) is the contribution by owners of a limited liability company. It cannot be withdrawn but can be transferred at sale. It is thus a permanent source of finance.

2. Long Term Loans

These are the loaned funds with a period usually exceeding three years. The long term loans are usually secured on a floating charge or fixed charge. The loans should be limited in use to such as amount where the interest charges can be met even in times of poor activity (sales).

Long term loans are advantageous to share capital because the: cost of debt is limited to the interest paid, the interest payment is deductible for tax purposes (unlike dividends). The control of the business remains with the entrepreneurs.

The loans are, however, disadvantageous because the interest is a fixed charge, not flexible like dividends. The maturity period is fixed, and funds can only be raised within certain limits.

3. Retained Profits

These are undistributed profits, i.e. profits which belong to the ordinary shareholders but not paid out to them in the period they are earned. It is an important source of funding for the business due to its cheapness and it is also a painless method of raising additional capital.

4. Mortgages

By mortgaging their assets with a mortgage broker or some financial institution, a business can get loans for long periods. Freehold properties are best suited for this purpose. The main mortgagees in Kenya are: pension funds, insurance companies and finance companies.

5. Specified Non-bank Financial Institutions (SNBFI)

Some specialized institutions are established by the government for providing loans to commerce and industry. Such institutions in Kenya include:

a) Industrial and Commercial Development Corporation (ICDC)
b) The Kenya Industrial Estates Ltd. (KIE)
c) Industrial Development Bank (IDB)
d) The Development Finance Company of Kenya Ltd. (DFCK)

Most of these, particularly KIE which deals with small entrepreneurs (less than KSH 1 million), require the entrepreneur to buy a form from them which details certain relevant information. They, then, are involved at the feasibility study stage and provide up to 70% of the value of the project. Their contribution is usually in the form of plant equipment which then becomes the security for such financing.

The main activities of KIE include the promotion of Industrial Estates, Rural Industrial Development Centres (RIDC), and Industrial Promotion Areas (IPA).

KIE undertakes the above activities by:

a) Suggesting viable small-scale and medium sized industries.
b) Provision of well-planned factories at very reasonable rents.
c) Provision of 100% loan on machinery and equipment.
d) Assistance in trail production to ensure quick take-off of the industry.
e) Conduction of market surveys to help find suitable machinery and equipment.
f) Advising on suitable sources of raw materials and markets.

6. Others:

Other sources of finance include foreign donor programmed funding especially through the commercial banks like the recent Rural Private Enterprise Programme (USAID). The Royal Netherlands Embassy's Small Projects Programme, which aims to assist financially small projects directly benefiting poorer groups of people in the community. The required assistance does not exceed KSH 225,000.

Other specialized financing sources include women in development (WID) agencies, Kenya Women Finance Trust (KWFT), and Graduate entrepreneurs Funding by the government, and non-governmental organizations like Kenya Rural Enterprise Programme (K-REP), church funds for women projects.

Short-term Sources

These are usually for up to one year, basically for working capital funding. Main sources include:

1. Bank Credit

Commercial banks give short-term loans in the form of over-drafts. The main advantage of overdrafts is that interest is only charged on that part of facility which has actually been used. The main disadvantage being the high interest rates (20% +) while the money remains repayable on demand (See: Factors Bankers Look for in Processing Loans).

2. Trade Credit

Suppliers supply good on credit. Very important to small and fast growing firms. It is very ideal in the groceries industry since it is a spontaneous source of funding. The entrepreneur must qualify before they can get this source of funding. Most undertake a credit worthiness study of their customers before they can advance such trade credits.

The main disadvantage of trade credit is the loss of cash discounts, and a firm must take caution over trade credits to avoid over-trading.

Trade credits has a double edged significance for a firm. It is a source of credit for financing purchases and it is a use of funds to the extent that the firm finances credit sales to customers. (The difference between credit purchases and credit sales being the net credit).

Generally, large firms tend to be net suppliers of trade credit whereas small firms (usually undercapitalized) tend to be net users of trade credit.

3. Factoring

This means selling debts for immediate cash to a factor who charges a commission. When the factor receives each batch of invoices from his client, he pays about 65%-80% of its value in cash immediately. This method is not popular officially in Kenya but quite popular with the black market "shylocks" who charge as much as 30% commission on such factoring.

4. Hire Purchase

Sometimes referred to as installment credit as a method of paying for plant and machinery out of income rather than capital. This is a very expensive source but leaves their sources of finance for emergencies.

5. SACCO Societies

Another emerging source of funding for budding entrepreneurs is loans from savings and credit societies or cooperatives which exist in most organizations i.e. members of such co-operatives may borrow up to four times the value of their share which they use as "seed" capital for commercial operations.

SACCO Societies are very ideal (though limited to one"s shares as well as the size of the cooperative) because the funds are cheap (1% per month or 12% per year being the interest rate charged).

H. ACTUAL FUNDING

When it comes to actual funding for a business, the entrepreneur must be guided by the structure (proportion of Debt/Equity) most desirable. The overall weighted average cost of such structure should be minimal at the risk level acceptable to the entrepreneur.

The risk/cost analysis should be done as objectively as possible keeping the requirement needs of the would be financiers of the enterprise in mind.

Each funding source has certain criteria to be met by the recipient of such funding.

I. EXTENDING CREDIT TO CUSTOMERS

Before one undertakes to extend credit, one must analyze the motives and benefits/costs of credit extension to their business.

Most businesses get boosted by credit. When credit is advanced to customers, even those customers who would not have otherwise dealt with the firm (due to lack of immediate cash) get into the bracket of the firm's customers. Some measure of goodwill is created by advancing goods on credit so that faced with two suppliers, a customer who opts for the supplier who usually extends credit to them. These two aspects boost sales.

Against the obvious advantage of higher sales, there exists the possibility of higher losses due to bad debts or nonpayment by debtors. A firm must weigh the costs versus the benefits for each customer before credit is advanced. This will place one in the position where a banker (discussed elsewhere) faced with a loan application finds her/himself namely the analysis of the "4 Cs of a Customer."

J. FACTORS BANKERS LOOK FOR IN PROCESSING LOANS

The popular belief that bankers readily accept collateral (security) for business loans is not true.

Bankers are usually more interested in how the funds they loan out will be managed to achieve the purpose the loan is meant for. The banks are in the business of availing money to borrowers from lenders at a profit and not repossessing property and people's assets.

To help them analyze the credit worthiness of a customer, the banks usually undertake a thorough investigation of certain attributes of a client (usually called the 4 Cs of customer analysis).

1. Character (credibility)

Is the borrower trustworthy? Can he/she be trusted with money? Will the money be applied to the purpose intended? Will the business (borrower) make a profit and repay the bank the principal as well as the interest?

2. Capacity

The loanee should have the capacity to handle the loans asked for. The loanee's credit history comes into focus. One who has never borrowed, for instances, may qualify for a smaller amount initially and qualify for a larger amount later on.

The banks may need to know the technical expertise or the calibre of personnel managing the business concern in question.

3. Credit worthiness

A credit worthy customer is one who: has never been declared bankrupt by a court of law, has proof of adequate security or collateral that can enable him to secure the loan, has an income capacity since being able to prove that the income he purports to have, has been earned legally.

4. Collateral

Refers to whether the loan the borrower requires can be covered by the security the borrower is offering to the bank. Other factors like the prospective loanee's income versus the value of the property required or loan applied for. Can one's income cover the loan applied for?

5. Special conditions

For starting entrepreneurs, the above criteria may be not adequate as an evaluation test. Other factors may be brought into play like:

a) Guarantee:

A guarantor (usually having good business relations with the bank) can offer to co-sign the loan agreement with the prospective loanee. The guarantee agreement implies that should the loan applicant fail to repay then the guarantor shall undertake to repay the loan.

b) The use of firm orders.

Should an entrepreneur secure a big order which cannot be financed within the delivery period, arrangements can be made with the bankers for a short term loan to buy the raw materials and provide the working capital required. But the bank, the borrower and the purchaser of the goods must all come to terms and agree that the purchaser is to pay the loan back directly, after the borrower has met his/her obligations.

c) Economic and business conditions

Sometimes the economic conditions could be such that certain sectors of the economy may not face a favorable position with the banks or the banks themselves may be conditioned by the central bank to offer or withhold credit to certain industries or individuals in the industry. Abundant examples are available in a developing economy like Kenya. The only advice, here, is that should positive opportunities avail themselves, an entrepreneur should take full advantage of them.

SECTION VIII: RECORD KEEPING

by

by Lucy A. Ojode, MBA, CPA(K)

A. INTRODUCTION

Any business, regardless of its size, exists to make profits and to stay solvent. For a business entrepreneur to assess whether their business meets these conditions, they must keep a score of the business operations.

The scores so kept help the management in decision making. That is, how to move on from state to stage. The scores also help in the internal control of the business operations. The basic principle of internal control is that no one person should handle all phases of a transaction from beginning to end.

Adequate records are necessary for management to gauge their performance. They are also required by financiers, suppliers, and other creditors. The government, especially the income tax department, is also an interested party especially when it comes to tax returns.

B. REQUIREMENTS OF A RECORD SYSTEM

A good recordkeeping system should be:

1. Simple to use
2. Easy to understand
3. Reliable
4. Accurate
5. Consistent
6. Timely in the provision of information

A simple way to understand recordkeeping is to be conversant with the basic way transactions occur. In any transaction there are two aspects to it--the giver and the taker. The value received by and debited to an account is not always tangible as goods or cash. Some are services received by the business like labour.

To recognize these two edges of a transaction the rules of debits and credits is applied. For example:

Type of Account	Debit	Credit
Real account	Property acquired like land, equipment, etc.	Property disposed of or sold
Personal accounts	The receiver	The giver
Nominal accounts	Expenses/losses	Income/gains
Cashbook	Receipts	Payments

This is the double system of bookkeeping and it ensures that:

1. A complete record of every transaction, from both its personal and impersonal aspects are covered.

2. An arithmetical check on the records is kept, since the total of the debit entries must equal the total of the credit entries.

3. The amount owned to and by each person with whom the business deals can at any time be ascertained.

4. The balances of the nominal accounts (like revenues and expenses) can be collected together in The Profit and Loss Account, which discloses the result of operations.

5. By means of a Balance Sheet, in which the balances of accounts representing capital, assets, and liabilities are set out, the financial position of the business at any given time can be ascertained.

6. With a reliable system of internal control, the risk of loss through error or fraud is detected early.

C. BASIC RECORDS REQUIRED

Sales Records. This is done through maintenance of a receipt book (usually in duplicate or triplicate). Each page of a receipt book is prenumbered and shows the quantity of goods or type of service rendered and how much the customer has paid or is willing to pay for it. It is the evidence which the customer needs for his purchase while the business retains copies of it as evidence of their selling activity, which are then summarized at the end of the day.

Cash Records. Where a cash register is used, a combined sales and cash receipts record may be kept. Cash receipts represent cash sales and collections of debtors. A single entry is made to represent a whole day's transaction, for example:

	Debit	Credit
Cash	100	
Sales		40
Debtors		60
Being the sale of items (1,2,3...) and the collection from debtors (A,B,C)		

A small business without a cash register can enter each item in the sales and cash receipts register showing date, name, invoice number, and amount. All receipts for the day should be deposited in the bank the following morning. (This is a good control device).

Cash Disbursements. All disbursements (payments made by the business) should be made by cheque (a current account is a must for the business however small in magnitude). Where small items are concerned (like sugar for office tea, newspapers, etc.) a petty cash fund for payments should be maintained.

A petty cash voucher should always accompany the establishments of a petty cash fund. The petty cash voucher should be prenumbered for ease of reference and should be attached to the receipt for any petty cash payment.

When disbursements are made via cheque, record the purpose of each cheque expenditures in the chequebook. Enter date, name, cheque number and amount of the cheque.

The cash records (receipts and disbursements) shall constitute the cashbook. At certain intervals, usually monthly, the bank sends a current account holder bank statements showing the transactions through the bank. This should be reconciled periodically with the cashbook.

The reconciliation is called a Bank Reconciliation Statement.

A bank reconciliation statements has the following features:

	KSH
Balance as per bank	500
Add deposits not recorded by bank	+ 150
	650
Less outstanding cheques	- (250)
Balance as per cashbook	400

The cheques should also be prenumbered so that the numbers are accounted for serially. Even a spoilt cheque should be canceled and pinned back for accounting purposes.

Debtors Records (Accounts Receivables)

A record should be maintained for all those sales made on credit to customers. These shall constitute the debtors' ledger which should always be compared to daily sales summary book. When the debtors finally pay their debt, the debtors' ledger should be adjusted accordingly.

Creditors' Record or Purchase Ledger

When goods or services are received from suppliers on credit, the transaction should be recorded in the Purchases ledger or Creditors' ledger and when the payment is finally effected, the Purchases ledger should be adjusted accordingly.

Stock Ledger

This is a record of all the goods in stock. Each item of stock should have detailed records of stock identification number which can be traced back to cash sales receipts and from the purchases ledger. To avoid misunderstanding, a business organization usually issues a Local Purchase Order (LPO) to her suppliers who when delivering the ordered item usually issue a delivery note (DN) quoting the LPO number. These help to control the stock, so that only items ordered are delivered to the stores. The storeman also keeps a stock card for each type of stock with the various details.

Debit and Credit Notes

To avoid erasers on the receipts, a credit note is usually issued in cases where discounts are allowed. Similarly, a debit note is also issued by suppliers where discount is intended or goods damaged.

Service Organization

For services offered, e.g. professional services, job cards are usually kept which describes in detail the type of services rendered, time taken on the job, quality of personnel employed on the job and their rate of payments, usually per hour. If there are other inputs to the job, these are also indicated on the job card which is finally used to charge the job.

List of Equipment (or) Fixed Asset Register

All permanent equipment used in the business should have identification numbers and should be carefully listed on a register. The register should show, date of purchase, name of supplier, description of the item, cheque number by which it was paid and the amount.

Payroll Records

A record of all the employees of the business should also be kept categorically. The record should show among other things, payroll number, name, address, next of kin's name and address, rate of pay, hours worked and the deductions.

Insurance Records

Each insurance policy should be listed showing type of insurance coverage, dates effective and the annual premiums and when they are due.

D. SAMPLE CLASSIFICATION OF ACCOUNTS

Assets

100	Cash in Bank
101	Petty Cash Fund
102	Debtors
103	Stock
104	Materials and Supplies
105	Prepaid Expenses (Rent, Insurance, etc.)
106	Deposits (for gas, power, water, etc.)
120	Land
121	Buildings
	Accumulated depreciation - Buildings (credit)
123	Tools and Equipment
	Accumulated depreciation - Tools/equipment (credit)

Liabilities

200	Creditors
201	Taxes Payable
220	Long-term Debt
222	Miscellaneous Accruals

Revenue Accounts

300	Sales
310	Miscellaneous Income

Expenses

400	Salaries and Wages
410	Paye

E. ILLUSTRATION: CASHBOOK FOR CASH AND BANK TRANSACTIONS

On January 1st, **the following amounts were received**:

Cheque from J. Kamau for KSH 200. Discount allowed 10%.
Cash from F. Omollo of KSH 400. Discount allowed 10%.
Dividend on investment paid direct to bank of KSH 1500.

The following payments were made:

Paid T. Masaku KSH 350 by cheque. Discount allowed 10%.
Withdrew KSH 500 from bank (for cash).
Paid wages Ksh 280 from cash.
Private drawings of partner Ksh 100 from cash.
Banked KSH 450 in cash.

The commencing bank balance is Ksh 450 and on hand, Ksh 300.

Cash Book

Date	Particulars	Folio	Discount Allowed KSH	Cash KSH	Bank KSH
			Amounts Received		
Jan 1	Bal b/f			300	450
	J. Kamau b/f		20		200
	F. Omollo b/f		40	400	
	Dividend				1500
	Bank	Contra		500	
	Cash				
			60	900	1700
	Bal b/f			1200	2100

Date	Particulars	Folio	Discount Allowed KSH	Cash KSH	Bank KSH
		Payments Made			
Jan 1	T. Masaku		35		350
	Cash	Contra			500
	Wages			280	
	Drawings			100	
	Bank	"		450	
			35	830	850
Jan 1	Bal b/f			300	450
	Amounts Received			900	1700
				1200	2150
	Payments Made			(830)	(850)
	Bal b/f			370	1300

Folio or reference column simply refers the reader to where they can get more details about the transaction. "Contra" means that the transaction referred to does not affect the financial position of the business. That is, it is a canceling transaction like removing money from the bank and keeping it in the cashbox. If you transfer money from your left to your right pocket, it does not change the fact that the money is still with the holder. In simpler words, this is not a real transaction.

There is a common slogan on most local shop counters which reads "you are my friend, yes, thank you. You are my relative, true, you are. But I'm sorry, my business does not know you!" This summarizes the distinction entity of a business as being different from the ownar(s). A business entity is an economic unit which enters into business transactions that must be recorded, classified, summarized and reported.The entity is separate and different from the owner(s), it has its own property, debts and rights.

When a business transaction takes place, it is recorded (journalized), classified (posted into the various ledgers), summarized (transferred to trial balance) and reported (as financial statements, mainly Balance Sheet, Funds Flow and Income Statement). The recording of data (bookkeeping) is only the and simplest step in the accounting process.

To appreciate the accounting process, a simple illustration is included below:

Sales Event	Accounting Process
1. Sale of a t-shirt for KSH 150.	The occurrence of a business transaction.
2. Cash sales receipt issued for KSH 150.	Preparation of a business document.
3. Debit Credit Cash 150 Sales 150 The sale of a t-shirt for KSH 150.	Information journalized.
4. Cash Ledger: Debit Credit — Sales 150 Sales Ledger: Debit Credit — Cash 150	Debits and credits posted from journal to ledger.
5. At the end of the period, there will be many other accounts affected apart from cash and sales whose balances shall be transferred to a trial balance.	The ledger accounts summarized into a trial balance.

Assuming the transaction above had taken place during the "Egerton University Centre for Women Studies and Gender Analysis" launching ceremony at the Egerton University Women's Micro-business stall. Assume further, that after other such business transactions had occurred, the treasurer prepared the following trial balance.

Egerton University Women Micro-Business
Trial Balance
May 31, 1992

	KSH	KSH
Cash	3,510	
Debtors (Accounts Receivables)	3,010	
Allowance for Bad Debts		205
Supplies on Hand	1,050	
Prepaid Rent	400	
Equipment	18,000	
Accumulated Depreciation		3,000
Notes Payable (to EMC)		4,000
Creditors (EUW Micro-business)		2,175
Salaries Payable		400
Capital (EUW Micro-business)		13,690
Drawing (EUW Micro-business for launching activities)		3,000
Sales		10,500
Salaries Expense	4,600	
Miscellaneous Expense	400	
	33,970	33,970

All of the information can be summarized and used for financial reporting. The example of the EUW Micro-business Worksheet on the next page will provide the financial summary that can be used to report additional information.

EUW Micro-business Worksheet--May 31st, 1992

Account Title	Act. No.	Trial Balance Debit	Trial Balance Credit	Adjustments Debit	Adjustments Credit	Adjusted Trial Balance Debit	Adjusted Trial Balance Credit	Income Statement Debit	Income Statement Credit	Balance Sheet Debit	Balance Sheet Credit
Cash		3,510				3,510				3,510	
Accounts receivables		3,010				3,010				3,010	
Allowance for Uncollectible Accounts			205		b) 105		310				310
Supplies on Hand		1,050			d) 500	550				550	
Prepaid Rent		400			c) 100	300				300	
Equipment		18,000				18,000				18,000	
Accumulated Depreciation			3,000		a) 150		3,150				3,150
Notes Payable			4,000				4,000				4,000
Accounts Payable			2,175				2,175				2,175
Salaries Payable			400		f) 200		600				600
EUW Micro-capital			13,690				13,690				13,690
EUW Drawings		3,000				3,000				3,000	
Sales			10,500				10,500		10,500		
Salaries Expense		4,600		f) 200		4,800		4,800			
Miscellaneous Expense		400				400		400			
		33,970	33,970								
Rent Expense				c) 100		100		100			
Bad Debt Expense				b) 105		105		105			
Supplies Expense				d) 500		500		500			
Depreciation Expense				a) 150		150		150			
Interest Expense				e) 20		20		20			
Interest Payable				e) 20			20				20
				1,075	1,075	34,445	34,445	6,075	10,500	28,370	23,945
Net Income								4,425		4,425	
								10,500		28,370	

Before the financial statements can be extracted from the Trial Balance above, other relevant information has been gathered which should be included in the worksheet.

a) The entry shall be:

Depreciation expense	150	
Accumulated depreciation		150

b) Experience has shown that losses from uncollectible accounts (mainly students) averaged approximately 1% of sales. Therefore, the business expects to collect 99% of the sales of any given month. The los is really an expense of the month of sale. Since there is no account listed for uncollectible accounts expense, an adjustment should be made:

Uncollectible accounts expense	105	
Allowance for uncollectible accounts		105

c) Rent of KSH for 6 months was paid in advance on March 1st to the university. Therefore, the original amount charged to prepaid rent has been reduced by KSH 100 charged to expense in March and April. The adjusting entry for May is:

Rent expense	100	
Prepaid rent		100

d) In order to determine the amount of supplies used, it is necessary to make a count of the amount on hand on May 31st. The amount was found to be worth KSH 550. The balance at the beginning of the month plus purchases during May amounted to KSH 1,050. Therefore, KSH 1,050 minus KSH 550 = KSH 500 worth of supplies must have been used in May. The adjustment for supplies must be made.

Supplies expense	500	
Supplies on hand		500

e) On the notes payable there is accrued interest for one month. Assuming that the notes bear 6% interest, the accrued interest would be KSH 20 (i.e. 4000 x 6% x 1/12). The adjustment would be:

Interest expense	20	
Interest payable		20

f) The salaries amount in the Trial Balance column would include only the payments which have been recorded and paid during the month. The portion which was earned in May but paid in June, because the weekly pay period ended in June, would not be included. If the amount is KSH 200, the adjusting entry would be:

Salaries expense	200	
Salaries payable		200

From the EUW Micro-business Worksheet, one can extract the Income Statement and the Balance Sheet by using the last four columns of the Worksheet.

The Income Statement shows the results of operations for the period in question, while the Balance Sheet shows the financial position of the business as at a particular time, say May 31, 1992. (The Balance Sheet is like a picture taken at a particular time of the financial state of the business).

The third statement, the Funds Flow Statement or Statement of Changes in Financial Position, would show how the business moves from one state to the next.

Let's see the Balance Sheet at the beginning of the period (derived from the original Trial Balance).

EUW Micro-business Balance Sheet
As at May 1st, 1992

Assets		KSH	KSH
Cash		3,510	
Accounts Receivable	3,010		
less provision for			
bad debts	- 205		
	2,805	2,805	
Supplies on Hand		1,050	
Prepaid Rent		400	
Equipment (net)	18,000		
less Accumulated			
Depreciation	-3,000		
	15,000	15,000	
Represented by:			
Salaries Payable			400
Accounts Payable			2,175
Notes Payable			4,000
Capital			16,190 (NB)
		22,765	22,765

Compare to the Balance Sheet as at May 31st, 1992.

NB: Capital is derived as follows:

Capital at beginning	KSH 13,690
Add: Profit (Sales - Expenses) = (10,500 - 5,000)	5,500
Less: Drawings	- 3,000
	16,190

EUW Micro-business
Balance Sheet
As at 31st May, 1992

Assets		KSH	KSH
Cash		3,510	
Accounts Receivables (net)	3,010		
	- 310		
	2,700	2,700	
Supplies on Hand		550	
Prepaid Rent		300	
Equipment (net)	18,000		
	-3,140		
	14,850	14,850	
Represented By:			
Salaries Payable			600
Accounts Payable			2,175
Notes Payable (plus interest)			4,020
Capital			15,115
		21,910	21,910

NB: Capital is derived as follows:
Original capital (1st May 1992)
Add: Profits = Sales - Expense

Original capital (1st May 1992)				13,690
Sales			10,500	
Less:	Salaries Expense	4,800		
	Misc. Expense	400		
	Rental Expense	100		
	Bad Debt Expense	105		
	Supplies Expense	500		
	Depreciation Exp.	150		
	Interest Expense	20		
		6,075	-6,075	
			4,425	4,425
Less:	Drawings			-3,000
Capital at end (31st May 1992)				15,115

The change in the financial position:
KSH (16,190 - 15,115) = KSH 1,075 reduction in capital.

This implies that the funds from operations of (4,425 + 150), that is, the profit plus depreciation, which is an expense but not an outflow of funds, the business obtained: KSH 4,575 but used up funds equivalent to KSH 5,650, 3,000 as drawings of funds from the business and KSH 2,650 on the other uses of funds. So that the business used more funds than it created during the period. KSH 4,650 - 4,575 = 1,075. This is the reduction in capital above.

SECTION IX: NEGOTIATION

A. WHAT IS NEGOTIATION?

Negotiation is an important tool for success. Whether we realize it or not, we negotiate every day for large and small things. Whether we do it well and to our benefit depends on our understanding of how negotiation works and the amount of practice we've experienced.

Negotiation is a process where people identify alternatives to achieve their purposes. It means getting something you want from someone else. You negotiate salary, purchases, where to go with a friend, how your family spends money, etc.

Fisher, Ury and Patton suggest that people often fall into two distinct styles of negotiators--soft and hard. Soft negotiation means you avoid conflict at all costs and give in at every turn. Soft negotiators stay away from conflict but as a result often end up feeling exploited and bitter.

Hard negotiators always want to win. They end up alienating people.

A better way is to use principled negotiation. This means decisions are based on the merit. Both parties look for mutual gains wherever possible.

We can say that honest negotiation leads to greater effectiveness. Understanding how to negotiate helps us be more flexible. Learning to negotiate with skill and integrity makes us more powerful.

Remember this: it is OK to ask someone for something and it is OK for them to say no. It is also OK for someone to ask you for something and for you to say no. Skilled negotiators, however, will take this one step further and say, "no, but..." and suggest another possibility that would be OK.

B. HOW DOES NEGOTIATION WORK?

According to Roger Dawson, there are three stages of negotiation: A. Establish Criteria, B. Gather Information, and C. Agreement.

1. Establish Criteria

This is the stage where you decide what you want and do some thinking about what the other side wants. You need to be clear about your objectives and develop alternatives.

2. Gather Information

You want to know more about the people or company you are negotiating with. The information you gather may help you better understand their needs and what might satisfy them. In other words, what motivates them? Getting information is a must.

In most negotiations, each side will have many interests, not just one. In fact, the most powerful interests are basic human needs: security, economic well-being, a sense of belonging, recognition, and control over one's life. Most people think they are negotiating only about money.

Desires and concerns are interests. Interests motivate people. We tend to assume that because the other side takes a position opposed to ours that their interests must also be opposed. In many negotiations, however, a close examination of the underlying interests will reveal the existence of many more interests that are shared or compatible than ones that are opposed.

Ask questions directly to the people you are dealing with. Agreement often occurs because interests are different. Keep asking why. Listen seriously to what people say. Where do you agree? Where do you disagree. Think about why they do not agree. Ask yourself--why they are they not coming to the same decision that you have made.

In addition, find out more information from other people who have dealt with the person or company in the past.

When you gather information and other people are getting information about you, be honest. But, you don't have to tell everything you know.

3. Agreement Stage

Invent options for mutual gain. Start by expanding the pie before dividing it. Most of the time, people don't think about the need for increasing their options. They usually believe they have the right solution to begin with. They believe their position is reasonable and should be adopted.

If you want the other side to take your interests seriously, tell them what they are.

Put the problem on the table and discuss all possible answers. Don't get bogged down about what happened in the past, talk about what you want to have happen in the future.

Be concrete but flexible. You want to know where you are going and yet be open to fresh ideas.

You can be just as hard in talking about your interests as any negotiator but respect the people involved. Keep focused on your interests but don't commit yourself to one solution. Two skilled negotiators, each pushing hard for their interests, will often stimulate each other's creativity in thinking up mutually advantageous solutions. Attack the problem without blaming the people. Listen to the other person with interest, show them courtesy, and express your appreciation for their time and effort. Although it might seem paradoxical, fighting hard on the substantive issues increases the pressure for an effective solution. Women sometimes quit too soon in order to avoid conflict and give up the opportunity to identify a mutually satisfying solution.

The best agreement is one where all parties have worked hard to find a mutually satisfying conclusion.

C. IF NEGOTIATION IS A GAME, WHAT ARE THE TACTICS?

As you begin negotiating:

1. Act reluctant.

Plan your negotiating range. How much are you willing to give up to get what you want?

2. Learn to flinch, show shock, and disbelief...

3. Don't argue. Agree. Use the feel/felt/found tactic. You understand how the other person <u>feels</u>. She is not alone. Many other people have <u>felt</u> that way. You have studied the problem and <u>found</u> a solution. Agree with people until they agree with you. Establish rapport at the beginning of every negotiation and your opponent won't feel like your enemy.

4. Act like you want everything--the sun and the moon--when you begin the negotiation. You'll likely get what you want if you throw out the sun and the moon. If you start by asking for everything, you might get it. Secondly, you have something to give away and are prepared to negotiate. Although you are asking for more than you want, give the impression that you are flexible.

5. Never jump at the first offer no matter how good it looks. People will feel they didn't get a good deal.

6. **Say to the other person, "You'll have to do better than that."**

7. **Never offer to split the difference.** Instead, encourage the other person to suggest splitting the difference by stressing the small difference between the two of you and the amount of time it has taken to go through the negotiation.

8. **Play dumb.** When you are negotiating, it is better to act like you know less than everybody else. This diffuses people's competitive spirit. Keep asking questions, definitions, explanations.

9. **Someone else's boundaries don't have to be your boundaries.** Don't take their no as a final no.

10. **Know that you can always walk away.**

D. WHAT DO WE NEED TO BE AWARE OF?

Don't jump to conclusions. Don't get stuck on one solution--yours.

Keep in mind that negotiation is a game.

Do what you fear. Don't let your fears conquer you. Don't let them keep you from doing things that would be beneficial. Fear is reduced in direct proportion to knowledge.

In the eyes of every person in a given negotiation, their own position always appears to be the weakest and the opposition's the strongest.

People are often negatively influenced by their perception of power that the other person holds. In negotiating, the person with the most influence or power will gain the most concessions. If you allow yourself to be manipulated and intimidated by other people, you can only hold yourself responsible for not getting what you want out of life. If, on the other hand, you learn what influences people and how to use and counter specific methods, you can take control of any situation. .

E. COMMON PROBLEMS IN NEGOTIATION

Don't confuse a dead end with a deadlock. A dead end has no exit. A deadlock is a bolt with a very complicated lock, one that may be very difficult to open. There is always a key to a deadlock and a way out. Professional negotiators use a technique to pick the deadlock, called the set-aside tactic. Leave the major point of disagreement and work on some of the smaller problems. When you can agree on smaller issues, you begin to build momentum.

Someone may try to throw a problem into your lap and force you to solve it. Don't get diverted by this tactic.

An unsatisfactory solution often results from one of the following major obstacles:

1. You use premature judgment.
2. You get stuck on a single answer.
3. You assume that the options were limited and fixed.
4. You think you have to solve the other person's problem that was handed to you.

F. TOOLS FOR SUCCESS

Look for many issues to discuss, not just one.

Think and act as though you have equal status and power to the other person.

Be open about the needs of the other party.

Get all the information you can.

Understand and appreciate the position and the values of the other person.

Genuinely work for everyone to emerge as a winner.

Care about the objectives of the other.

Negotiate fairly in a manner that the person would want to deal with you in the future.

Honor your commitments.

Learn from failure. Keep the words of Winston Churchill in mind: "Never, ever, ever, ever, give up." Regard failure solely as a learning experience.

G. PRACTICE

Decide on something you would like to negotiate purposefully. Make it important enough that you'll take it seriously but not so important that you can't practice what you've learned. Remember, negotiation is a game. The more you practice, the better you'll get.

66. I will negotiate: ______________________________

____

____

with (name of person/company): ______________________________

67. Describe how you can build and maintain a good working relationship with the person/company you are negotiating with.

____

____

____

____

68. List your interests and as much as you know about the other person/company's interests. If you don't know about the other person/company, how can you find out?

69. Develop a list of questions you would ask to get as much information as possible from the person/company you want to negotiate with.

70. Identify the facts and information (and where to get this information) that you will need.

71. List the criteria that might persuade the other person/company of what should be done.

72. Decide what arguments you would you like to make.

73. Create a list of options that might satisfy as many of these interests as possible.

74. Develop a possible framework agreement. [Remember to stay flexible because you can't make all of the decisions and still have the negotiation be satisfying to both people.]

If you would like to know more information about negotiation, see the following publications in the Centre for Women Studies and Gender Analysis library.

<u>You Can Get Anything You Want But You Have to Do More Than Ask</u> by Roger Dawson.

<u>Getting To Yes Negotiating Agreement Without Giving In</u> by Roger Fisher, William Ury, and Bruce Patton, 1991.

APPENDIX

A. SCIENCE BASED BUSINESS POSSIBILITIES

Compiled by

Elizabeth Mwangi
Lecturer, Chemistry

If you have a degree in science and an enterprising spirit, here are some business ideas that you could think about:

1. Energy

a. Some years back, the Kenya Planters Co-operative Union (KPCU) came up with the idea of making combustible briquettes from coffee husks. The idea was proved to be economically and technically viable. The same idea of combustible briquettes can be carried out on other agricultural wastes. An entrepreneur in Kisumu is making the briquettes from rice husks.

b. Gasifiers are stoves that use wastes (paper, garbage, sawdust) and water to produce combustible gas. The gases burn to produce heat for heating purposes. For example, some gasifiers have been used in game lodges in remote locations to heat water. Similar gasifiers are also used in certain industries (e.g. bakeries) in Nairobi because they were found to be a cheaper source of energy compared to electricity from Kenya Power and Lighting.

2. FOOD AND FOOD BY-PRODUCT PROCESSING INDUSTRIES

a. Oils, Fats and Waxes. These include vegetable oils (like cottonseed, coconut or corn and castor oils) animal fats and oils (like cod-liver oil, fish oil and lard) and waxes (like bee wax). Some Kenyan entrepreneurs have ventured into the manufacture of castor oil which is used for medicinal purposes, transparent soap and motor lubricant. Another entrepreneur in South Nyanza has ventured into fish meal and fish oil processing. The oil is made from omena and mbuta and used in paints as lubricants and leather and soft-soap manufacture. The by-product is sold as meal for feeds. Bee wax is made from honeycombs and many church candles contain more than 50% of this wax.

b. Fruit processing produces concentrated fruit juices, jams and marmalades with animal feeds as by-products. This sort of processing has ben tried in many places like Kanguhdo and Mombasa.

c. Manufacture of lager beer from sorghum or finger millet malt (as opposed to barley malt) is viable in Kisumu.

d. Manufacture of sifted maize meal with corn oil and bran as a by-product. This project would be viable in central Rift valley.

e. Manufacture of cashew apple wine. Feasible in Mombasa.

f. Leather tanning of hides and skins before export would improve their value prior to export. The Kenya Industrial Research and Development Institute (KIRDI) has tried tanning mile perch (mbuta) skin and making the resulting leather into handbags, belts, etc.

g. Vegetable dehydration. Carrots, onions, potatoes, cabbages, etc. have ben dehydrated. Can also be done to fruits.

h. Vegetable and fruit canning.

i. Fragrances, flavours and food additives. Extraction of essential oils from local plants for use in perfumes, as flavours and food additives.

j. Manufacture of food colour. Annatto, for example, is a red colouring matter from seeds of a small tree, named fixa ovellana, cultivated in the coast province. The colour is used in cheese and margarine.

k. Bakery which uses sorghum wheat and/or sorghum/cassava/wheat mix.

l. Meat products processing with bone meal as by-product.

m. Making ethanol from sugar cane for use as: beverage, energy source (gasohol), feed stock for chemical industry

n. Dairy products. Some farmers are already processing and marketing their own dairy products.

o. Manufacture of sugar.

p. Tomato paste and tomato sauce manufacture.

q. Cools and ice cream manufacture.

r. Sweets.

s. Gelatin.

t. Adhesives.

u. Rubber industries--for rubber articles like hose pipes.

3. MINING AND ALLIED

a. Manufacture of school chalk using Kisii soapstone and other minerals available in Kisii area.

b. Ceramic (clay or silicate) industries can produce the following products:

1) whitewares like china, pottery, dental porcelain and vitreous sanitary ware.

2) structural clay products like building bricks, terra-cotta, face bricks, roofing and floor tiles, and sewer pipes.

3) refractors like fire bricks

4) glass, cement and artificial abrasive

4. PULP AND PAPER

a. Specialized paper using cotton wastes (and any other cellulosic wastes).

5. FOREST PRODUCTS

a. Rosin and turpentine can e made from the gum (oleoresin) collected from tapped pine trees. The two products are used in the chemical industry. This project has been tried in Nakuru.

6. MISCELLANEOUS

a. Utilization of cashew nut shell liquid (CNSL) e.g. as a varnish.

b. Manufacture of paints, varnishes, lacquers and inks.

7. SOAPS AND DETERGENTS

a. This idea has been heavily exploited in Kenya. Small scale entrepreneurs are making shampoos, hair conditioners, germicides and all sorts of detergents (laundry, dish washing, technical grade, etc.)

8. BEAUTY AND ALLIED

a. Hair saloons

b. Perfume blending

9. IDEAS FROM BIOLOGICAL SCIENCE

a. Consultant advisor in:
- insect control
- plant pathologist
- weed control specialist
- soil testing lab
- medical lab

b. Farmer in any of the following disciplines
- acquaculturist
- rancher
- bee keeper
- hatcheries
- poultry keeper
- tree nursery owner
- plant breeder
- horticulture products producer or seller e.g. ornamental trees, fruits, flowers
- plant propagator
- seed producer (or improving)

10. IDEAS FROM MATHS, STATISTICS AND COMPUTER SCIENCE

a. Consultants
- statistical e.g. designs of experiments and analysis of data
- linear programming e.g. maximizing of profits, etc.
- computer consultants
- software design

B. CASE STUDY
RECORD KEEPING

by

Mrs. Lucy A. Ojode, MBA, CPA(K)

This is a real life situation. The name of the entrepreneur and the business name have been left out deliberately to protect the individuals.

A retired civil servant in his mid fifties pumped all his retirement benefits (about KSH. 200,000) into a hardware store. He purchased various goods to stock the shop.

Having purchased some plot of land at the local trading centre, he built it in such a way that the frontal part formed the shop and a store while the back part of the building became residential quarters for his family (himself, wife, a daughter-in-law and two grandchildren).

He set out his business records as best he could and hired a shop attendant who also maintained the records of daily sales which he has to check and sign against at the end of the day.

Being illiterate, his wife could not help much in the shop while he had to work as a building constructor on a part time basis.

The books or records kept by the shop attendant included Duplicate Cash Sales Receipt Book, Stock Card (bins) which shows (for each type of item), the purchases (in) the sales (out) and the balance in store in units. At the end of the each day, the shop attendant would hand over the money collected for that day to the wife or the man himself (when he was present) and they would go over the sales receipts and cash count together against which the attendant and the individual who receives the cash sales would sign.

After about three months of operations, the entrepreneur was not satisfied with the results.

He complained to an accountant. His main grievance was that--the daily sales fluctuated quite wildly and he never seemed to have enough money for new purchases. In his own words, he had to dip further into his pockets to even pay the shop attendant whose salary was KSH 600 per month.

He suspected something but he couldn't put his finger on it. Being a Christian he did not suspect the sales attendant who also professes the same faith. Nevertheless, something was wrong but nobody knew what.

The accountant scrutinized the records and found out the following:

1) The cash sales receipt books were not serially numbered, however, the money handed in tallied with the receipt book figures.

2) Sales returns were just canceled as they occurred and reduced from the collections.

3) The credit sales were recorded in a separate book, however, when the money from sales were finally received, they were just included in the daily sales count with differentiation.

4) The stock cards (bin) kept for each item did not tally in many cases with the sales records and money collected. This was attributed to clerical errors by the shop attendant.

5) No physical stock take had been done despite the fact that at the end of the three months period, the proprietor checked the additions and deductions on the bin cards and found out that they were correct and simply signed for it.

6) Occasionally, the attendant handed in slightly more money than the cash sales receipts indicated but this looked logical because of the credit sales mentioned earlier.

7) When the proprietor attended to the shop occasionally, his sales records always turned out much higher than the shop attendant's records, but this didn't look suspicious because the attendant may not have been positive with the customers (poor public relations) due to being a hireling and not an owner.

8) When the proprietor made purchases, the quality of the goods would be added in the "in" column of the bin cards while the receipts of such purchases would be filed together according to the supplier.

9) There was no way of knowing whether all the customers of the hardware always received cash sale receipts.

1. Assuming you were the accountant above, explain to the proprietor from your professional view, what was lacking in his cash sales receipt book and the possible effect of this on the cash sales fluctuations.

2. Do you believe the disparity on the stock cards was due to ignorance on the part of the attendant? If not, suggest other reasons which might lead to this.

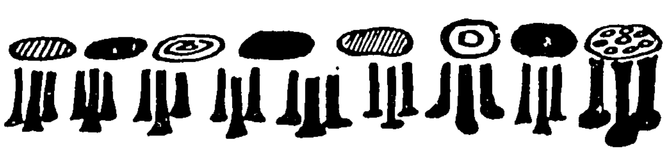
3. What in your opinion was generally wrong in the system?

4. Delegation is a good management technique. From this case, did the proprietor delegate properly or did he abdicate? What advice would you give about the proper methods of delegating the record system relating to a business of this nature (some items are very small in nature like nails).

5. Do you think the purchase records were proper? Suppose certain items purchased were not to specification, would this have been detected by the system?

6. From your knowledge of record keeping, could you appraise the accounting records of the organization?

7. If you were the owner of this hardware store, what would you do?



C. CASE STUDIES
OPERATING A RESTAURANT

University of Nairobi
Department of Commerce

Malindi Dishes
Gaberone Road - Opened in 1982

Minar Restaurant
Tom Mboya Street - Opened in 1967

Master Bakers
Tom Mboya Street - Opened in 1982

1. A STORY OF THREE RESTAURANTS

The study covered three restaurants within the heart of the city. Following are the findings obtained from the survey:

In all businesses, a business name is as unique as a logo, thus all businesses seek unique names to distinguish them from all the rest. The restaurant business is no exception to this general rule. The names were determined on the basis of: 1) the locality the proprietor hails from (Malindi Dishes seeks to appeal to coast people in general); and 2) convenience -- proprietors seek short, precise and easy to pronounce names for their restaurants (Minar and Master Bakery are short and easy to pronounce names). 3) Names are also given to signify or communicate very important philosophies that the proprietors operate on. Minar refers to the pick of the mosque implying the Minar tops other restaurants in the business whereas Master Bakers suggests good command in bakery hence quality services.

Location of the business was hinged on the availability of space given individual proprietors' abilities to afford the rent. Most proprietors disclosed that proximity to potential clients was the overriding consideration. As argued within the city centre, a restaurant would serve tourists, office workers, business people as well as travelers.

The proprietors had initial exposure in the hotel business either through experience gained in other hotels or restaurants, trading in food-related areas such as fruit vending or operation of a bakery. This experience was argued to influence/determine the extent of success of such businesses. In all, prior experience led to better restaurant management and earlier sensitization to cope with emerging crisis in the business. Both friends and relatives served as a source of encouragement for the proprietors to venture into the business.

Regarding ownership, the three restaurants were operated as follows: Malindi Dishes -- sole proprietorship, Master Bakers -- partnership, and Minar Restaurant -- private company. The question of ownership was dependent on the capital required in starting the desired size of business. Generally, the private company restaurant was well managed, had qualified personnel within its departments and had more room than the others. The partnership and the sole proprietorship, on the other hand, were fairly sizeable though lacking in terms of clear specialization of duties. These also required limited capital to start with.

The restaurants had a number of workers employed and charged with different duties, cleaners, cooks, waiters, chefs and managers. Chefs and managers were professionals who were employed on the basis of their educational backgrounds. The other category of employees, however, had no formal education and their employment was based on experience elsewhere. Both in-house and outside training were encouraged and offered, especially the later. Coaching and experiments on foods and services of competitors are used as in-house training techniques. Closer supervision by managers and chefs at all stages of food preparation is also a necessity. Some hotels sponsor their employees for short courses in Utalii college to improve their skills. In-house training was said to be a continuous programme so as to keep pace with changing customer tastes.

No formal advice on business is ever sought from consultants in making policy decisions, though the proprietors concurred that they had to refer to laid down provisions in restaurant business operation. Advice was, however, sought from friends and staff employed as well as from trustworthy customers in regarding improvement of service. Proprietors acknowledge spying on the industry leaders on matters of policy and at times had informal meetings to discuss issues relating to their operations on a friendly basis.

A variety of licenses are usually sought before commencement of business. These have generally to do with health and cleanliness of the premises, hours of work, types of clients qualified to serve, as well as meals qualified to serve. Trade license, health license, city council license, tourist license are some among others. The

restaurants were also said to be subject to the provisions of the Restaurant Act, Workerman Compensation Act as well as the Minimum Wage Bill Act.

The restaurants offer a range of products and/or services to their customers. Breakfast, lunch and supper are served in all. Fruit salads, fresh fruits, drinks, snacks, soft drinks and beer (Minar) and Chinese and Indian food are also served. Each of these restaurants are qualified to serve a particular assortment of other meals from the ordinary and all prepared dishes to suit the needs of the customers who frequented these places.

Most customers to these restaurants were either tourists, office workers, business persons, and travellers as well as ordinary wananchi. In terms of classification, the customers could be classified as lower class, middle class and high class and each of the restaurants received them in different proportions. The three restaurants received in total about 10% of all the customers to hotels within Nairobi.

Each of the restaurants was special in a way. Location, type and quality of food offered, supplemental benefits given to customers, and prices are but a few aspects that brought about this uniqueness. Minar Restaurant, for example, offers packed lunch which is delivered to customers' premises on request. Their MINAR CARDS entitle customers to shop elsewhere using the card. Specialized chinese and indian foods not offered in other restaurants. Malindi Dishes, on the other hand, offers swahili foods and fruits not offered elsewhere in town, consequently their uniqueness.

Customer services ranged from self-service to service through waiters. Self- service was preferred on the account that it is fast and economizes on staff whereas service through waiters, though slow, affords customers comfort.

Customer satisfaction was ensured through getting feedback from customers on their satisfaction, dissatisfaction with services offered and regular inspections by both managers and chefs and the entire services aiming at sealing all emerging loopholes. Occasional customer size and/or sales would be interpreted as a measure of the degree of satisfaction/dissatisfaction of the services offered.

Restaurant business is believed to have a potential for growth in Kenya owing to population explosion, however, it is also believed that future competition from reputable hotels will intensity should they open themselves to low and middle class members of society. As of now, competition is limited to adjacent cafes and snack shops in the vicinity. For Master Bakers, the competitors are Solace Hotel, Burger House, Wimpy Restaurant, Ambassadour and Nairobi Burgers. Minar Restaurant has no immediate competitor in the vicinity, however, such close hotels as Hilton, Ambassadour and New Stanley pose some substantial threat. Malindi faces minor competition from fish, chicken and chips shops dotted along the Gaberone Street, otherwise by reason of its unique menu, these pose no serious threat. There was consensus that as of now no element of competition was ever charged and passed on to customers in terms of price increases.

To sustain their competitive position in a rather "loaded" industry, the three restaurants have outcompeted their competitors by improving their food quality as well as cleanliness, provision of more comfortable and relaxed environment, pricing and aggressively advertising in the mass media, posters and sponsorship of local sports events (Minar). Minar, has gone a long way to even provide MINAR CARDS which besides affording easy credit facilities to holders also establishes Minar Restaurant as a name in the card industry. Pricing strategy adopted here also had to conform to and reflect the prevailing rates in the industry. As of now, the restaurants have already identified and earmarked future expansion targets either by diversification, horizontal integration or vertical integration. Continued advertising in the mass media, quality services provision and sponsorship of sporting events will continually be relied on to attract more customers.

In the restaurant business, the basic equipment that is required to start the business are cutlery, kitchen cookers (Jikos and stoves) and crockery. The initial cost for these differed based on the ability of the sponsors to afford them. Tables and chairs were also said to be a necessity. All the restaurants keep financial records for purchases and payroll, (some have full fledged accounting departments to do this). Cashiers and/or accountants are in charge of the daily records though proprietors usually have to scrutinize and verify them. Payments for purchases are paid out either by accountants and/or cashiers with the consent of the proprietors. Where substantial cash outlay is concerned, however, the proprietor takes charge and settles these bills themselves. Cash flow is usually charged to the accounts department (where one exists), where nonexistent, then the proprietor does the budgeting himself/herself and allocates some resources under a petty cash fund to meet daily emergencies. Funds for requisitions are always provided before hand or withdrawn from the current accounts as required. To avoid cash flow crisis, the restaurants were said to procure their basics in bulk and store the unutilized. This inventory has to be kept to the acceptable limits through additional purchases.

It was advised that in starting a restaurant, the following requires strict adherence:

1) Exercise maturity - they should be entirely devoted to their business and establish business priorities without letting personal pleasures prevail over business needs.

2) Seek prior exposure in the business. The initial explosion will enable these fellows to anticipate likely difficulties and crisis in time and gear themselves to meeting these as anticipated.

3) Secure initial capital. This is obvious since without initial capital no attempt may be made. The initial capital should as of necessity be reasonable to allow the basic restaurants operations to take off without a hitch.

4) Expertise acquisition. Get the necessary expertise before venturing into the business. This could be obtained through hiring or forging a partnership with those with the requisite skills.

Finally be patient and give the business time before expecting to reap the fortunes from it, "Rome was not built in a day" so they advise.

2. MALINDI DISHES

Malindi dishes was established way back in 1982 by a Mr. Hussen Jafar. It is situated in Gaberone Street in the heart of the city and presently offers a wide range of foods and snacks.

The owner Mr. Hussen started as a bakery owner supplying a limited range of products to other restaurants but later with encouragement from friends and relatives, he was moved to start up the now Malindi Dishes Restaurant. The name of the business "Malindi" is the home place of the proprietor. Thus, this naming was calculated to acknowledge his birth place as well as appeal to the Swahilis from the coast, whom he believed would find Malindi Dishes a solace.

The initial funds to start up the business were raised from personal savings with some support from friends. To start with the proprietor required simple kitchen necessities, Jikos, utensils, pans and sufurias as well as tables and chairs for customers to sit and enjoy their meals. To start with, the menu was confined to coast foods and fruits and in all about 8 persons were employed to help. However, since then, Malindi has gone a long way to expand its services and besides offering the traditional dishes, it now offers modern dishes for tourists, as well as office workers, business persons and sports men. Presently, the restaurant employs 25 persons as cooks, waiters, and cleaners. To qualify for employment here one should have had prior experience elsewhere in the related field and those with testimonials or certificates are mostly preferred. It was reliability learnt that the restaurant intends to employ graduates from Utalii College who will boost its image.

Training of staff is done internally by the managers and supervisors. Occasionally, the restaurant proprietor would take the employees to other restaurants, buy them new dishes, ask them to test and then challenge them to go and prepare the same at Malindi Dishes. This way the cooks especially update their abilities in cooking. So far no external courses are taken up by the workers, however, the proprietor was optimistic that in the future he would sponsor some to attend colleges in the community.

The restaurant was said to face some reasonable competition from small cafes that offer chips and other snacks, that are doted along Gabenone Street. To counter competition, the restaurant has accelerated its pace of innovativeness and diversifying its package of menu. Swahili dishes, snacks, chicken, rice, ugali, chapatis, and a wide range of fruits and fruit salads are now offered. There is strong emphasis on tidiness of the premises and employees have to be presentable before customers. They have to dress in uniform and have to take bath each day before commencement of work.

Malindi Dishes occasionally advertises through the Standard newspaper and posters, and always continues to appeal to the Swahilis. By improving the quality of the coast food, it offers a pricing strategy as one other competitive tool. Usually the prices here reflect the prevailing market conditions, however, the policy still remains that "for the same cent demanded elsewhere, they offer more and of better quality."

The city council licenses on health and tidiness of premises, tourist license -- allowing the restaurant to serve tourists, trade license -- allowing the business to commence open times, radio license -- for the operation of the radio in the premises are just a few of the licenses in possession. The Restaurant Act, Minimum Wage Act (bill), and the Workmen Compensation Act do influence the operations of the restaurant.

The proprietor is a member of the Association of Hotel Owners in Kenya, a lobby body that influences favorable legislation for its members as well as organizes seminars to educate them. There are no outside consultants that the proprietor relies on, however, he occasionally solicits advice from friends and other relatives in other professions regarding his business and how to improve it.

Mr. Hussen believes that the restaurant business has a bright future in Kenya and will grow with the increased rate of urbanization. Thus top in the list of his business priorities are to acquire big premises elsewhere or open up branches within the city to better serve clients as well as improving on the current list of menu. Currently he has established a lodging land mill and will soon provide catering services in the same premises. In recognition of the need to be faster in offering its services, Mr. Hussein has suspended service through waiters to self-service to speed up deliveries and serve more clients. Feedback from clients on the range and quality of services offered is usually preferred as a means of soliciting suggestions for improvement of the services. The supervisors and managers are constantly inspecting the workers to maintain quality and cleanliness of the place.

Among the records stored here are the payroll and all records on purchases. The accounts clerk is responsible for maintaining the records in collaboration with the cashier, though grand plans and budgets are formulated by the proprietor. A petty cash fund is maintained for financing petty expenses, while the proprietor operates a current account to cater for huge expenses that may arise. Usually stock is bought in bulk on a tender basis and the management ensures that the minimum safety margin is always maintained.

Mr. Hussein maintains that to be successful in the restaurant business, dedication and hard work are the keys to success. Wise spending of the available resources as well as having exposure in the hotel business enable one to start off with vigor and alertness to survive the turbulent hotel business.

3. MINAR RESTAURANT

Minar refers to the top most point in a pinnacle of the mosque which by extension means that Minar tops other restaurants in that business. Minar was started way back in 1967 as a private family business and the head office is located at Tom Mboya Street. It has branches in Westlands and at Kimathi Street.

The prime mover in the family had experience in India and on Kenya's independence he saw an opportunity to invest. He came here, marshalled the family and soon adequate funds were available to start up the business. Tom Mboya Street was preferred because this was in the proximity of potential clients and further, space was available in Imenti House. The restaurant started up with a handful of employees all of Asian race and was initially appealing to Asians only. Presently it has well over 100 employees mostly Africans and appeals to all races, Africans, Asians, Chinese and European and American tourists.

Employees are professional graduates from Utalii College (i.e. cooks, waiters and chefs) however, cleaners are employed based on a minimum primary educational level coupled with experience elsewhere. The restaurant sponsors employees for refresher courses at Utalii and always strives to be the leader through spying on other big hotels.

Currently a range of menu is offered, Indian food, Chinese food, snacks. soft drinks, coffee, tea and hot drinks. Customers that frequent this restaurant are mainly Indians, tourists, civil servants and other salaried employees in town. The restaurant has always sought to establish its own niche through the specialized services it offers. Currently, outside catering is done, packed lunches served to organizations on request and also affords its customers with Minar Cards that entitles them to make purchases elsewhere. Besides, the restaurant constantly advertises through the mass media, has posters to offer out as well as sponsoring local sporting activities.

Services offered through waiters and the management encourages free interaction between themselves and customers so that they can get feedback on the quality of services offered as well as advice on improvement on services. There is also heavy reliance on outside consultants on matters of finance and pricing, while in-house consultations between the management and employees helps to shape the quality of services offered.

The management believes that the future for restaurant business is very bright and are currently making long term plans for the restaurant which includes opening up more branches within Nairobi, and diversifying vertically or horizontally hence establishing themselves firmly in the restaurant business. Future plans are to open up branches in other upcoming towns in Kenya (Nakuru, Kisumu and Mombasa). For the branches that exist currently, the management intends to strengthen them through additional service and staff.

The entire budgeting of the Minar Restaurant is done by the accounting department which is headed by a qualified accountant. Cash flow is sustained through operation of a petty cash fund and current accounts. Purchases are supplied by tender and the stores manager maintains the stores. All financial transactions between the restaurant and the outside are kept by the accounts department. Paying for the licenses is also done by the same and presently there are a number of licenses governing its operation. The trade license, the city council license, radio permit, tourist license are but a few. The restaurant is also subject to the Restaurant Act, the Workmen Compensation Act and the Minimum Wage Bill. Usually purchases are done from the head office and only deliveries are organized to the branches. The branches have account clerks and cashiers who maintain the account records, and these are occasionally inspected by the accountant to ensure that they are well maintained.

Minar Restaurant, though unique in its specialties, is not, however, without competitors. Its main competitors are the giant hotels in the proximity namely Hilton, New Stanley and Ambassadour Hotel. Small cafes within Tom Mboya Street do pose some competition too, however, minimum. To counter competitors, Minar has used quality of food and services offered as a useful tool. Usually, the management strives to surpass the quality of services offered elsewhere through closer supervision and training of staff. Cleanliness is also maintained and pricing is influenced by the competition around. While other hotels will probably include an element of competition in its prices, Minar does not do this, instead it offers pretty competitive prices for the same package of food offered elsewhere. Competition is also sustained through innovativeness. It was said that Minar is among the chief innovators of services in the hotel industry. Once the restaurant gets a new customer, (as the management argues), it will ensure that it retains this one as well as using him as a source of attracting others to Minar.

Minar has also an in-built control system which checks against wastes by employees while at the same time encouraging them to be free and innovative. The salary packages for their staff are maintained higher than in most restaurants and the policy is towards making staff feel wanted here. This boosts their productivity and reportedly the restaurant has continued to enjoy low turnover among the staff.

"The success in the restaurant business hinges on individual determination" so do the management of Minar maintain. Their feelings are that for new entrepreneurs, exposure in the hotel business is prime. Patience and hard working is also called for. A common pitfall in any business is indulging in luxuries at the expense of their business success, so says this management. Thus it is essential to be able to spare luxury as they strive to establish themselves. This degree of maturity will enable them to take their assignments seriously and set priorities for business success.

4. MASTER BAKERS

Master Bakers was established in 1989 and is located along Tom Mboya Street in the heart of the city.

The idea to establish this restaurant was mounted by two friends who were dealing in bakery and textile business respectively. Thus Master Bakers was established and operated as a partnership. The name Master Bakers was decided upon since it was short and easy to pronounce and because they wanted to send a message that appealed to potential customers that they had mastered the art of baking and could offer higher quality services than other restaurants. The location was favored by its proximity to the offices where potential customers worked. Since its establishment, the restaurant mainly serves snacks, and soft drinks and juices.

The restaurant is managed by one of the partners, Mr. Ingulu who has taken short courses in hotel management at Utulii College (and was a baker). He is assisted by chefs, waiters, and cleaners, salesgirls, cashiers and an accountant. All employees, except the accountant, have been trained on the floor and hold no professional certificates. However, the restaurant is currently sponsoring some employees in taking short courses at Utalii College. Besides attending these courses, the management also offers counselling to staff and exposes them to services of other restaurants hoping that they can learn from others and provide the same or even improved services at their restaurant.

No external consultation is done with professional consultants, however, the hotel is a member of the Kenya Hotels Association. There is an element of spying on other restaurants so that the restaurant is not left behind as others forge ahead. In-house consultations with staff helps maintain the clientele of the restaurant through improved services.

There has not been much change in terms of the range of products offered here. Snacks, coffee, tea, soft drinks and fruit juices are the main types offered. These have ben found to be appealing to the restaurant customers who are mainly salaried employees in town (middle class income bracket). The quality of food offered and prices are the two key competitive tools used to retain customers.

Food is usually served by waiters to afford customers the comfort they desire and in the management's view, this service is likely to continue in the near future. Cash sales are used as indicators for the progress of the business and when sales continue dropping, this sensitizes the management to be on the lookout for what has gone wrong and correct immediately. The philosophy of the management has always been that "the customer is the boss who deserves due care." Management usually advises their employees to be humane when rendering the services and avoid disappointing customers.

Master Baker's management believes that the future of the business is quite bright and intends in the near future to set up branches within the city centre of the restaurants. They also intend diversifying their business either through horizontal or vertical integration. Presently the restaurant uses "word of mouth" to advertise itself to clients but as business grows, it will advertise through the mass media.

The competitors of Master Bakers are Twiga, Solace Hotel, Burger House, Wimpy and Nairobi Burgers besides other hotels in the vicinity. These pose a big threat to the restaurant and in recognition of this threat, the Master Bakers here countered it through competition in quality (both the quality of food and services). The prices offered, too, are pretty competitive because for the same cost Master Bakers offers more to its customers. Cost controls are also enforced particularly in purchases through tenders and occasionally supplemented by fetching supplies elsewhere.

Master Bakers holds a trading license, city commission licenses and radio licenses. The Restaurant Act, the Workerman Compensation Act and the Minimum Wage bill binds its operations. The restaurant has also applied for a tourists license to enable it to serve tourists.

The restaurant's cash flow system was planned by the partners in consultation with the accountant. Both the petty cash fund and current accounts are maintained by the restaurant to meet its daily requirements. The finance transactions records are kept by the accountant and are frequently inspected by the management.

The restaurant started business with tables, chairs and cash registers, fryers, milk urns, juice dispensers, warmers and cookers as well as utensils whose cost was near the region of 4 millions KSH. The partners initially raised 2 millions shillings and borrowed 2 millions from their bank at a rate of 19% per annum which was repayable in 24 months. They supplemented this money with their own savings and started up the restaurant.

To the new entrepreneurs, the management's advice is hard work, patience and maturity in business approach. They contend that business people should set their priorities right and not to expect to establish a five-star hotel within a few years of operation. To begin with, let such people acquire exposure in the hotel industry, make reasonable savings or plan for the required initial capital, locate a suitable place in a suitable location, solicit for employees with the desired expertise and start off the business prepared to initially bear losses if necessary.

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