

# Basic Steps to Entrepreneurship

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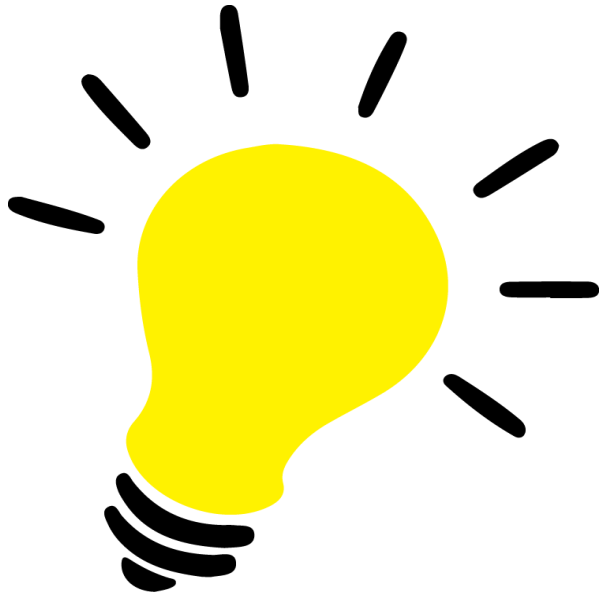
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# Introduction to Entrepreneurship

# Who is an Entrepreneur?

An entrepreneur is someone who identifies an opportunity, responds to it, and exploits it as a venture



- **Entrepreneurship:** Entrepreneurship is the process of identifying an opportunity/problem, finding a solution to make the problem better and developing a business venture with the intention of making a profit; and at its best entrepreneurship impacts society positively. Examples of positive impacts of entrepreneurship on society include;
  - i. Uber which has improved the taxi hailing experience worldwide, and,
  - ii. Equity Bank which improved financial inclusivity for the unbanked in Kenya
- **Entrepreneur:** An entrepreneur is someone who identifies an opportunity, responds to it, and exploits it as a business venture. In most cases, an entrepreneur is seen as an innovator, a source of new ideas, goods, services and businesses/procedures
- An entrepreneur who is successful at bearing risk is rewarded with profits, exposure and continued growth opportunities

# Entrepreneur vs Businessman

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**An entrepreneur is a market leader while a businessman is a market player**

- Entrepreneurs are distinguished from businessmen based on their approach to business. Businessmen typically follow a set path engraved by others while entrepreneurs come up with their own ideas and follow them despite the inherent risk
- 1. Entrepreneur:** An entrepreneur is an individual who has an exclusive idea to establish a new venture based on an existing opportunity or to solve an existing problem
  - 2. Businessman:** A businessman is an individual who operates/starts a business using an existent business idea. This is usually a business that is high in demand or one that generates maximum profits
- The main distinguishing factor between a businessman and an entrepreneur is innovation
  - Entrepreneurs innovate new products/ways of doing business while businessmen innovate less and follow tried and tested concepts to generate profit

# Roles of Entrepreneurship in Economic Development

# Roles of Entrepreneurship in the Economy

## Entrepreneurship helps bridge the unemployment gap through formal and informal business ventures

- 1. Identifying existing opportunities in the market** - The entrepreneurial spirit leads to the identification of market gaps and opportunities which leads to satisfaction of customers' needs and improves livelihoods
- 2. Creating employment opportunities** - Entrepreneurship helps bridge the unemployment gap through formal and informal business ventures that employ millions of Kenyans
- 3. Contributing to National Income** - Through payment of taxes, businesses contribute to government revenue that consequently facilitates development
- 4. Infrastructural Development** -Entrepreneurial ventures open up infrastructural development. Starting up businesses often leads to the development of transport and communication networks, driven by the need for infrastructure created by these businesses
- 5. Contributing to Community Development** - Through participation in Corporate Social Responsibility, entrepreneurs contribute to and support the development of infrastructure for education, healthcare, business training & mentorship and other social needs

# Factors to Consider before getting into Entrepreneurship



# Factors to Consider

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## An entrepreneur should understand the level of risk involved

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- Before embarking on entrepreneurship, there are various factors one should consider to determine whether the venture will be suitable. The factors to consider include:
  1. **Identifying your skills** – An individual's knowledge, skillset and expertise play a key role in determining the target industry. It is advisable to venture into industries where one has sufficient knowledge
  2. **Source of capital** - When starting a business, your first investor should be yourself; either with your own cash or with collateral on your assets. If personal finances cannot cover the initial cost, additional sources such as banks, venture capital, angel investors, government grants or incubator programs should be considered depending on suitability or the nature of the business
  3. **Self-discipline** - This may be one of the most important qualities for an aspiring entrepreneur to have. You are at the heart of your business idea, meaning that you will be the one to hold yourself accountable. As an entrepreneur, you'll have to stick to your business plan, make and respect your budget, dedicate time to developing your business, and meet the goals you've set for yourself
  4. **Determine your target market** – One should have a target market in mind before embarking on any business venture and identify current trends, sales opportunities and predict future preferences
  5. **Understand the risk** – It is important that an entrepreneur understands the level of risk involved and decided whether he/she is willing and able to bear that risk

# Steps to Entrepreneurship

# Basic Steps to Entrepreneurship

## Idea Generation and Identification of an Opportunity is the first step to Entrepreneurship



- The success of a business depends on the level of preparedness maintained during the setup of the company. Approximately 50.0% of small businesses fail during the first 5 years, highlighting the importance of a solid foundation during the inception of a business
- The 5 Basic Steps to the Entrepreneurship process are:
  1. **Identify the Pain Point:** Idea Generation and Identification of Opportunity,
  2. **Feasibility** Analysis,
  3. Coming up with a **Business Plan:** your strategy, your team, capital, etc
  4. Launch of the business and **Execution**

# 1. Identify the Pain Point

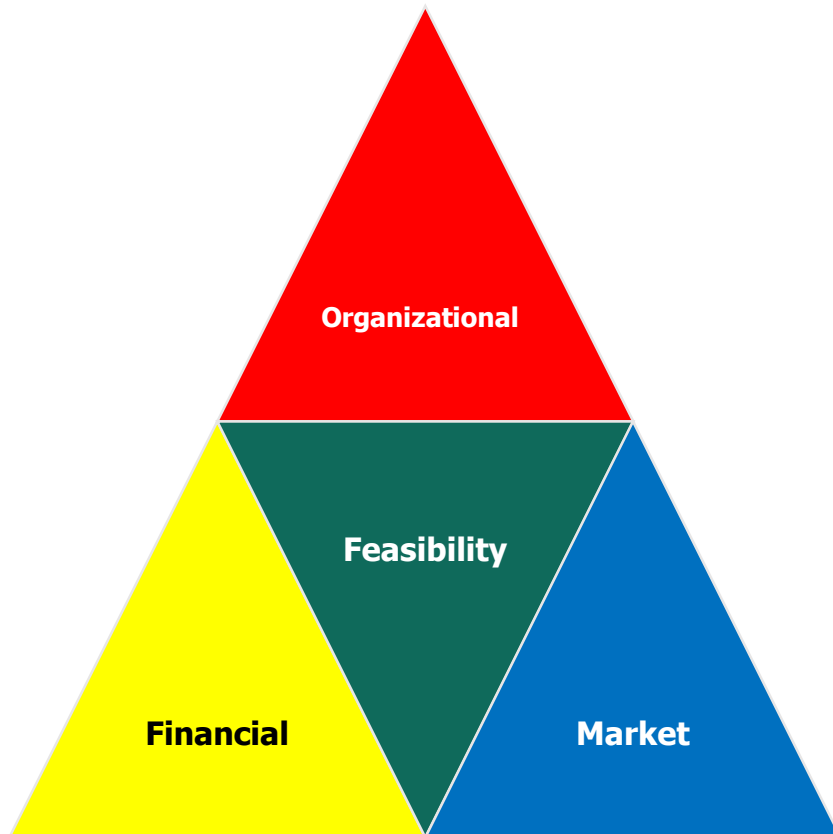
## Idea Generation and Identification of an Opportunity is the first step to Entrepreneurship



- The entrepreneurial process begins with idea generation, where an entrepreneur identifies a pain point in society and comes up with an idea to solve the pain point
- Starting a business for society instead of chasing individual gains such as money dramatically increases the rate of success for businesses
- A viable idea should be able to answer the following questions:
  - i. Will the idea provide benefits to clients/customers?
  - ii. Is the idea and its potential implementation compatible with the entrepreneur's personal character and skills?

## 2. Feasibility Analysis

Feasibility analysis involves evaluating the identified opportunity in order to assess whether it is viable



- Feasibility analysis involves evaluating the identified opportunity in order to assess whether the opportunity is realistic and the returns of the opportunity are viable based on the resources required
- Market research is important in this step to ensure the business idea has ready buyers for the product/service and most importantly, how much revenue you can generate from these buyers
- Feasibility is done on the basis of the following criteria:
  - i. Market and market related issues** such as the size of the target market and superiority of the product/service over those already in the market,
  - ii. Financial feasibility** where the forecasted profitability based on a business is considered, and,
  - iii. Organizational feasibility** which involves whether the entrepreneur can assemble a team with the necessary skills and experience based on the resources available

# 3. Coming up with a Business Plan

## A good business plan is based on comprehensive data and analysis



- A business plan is a document containing details about every aspect of the proposed business venture. A business plan serves two purposes:
  - i. Setting goals and standards for the business and laying out methods and techniques that will be used to achieve the set goals, and,
  - ii. Convincing potential investors and financial institutions about the viability of the venture so that they may agree to invest in it
- Here, the entrepreneur also outlines the business strategy, identifies and builds the core team and identifies the amount of capital required and the sources of funds
- A good team should be a group of people who see the same opportunity, have a shared vision, and a unified commitment to pursue it

# 4. Launch of the Business and Execution

**The launch of the business involves bringing the set business plan into practice**



- This is the most important step of the entrepreneurial process, where the entrepreneur develops his/her enterprise to execute the identified opportunity
- At the execution stage, the entrepreneurs should avoid:
  - i. **Too much debate** – While it is healthy to have discussions on product, too much debate is detrimental. It is better to launch an imperfect strategy than shelving a perfect strategy due to endless debating
  - ii. **Excuses** - The market only accepts goods and services that work. There's no room for excuses in product/service development
- As the founder of the organization, the entrepreneur sets the philosophy of the organization, establishes the strategic focus and educates new employees. In this role, the entrepreneur lays the groundwork for the emerging corporate culture
- The entrepreneur also needs to take into account the four Ps; **Product, Price, Promotion, and Place of marketing**, for the growth and development of the enterprise at this phase

# Challenges Faced by Entrepreneurs



# Challenges Faced by Entrepreneurs

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## Entrepreneurs Face a Myriad of Challenges in the Business World

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- Entrepreneurs Face a Myriad of Challenges in the business world, and only those who manage to find solutions to the challenges faced make it in the entrepreneurial world. The major challenges faced by entrepreneurs are:
  1. Taking the First Step
  2. Financing
  3. Cash Flow Management
  4. Finding the Right Team

# 1. Taking the First Leap

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## Taking the first leap is usually the biggest struggle for most would-be entrepreneurs

- Taking the first leap is usually the biggest struggle for most would-be entrepreneurs
- The first leap could be quitting a job, entering a startup accelerator program, approaching an investor with the first pitch or committing money into your business
- Fear and doubt inhibits entrepreneurs at the first stages due to the risks involved and the possibility of failure

### **Solution**

- Instead of waiting for the perfect moment or opportunity, entrepreneurs should be flexible and willing to solve problems as they arise
- The best course of action is to believe in one's idea and be ready to bear the risk with the expectation of profits in the future

## 2. Financing

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### **Investors tend to be skeptical and few take on the risk of financing an unproven business**

- Acquiring the necessary finances to launch a business poses a huge challenge to entrepreneurs
- Investors tend to be skeptical and few take on the risk of financing an unproven business. Obtaining a loan from a bank also poses a challenge since new businesses usually have little or no assets to put up as collateral. Venture Capital's focus on 'High growth potential' also means that only businesses that have the potential to grow and serve a mass audience access Venture Capital

### **Solution**

- For a business to be credible enough to receive funding, the first step is to have a comprehensive and well prepared business plan which enhances the authenticity of the business. The feasibility analysis should also be included in the business plan for investors to understand the viability of the business
- The investor presentation should also be short, to the point and capture the main points and strengths of the proposal

# 3. Cash Flow Management

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## Poor cash flow management is one of the main reasons why new businesses fail

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- Poor cash flow management is one of the main reasons why new businesses fail
- Even during good business periods, poor cash flow matching could lead to expenses outweighing income, making the business go broke
- Unforeseen scenarios such as natural disasters could also stall business income for a prolonged period and subsequently stall operations

### Solution

- Entrepreneurs should always be keen on their businesses' cash flow needs and projections to ensure that cash flows are well managed
- If possible, the business should keep additional funds in reserve to act as a buffer during times of uncertainty
- At the funding stage, it advisable to raise more money than you think you'll need, which will also serve as a buffer and cover unexpected costs during the first months of operation

# 4. Finding the Right Team

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## Finding the right team sets apart successful entrepreneurships from the rest

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- Finding the right team sets apart successful entrepreneurships from the rest
- No matter how good or brilliant an entrepreneur is, one can't go far unless he/she learns to hire, outsource, delegate, and more importantly, empower those around to do the job well

### Solution

- Start by getting your hands dirty to maximize lessons learned even in areas you are not familiar with. For instance, if you need marketing help, test several marketing channels to identify the right and highest converting channel. This way, you hire to execute not test which will not only minimize costs but also give you an opportunity to learn about the field to better evaluate progress and hire the right people for the job
- Shorten evaluation cycles, set short-term goals and align those goals with business progress. This ensures the team is contributing directly to the success of the business, not just their department. Short evaluation cycles in a way forces the team to release and evaluate updates quickly so you can make sure you are investing in a roadmap that will get you closer to profitability or growth

# Common Myths About Entrepreneurship

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## A common myth is that **Entrepreneurs are only motivated by money**

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- 1. Entrepreneurs are only motivated by money** – Financial gain is not the only motivation for entrepreneurs. Achieving a lifelong dream and solving problems in society are the main motivation for entrepreneurs
- 2. Entrepreneurs always have great ideas** – You don't have to reinvent the wheel to be an entrepreneur. Most entrepreneurs come up with business ideas based on existing business or procedures and improve on them
- 3. Anyone can be an entrepreneur** – Unfortunately, not everyone can be an entrepreneur. Not everybody has the personality, resources or what it takes to be an entrepreneur
- 4. Entrepreneurs are born, not made** – While not everyone can be an entrepreneur, entrepreneurship is not genetic. Anyone with the right business idea, attitude and determination can be an entrepreneur
- 5. Launching a Company quickly leads to wealth** – A common myth is that starting a business will put one on the fast track to earning substantial amounts of money fast. However, although some companies are immediately successful, others take a little more time to get there

# What Cytonn Offers



# What Cytonn Offers

## Cytonn Foundation is an initiative focused on giving back to the society through skill development

- Cytonn Foundation is an initiative of Cytonn Investments focused on giving back to the society through skill development. We focus on causes that resonate with our values and those that we collectively care about
- The Cytonn Foundation aims to promote entrepreneurial culture in Kenya and in the region through **Cytonn Entrepreneurs Hub (Cytonn eHUB)**
- Cytonn eHub is an annual initiative of Cytonn Foundation, themed “Start Sharp and Thrive”. It has four main activities;
  - Cytonn eHub Discussion Forum**, which brings together budding and experienced entrepreneurs to learn from each other’s entrepreneurial journey. The forum usually takes place in the first quarter of the year,
  - Cytonn eHub Training Programme**, an intense 12-week training and mentorship programme for young and upcoming entrepreneurs that seeks to enhance knowledge and capabilities on how to run and grow successful enterprises,
  - Cytonn eHub Investors Forum**, which brings together distinguished entrepreneurs and investors with the agenda of having successful Cytonn eHub Training Programme, graduates and budding entrepreneurs drawn from different sectors pitch their businesses and business ideas to investors with a goal of getting funding. It also marks the graduation ceremony for the successful Cytonn eHub entrepreneurs, and,
  - Cytonn eHub Business Support**, an initiative to ensure continued follow up and support for Cytonn eHub entrepreneurs.

# Q&A

## ***Disclaimer***

*Please note that the contents of this presentation are for education purposes only. It is not intended as a substitute for financial advice. Investors are advised to consult their Financial Advisor before making decisions based on the contents of this presentation*

