

## **ENTREPRENEURIAL COMPETENCIES**

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To manage an enterprise successfully an entrepreneur, require a combination of skills and knowledge. The ability to develop, organize and manage a business venture along with any of its risks calls for leadership, and management skills. It includes key characteristics that should be possessed by a person to successfully run a new venture.

### **DECISION MAKING**

A decision is a course of action, which is consciously chosen for achieving the desired result.

### **IMPORTANCE OF DECISION-MAKING**

Almost all management action involves- decision-making. Decision-making is the primary task of every business planner.

1. Better utilization of resources
2. Facilitates business expansion & growth
3. Enhances problem-solving techniques
4. It facilitates innovation
5. Enables organizations/ entrepreneurs to achieve set objectives
6. Increase efficiency
7. Motivates employees
8. Promotes the whole management process and follow-up actions.

### **STEPS IN DECISION- MAKING PROCESS**

The following are steps in the decision-making process.

#### **1. Identifying the problem**

A problem well-defined is a problem half-solved. An entrepreneur needs to gather relevant data information, to analyze the problem e.g. of a problem – fall in production, fall in sales, poor labor relations, or complaints from the customer.

#### **2. Analyzing the problem**

The entrepreneur should dissect the problem and analyze it in depth to classify the problem in terms of stakeholders to the problem. An entrepreneur should keep in mind the following factors.

- The scope of the impact of the decision
- The uniqueness of decision.

### 3. Collection relevant data

Businesses operate in a dynamic environment. Business functions are sporadic and require an entrepreneur to constantly update him/ herself with the collected information for purpose of clarity in decision-making.

### 4. Developing alternative solutions

It's risky for an entrepreneur to depend on one action/strategy. Group participation techniques may be used by an entrepreneur to develop an alternative solution. Only realistic alternatives should be considered.

### 5. Selecting the best solution

At this stage, an entrepreneur should select the most rational alternative for problem-solving.

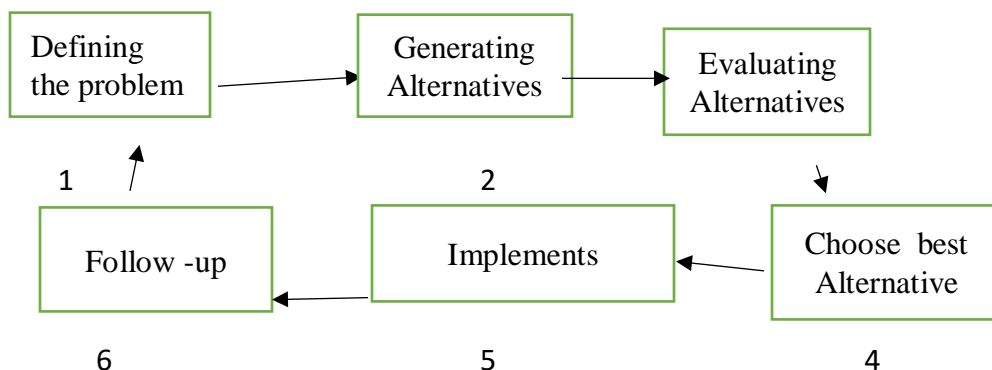
### 6. Converting decisions into actions

A decision without action is merely a good intention which in the business world it does not count in terms of output. Leadership is required from the entrepreneur to guide the team to achieve the desired objective.

### 7. Ensuring feedback

An entrepreneur has to design a feedback mechanism/system for continuous testing of actual developments against expectations.

#### *Diagram showing main steps in decision making*



## **METHODS OF DECISION MAKING**

According to Patterson, Genny and McMillan, there are four common ways to make a decision.

### **1. Command**

Decisions are made with no involvement of employees or stakeholders.

2. **Consult** – Invite input from others. Experts and representatives are involved in decision-making. Ideas are gathered and evaluated in terms of options available and informed to the broader population.
3. **Vote**: Discuss options and then call for a vote. When facing several decent options, voting is a greater time saver.
4. **Consensus**. Talk until everyone agrees to one decision. It has a great blessing and produces tremendous unity and high-quality decisions. It is- applied it can also be a horrible waste of time. It should be used with high-stakes and complex issues where everyone absolutely must support the final choice.

## **PLANNING**

The business unit strategic planning process consists of the following steps:

### **A. Business Mission**

Each business unit needs to define its specific mission within the broader company mission. A company must define its various scopes more specifically:

- i. Its products for applications
- ii. Competencies
- iii. Market segments
- iv. Vertical positioning for geography

It must also define its specific goals and policies as a separate business.

### **B. External environment Analysis**

(Opportunities Threat Analysis)-OT analysis.

A business unit has to monitor macro environment forces (demography economic, technological, political, legal & key social/ cultural) for significant macro environment actions (customers, competitors, distribution channels, suppliers) that will affect its ability to earn profits. The business unit should set up a marketing intelligence system to track trends for vital development for each trend or development, management needs to identify the implied opportunities for threats.

## **Opportunities:**

Area of need in which a company can perform profitably. Opportunities can be listed and classified according to their attractiveness and success probability. The company's success probability depends on whether its business strengths not only match the key success requirements for operating in the target market but also exceed those of its competitors.

The mere competence does not constitute a competitive advantage. The best-performing company will be the one that can generate the greatest customer value and sustain it over time.

## **Threats:**

A challenge posed by an unfavorable trend or development that would lead in the absence of defensive marketing action, to sales or profit deterioration.

They are to be classified according to their seriousness and probability of occurrence.

By assembling a picture of the major threats and opportunities facing a specific business unit, it is possible to characterize its overall attractiveness for outcomes are possible;

An ideal business is high in major opportunities and low in major threats.

A speculative business is high in both major opportunities and threats.

A mature business is low in major opportunities & threats.

A troubled business is low in opportunities and high in threats.

## **C. Internal Environment Analysis**

(strengths/weaknesses Analysis)

Each business needs to evaluate its strengths and weaknesses periodically. This can be done by using a form that reviews the business marketing financial, manufacturing, and organizational competencies. Each factor is rated as to whether it is a major strength, minor strength, neutral factor, minor weakness, or major weakness. A company with strong marketing capability would show up with ten marketing factors all rated as major strengths. By connecting the ratings vertically for a specific business one can easily profile the business's major strengths for weaknesses.

In examining the pattern of strengths and weaknesses, the business does not have to correct all of its weaknesses or gloat about all of its strengths.

The big question is whether the business should limit itself to those opportunities where it might have to acquire or develop certain strengths.

Sometimes a business does poorly not because its departments lack the required strengths but because they do not work together as a team.

(In one major electronics company, the engineers looked down upon the salespeople as workers who could make it and the salespeople looked down upon the service people as salespeople as salespeople who could not make it). There is a need to assess critically interdepartmental working relationships as part of the internal environmental audit.

#### **D. Goal formulation**

There's a need to develop specific objectives & goals for the planning period.

#### **Problem Solving Method**

The model we've used with clients is based on the A3 problem-solving methodology used by many "lean" production-based companies. In addition to being simpler, our 4-step method is visual, which helps remind the user what goes into each box.

The steps are as follows:

Develop a Problem Statement

Determine Root Causes

Rank Root Causes in Order of Importance

Create an Action Plan

Step 1: Develop a Problem Statement

Developing a good problem statement always seems a lot easier than it generally turns out to be. For example, this statement: "We don't have enough staff," frequently shows up as a problem statement. However, it suggests the solution—"GET MORE STAFF"—and fails to address the real problem that more staff might solve, such as answering phones in a timely manner.

Step 2: Determine Root Causes

Step 3: Create an Action Plan

you create your action plan — who is going to do what and by when. Documenting all of this and making it visible helps to communicate the plan to others and helps hold them accountable during implementation. This is where your counter-measures or experiments to fix the problem are detailed.

Do you have a problem-solving method that you use at your worksite? Let us know in the comments below. few businesses pursue only one objective. Most business units pursue a blend of objectives including:

- Profitability
- Sales growth
- Market-share improvement
- Innovativeness
- Reputation

## **RISK MANAGEMENT IN BUSINESS.**

Risk is a probable financial loss. Any factor that has a probability of affecting the business negatively. A Condition that may prevent a business from achieving its objectives. Risk occurs occur when choosing between two or more alternatives, whenever a choice is made and the potential outcome is uncertain. Holding all the factors constant, the lower the risk the more acceptable the option. An entrepreneur is expected to minimize the shocks from losses which calls for risk management skills.

### **Entrepreneurs and risk-taking: -**

They: -

- Take calculated risks
- Enjoy the excitement of the challenge but don't gamble
- Avoid low risky situations because they want to succeed
- Like achievable challenges
- Are responsible for everything in their life, success, and failure inclusive.
- Must have risked taking the ability to be able to implement ideas and carry them to successful conclusions.

### **Traits and risk-taking**

#### **i) Self-confidence**

- To affect the outcomes of your decisions
- Greater willingness to take what others sees as risks

#### **ii) Creativity and innovativeness**

- To turn ideas into reality

#### **iii) Realistic knowledge of your capabilities**

- To restrict own activities to the situation you can affect the outcomes

#### **iv) Assuming control of own decisions**

- Willing to stand by own actions
- Fully responsible

### **d) Enhancing risk taking ability of entrepreneurs**

- Self-confidence in your abilities
- Willingness to use capabilities to the fullest extent
- Capacity to assess realistically the risk situation and check the ability to alter the odds
- Looking at risk situations in terms of established goals

Comprehensive planning and proper implementation

## **RISK-TAKING**

### **a) Importance**

Risk-taking ability is essential. Implement our ideas

- Carry ideas to successful conclusions
- Involve awareness
  - past event
  - a concern for the future
  - a desire to live in the present
  - taking personal responsibility

### **b) Evaluating your own risk**

- When you take risks you will discover your capabilities and become better able to control your future.

## **NATURE OF RISKS**

Micro and Small enterprises operate always in a risky environment. The list highlights some of the potent risks entrepreneurs may be forced to handle.

- Fire
- Severe weather
- Theft
- Lawsuits
- Politics
- Bankruptcy
- Disability
- The defection of key personnel.

Eg of White collar crimes which may be a risk to enterprises

- Removal of cash
- Falsification of accounts
- Fraudulent computer access and manipulation
- Bribery
- Collusion resulting in unrecorded transactions
- Sale of proprietary information
- Sabotage of new products, technology, or customer relations.

## **COPING WITH RISK MANAGEMENT**

Risk management/Strategies-Deals with the handling and controlling of various types of risks.

### **a) Risk Avoidance**

- Staying away from risky situations. While some risks can be avoided, this strategy is limited in its application.
- Good management practices such as: -
  - Always paying using a cheque instead of cash would avoid theft of cash.
  - Having proper financial records and controls which are regularly audited discourages fraud and theft.

### **b) Risk reduction**

Occurs when an individual attempts to build some degree of safety into risky situations. Even when risks are insurable, certain practices can reduce the risk and the cost of insurance can reduce the risk. e.g. Installing smoke alarms, burglar alarms, and security systems. Eliminating the chances of serious injury e.g. by ensuring that welders wear goggles or by insisting that drivers use a seat belt.

### **c) Risk anticipation/ Assumption**

It is a form of self-insurance. The business owner assumes the responsibility of risk after taking steps to reduce the risk level, the owner recognizes that losses might occur and set aside or save some funds to protect against such (potential) losses.

### **d) Risk transfer**

Involves shifting risk to another party, usually an insurance company or subcontracting (where applicable). The business owner pays an insurance premium to cover the business in case of any eventuality. An entrepreneur may go for subcontracting where a third-party contractor is assigned a specific task guided by a contract.

e.g. An entrepreneur engaged in a construction company is awarded a tender to build a factory, which in –turns sub-contracts electrical or plumbing work to another firm.



## **INSURANCE MANAGEMENT**

If used correctly, insurance can reduce uncertainties under which businesses operate, reduce employee turnover, improve credit rating, and caution businesses in case of interrupts in operation.

### **a) Insurable and non-insurable risks**

Insurability requires that it be possible to estimate the amount of actual loss being insured against: -The risks being insured against can be specifically identified, and there must be enough policyholders to spread the risk

### **Insurable risks**

Possible dangers which can be guarded against by areas of insurance include but are not limited to fire, theft of cash, accidents to customers or employees, and death.

### **i) Non-insurable risks.**

These are risks that grow out of change e.g. customers' wants, needs, tastes, modes of living, shifts in populations, bad weather, government spending, and Dead stocks.

### **How to minimize non-insurable risks.**

- Conduct careful forecasts.
- Set up reserves against such perils
- Constantly study the trends

## **CHANGE MANAGEMENT**

Change management is defined as the methods and manners in which a company describes and implements change within both its internal and external processes. ... All involved individuals must understand the progress through the various stages and see results as the change cascades. the fundamental reason that business organizations change is to survive and grow, hence managing change becomes a priority for all funders and entrepreneurs. Key to survival is adaptability, or the ability to effectively and efficiently change business models, business processes, and technologies in response to disruptive innovations and competitive threats in a rapidly evolving environment. The entrepreneur is expected to understand the actions and behavior changes of employees and devise the best methods to handle change.

### **1. Communicate change.**

To build commitment and buy-in, an entrepreneur who leads change must communicate their big picture or vision clearly and consistently. A critical component of communicating the vision is providing stakeholders with a roadmap for the implementation of the change.

### **2. Create a vision.**

The ability of the entrepreneur to create a vision of the future has been identified as a central component of a successful transformational change. The entrepreneur must internalize that vision and truly believe in it.

### **3. Identify and Mobilize Change agents**

Entrepreneurs need to change others to build a core team to drive change forward. They engage people by encouraging participation, rewarding success, and replacing those unwilling or unable to make the change.

### **4. Manage at all levels.**

An entrepreneur will first engage groups of employees at different levels to help add detail to the vision and develop an implementation plan which builds commitment among team members as well as a sense of ownership.

### **5. Mind culture.**

Culture is difficult to change. Business culture refers to the norms, deeply held beliefs, and assumptions that develop through culture-shared history and experiences.

### **6. Mind the people**

Change is about people and, as a result, change may cause "people issues". Change is an emotional experience for most individuals given that it often involves substantial changes in roles, responsibilities, and relationships, which can significantly impact an individual's capacity to learn new behaviors and skills during a transition process.

## **7. Plan and manage the change process.**

The entrepreneur leading the change must own the process and brings about change. They must monitor change progress closely and take responsibility for internal and external commitment building.

## **8. Adapt to the environment**

In complex and turbulent environments, entrepreneurs cannot predict the future with accuracy. They must be adept at recognizing patterns in chaos, identifying trends, and acting on them.

# **BUSINESS NETWORKING**

*Business networking* is the process of establishing a mutually beneficial relationship with other *business* people and potential clients or customers. Networking allows you access to opportunities you might not be able to find on your own. Your network has the potential to provide you with insight into different fields, information on what potential employers look for and advice on how you can improve professionally.

## **Types of business networking opportunities**

### **1. Online/social media networks**

Online and social media networks are the easiest and fastest to get into for the businessperson. They don't require going places, dressing up, and meeting people in the real world. They do require a little time investment in how you want to present yourself online. They also require regular investment (daily, weekly, monthly) in updating your online profiles and engaging with those you meet virtually.

### **2. Professional/trade associations**

Every industry has a professional network / associations that bring together likeminded individuals engaged in similar work. Trade associations often provide excellent training, educational opportunities, discounts on industry conferences, and other resources that extend beyond personal contact.

### **3. Community service clubs**

These types of professional networks are usually localized (city- or region-wide) and are focused on providing social good in their communities. You join one, not to benefit, but to contribute. By giving time and money to the community you live in and/or serve, you build up tremendous social capital and goodwill that can bode well for you in the future. You'll also meet great people inside and outside of your industry along the way.

#### 4. Casual contact networks

These types of networks are less industry-specific, and are more about getting to know people who are doing business in an informal manner. These networks usually hold monthly meetings and frequent mixers where people can have a conversation without any pressure—the focus is more on networking than it is on business. Chambers of Commerce, in most cities across the country, are great places to start if you want to make some initial contacts with professionals who are doing business in your area.

##### Benefits of Building a Strong Business Network

- Networking is vital to their entrepreneurial endeavors while you might not have time to attend a seminar or certification course, grabbing coffee with a business connection helps you stay abreast of new developments and practices in your field.
- Seeking for business referrals.

Land new clients and positions.

- **Shared Knowledge**

Networking is great for sharing ideas and knowledge. It is also likely that within a group there will be those who have already been where you are today. This provides you with an opportunity to learn and avoid some of the common pitfalls they experienced.

- **Opportunities**

It is important to be ready to seize opportunities when they come along. It may be a referral, partnership or request for your service or product.

- **Connections**

Remember you are not just gaining exposure to the people in the room, you are building connections with their network too. If someone they know has a need that matches your business, if you have made an impression, you will likely get a referral.

- **Increased confidence**

By regularly networking, and pushing yourself to talk to people you don't know, it will help increase your confidence. This is an important attribute as a business owner, because your business growth is dependent on talking to people and making connections.

- **Raising your profile**

Being visible and getting noticed is a big benefit of networking. By regularly attending business and social events, people will begin to recognize you.

## **Tips for Networking Success**

### **1. Attend Business Networking Events**

The first step in successful networking is knowing where you should go to make connections. Small business owners should attend local business events.

### **2. Choose a Goal**

Before attending meetings or events, take the time to determine what your goals are for the experience. For example, you might want to make new connections, donate your time to the community, or simply learn about the latest developments in your business or industry.

### **3. Get Social in Your Off Hours**

If you want to expand your reach, make an effort to chat with attendees at your health club. You can even make business connections at your child's school activities and sports events.

### **4. Know Your Worth**

It's not enough to provide your clients with a great product or service. If you can't articulate what it is you do, then you can't hope to convey that information at networking events.

### **5. Identify Conversational Icebreakers**

If you want to overcome initial awkwardness and make a good first impression, consider opening with a compliment. For example, you might tell the person sitting next to you at a seminar that you like their shoes or tie.

### **6. Bring a Buddy**

Sometimes starting conversations with strangers is easier if you have a familiar face by your side. If you have a friend or coworker who's also looking to expand their network, consider attending professional events as a twosome.

### **8. Find a Reason to Follow Up**

Making connections is only half the battle; you also have to take steps to keep the relationship going.

### **9. Don't Be Negative**

When searching for conversation starters, avoid speaking negatively about former companies or coworkers. After all, you don't want potential contacts thinking you'd say bad things about them given the opportunity.

## **SOURCES OF FINANCE**

The business requires finance for various needs and at different stages. The following are various purposes of finance in business:

1. Promotion of a business.
2. Working capital.
3. Expansion and modernization.
4. Meeting business contingencies.
5. Honoring statutory obligations to various government agencies.
6. Paying dividends and interests to shareholders.

### **SOURCES OF FIXED CAPITAL**

A company may raise capital in the following ways:

- ***Owned Capital***

A company can raise share capital through the sale of shares.

- ***Plough Back Profits***

Retained profits is a technique of– investing profits or retaining the profits for purpose of expanding or improving certain streams of income.

- ***Debentures and Corporate Bonds***

A company may raise long-term finance through public borrowing. The issue of debentures allows the company to raise a long-term loan. Debenture or corporate bonds are long-term fixed periods loans to the business by individuals or financial institutions. They carry a fixed rate of interest through the period of the debenture. It is important to note that the rate of interest is lower than other types of loans.

- ***Private Placement of Shares***

It is a method of raising funds from a group of financial institutions or prime lenders who are ready to invest in the company.

### ***Public Issues of Shares***

The company can raise a substantial amount of fixed capital by way of the issue of shares. The issue of shares requires several formalities to be completed such as permission from the regulatory body, and approval of the prospectus by legislators in the case of a public company.

### ***Lease Financing***

Finance and leasing companies help the firms by providing machinery equipment and tools on a lease basis.

### ***Venture Capital***

It's a form of equity financing designed especially for funding high-risk and high-performing projects/Fin- tech programs. It plays an important role in financing his technology projects and research development projects.

### **Other sources of Capital to Enterprises**

The source of short-term funds used for financing valuable costs mainly includes the following.

- Loans from a commercial bank
- Trade credit
- Factoring
- Discounting bills of exchange
- Bank overdraft and cash credit
- Advance from customers

### **Loans from Commercial Bank.**

Commercial banks can advance business loans with and without security depending on the assessment by credit officers. Bank finance is made available to the business at concessional rates of interest.

#### **- Trade Credit**

Just as the companies sell goods on credit, they also buy raw materials, components, and other goods on credit from suppliers. The outstanding amounts are payable to the suppliers.

### **- Factoring**

Factoring is a type of finance in which a business would sell its accounts receivable (invoices) to a third party to meet its short-term liquidity needs. Under the transaction between both parties, the factor would pay the amount due on the invoices minus its commission or fees.

The book debts and receivables are assigned to a bank as an institution called the “factor” and cash is released in advance from the bank. This method is useful in raising short-term capital and the supplier companies use it to secure finance against their book debts and receivables.

### **Discounting Bills of Exchange.**

When goods are sold on credit, the buyers of goods generally draw bills of exchange for acceptance. The bills are generally drawn for a period of three - to – six months. The drawer of the bill, instead of holding until the date of maturity, prefers to discount them with commercial banks on payment of charge known as discount.

### **Bank Overdraft and Cash Credit**

It is a facility by the banks to their current account holder for a short period, generally between a week and one month. The bank allows a current account holder to withdraw from their current deposit account. The interest is charged only on the amount overdrawn. The overdraft facility is also granted against securities.

### **Advance from Customers.**

Advance from a customer is a liability account, which is stored for all payments from customers for goods or services that have not yet been delivered. Once the related goods or services have been delivered, the amount in this account is shifted to a revenue account.

## **GENERAL SOURCES OF CAPITAL FOR BUSINESS**

- Entrepreneur’s capital
- Informal investor – i.e. family, friends, etc.
- Business angels
- Retained earnings (Plough – back)
- Commercial bank loans



- Microfinance institutions
- Venture capital
- Government – (ICDC, Hustlers fund, Youth Fund, Women Fund, etc)

### **Factors to Consider When Applying for a Loan**

1. Cost of finance
2. Payment pattern
3. Risks involved in raising capital
4. Flexibility i.e. grace period, interest rates, etc.
5. Control – what stake the lender will have in the management of loans or business affairs?
6. Availability - How soon the loan will be available to meet the business needs?
7. Collateral/security by the lender.

### **Constraints of lending to SMEs**

- The slow process of loan application
- Non-financing of startups.
- lack of collateral
- Adverse credit selection
- Financing less than the amount applied for which inhibits them from meeting their financial requirement
- Institutional policies, which make the offer higher costly
- High-interest rates and credit rationing.

## **BUSINESS CONTRACT**

### **Meaning of Law**

According to Phillip James, Law is a body of rules for the guidance of human conduct which are imposed upon and enforced among the members of a given state. Therefore, the law is:

- A set of rules
- Aims to guide human conduct
- Applied to a community
- Susceptible to change dynamics
- Must be enforced to ward off anarchy
- People follow them for their good.

The law deals with human beings not in a philosophical sense but in a legal sense as a unit of rights and duties, without which the legal personality ceases to exist. Law is important in entrepreneurship because:

- ❖ Helps create a harmonious and peaceable environment within which people invest confidently;
- ❖ Protects property acquired in business
- ❖ Facilitates and effectuates private choice - a good example is in the law of contract where law helps determine individual commitments out of agreements. Such private choices
- ❖ Writing of wills, marriage, revocation of rights, and making of personal gifts.
- ❖ The law defines parameters within which individuals should relate to other entities in business and their rights. This encourages innovation and creativity through intellectual property rights.
- ❖ Provides mechanisms for resolving business and other social conflicts - otherwise people would end up in interminable friction and anarchy, thus discouraging investment.
- ❖ Law structures and controls public power. E g. administrative law defines and controls governmental organizations and the powers, discretions, duties, and jurisdictions of administrative authorities Vis-a Vis the public.

## **Branches of Law.**

### **Public law and Private law.**

Public law is that branch of law that regulates the relationship between its citizens and the state in general. It also regulates the operation of various organizations in the market system of Kenya. The major categories of public law include Constitutional, Criminal, Tax, and Administrative law.

*Private law* describes the branch of law that is mostly concerned with the rights and duties of individuals towards other individuals. It includes the law of torts, property law, succession law, contract law, family law, trust law, etc.

### **Substantive and Procedural Law**

*Procedural law* specifies the general steps that should be followed by a person that needs to carry out a dangerous step in life. The above law determines how the court proceedings will be conducted by a certain party.

**Substantive law** defines the actual rules that generally define what unlawful and good things that can be done. It defines the various existing civil wrongs and later provides the remedies that can be used to handle them.

Kenya categorizes law as Public, Private, Criminal, Civil, Substantive Procedural and International.

### **The Law of Contract**

A contract is an agreement creating obligations enforceable by law. It is a voluntary agreement between two or more parties that gives rise to legal obligations and is enforceable at law. Legally binding means that in case of breaches, the aggrieved party may seek court redress.

## Types of contracts

- **Simple contracts:** Those that do not require special forms. Can be in writing, verbal, or implied by conduct;
- **Specialty contracts:** Must take a special form e.g. evidenced in writing (a receipt); or sealed (a title deed).

**Forms of business contracts:** the sale and purchase of goods and services; partnership agreements; leases of business premises; leases of plant and equipment; employment agreements; insurance-related contracts; banking and loans.

## Three terms describe a contract: Void, Voidable, and Valid.

- The void contract has no legal basis. It does not exist at least in the eyes of the law.
- A voidable contract is legal only because it has vitiating factors that give one of the parties the right to “avoid” his duties in the contract. These factors include misrepresentation, undue influence, duress, and illegality.
- A valid contract is the one courts can enforce.

For a contract to be valid or enforceable, it must have the following elements:

1) **Offer and acceptance:** A contract is formed when an offer by one party is accepted by the other party.

- ❖ An offer is a definite promise to be bound, provided the terms of the offer are accepted. If the terms are varied, it amounts to a counteroffer, which extinguishes a contract.
- ❖ An offer need not be made to a specific person. It may be made to a person, a class of people, or the whole world.
- ❖ A person can withdraw the offer that has been proposed before that offer is accepted. For withdrawal to be effective, the person who has proposed the offer must communicate to the other party that the offer has been withdrawn.
- ❖ Acceptance occurs when the party answering the offer agrees to the offer by way of a statement or an act. Acceptance must be unequivocal and communicated to the offeror: the law will not deem a person to have accepted an offer merely because they have not expressly rejected it.

2) **Intention to create legal relations:** A contract does not exist simply because there is an agreement between people. The parties to the agreement must intend to enter into a legally binding agreement. This will rarely be stated explicitly but will usually be able to be inferred from the circumstances in which the agreement was made.

- For example, offering a friend a ride in your car is not usually intended to create a legally binding relationship. You may, however, have agreed with your friend to share the costs of traveling to work regularly and agree that each Friday your friend will pay you Kshs.1000 for the running costs of the car. Here, the law is more likely to recognize that a contract was entered into.
- Commercially based agreements are seen as including a rebuttable intention to create a legally binding agreement.
- However, the law presumes that domestic or social agreements are not intended to create legal relations. For example, an arrangement between siblings will not be presumed to be a legally binding contract. A person who wants to enforce a domestic or social agreement needs to prove that the parties *did* intend to create a legally binding agreement.

3) **Consideration:** Consideration is the price paid for the promise of the other party.

- The price must be something of value, although it need not be money.
- Consideration may be some right, interest, or benefit going to one party or some forbearance, detriment, loss, or responsibility given, suffered, or undertaken by the other party. In the contract to supply goods, goods are a consideration to the supplier while the contract price (monetary) is a consideration to the buyer.

4) **Legal capacity:** Capacity in law means three things: The age of a person contracting; mental ability and Legal rights.

- **Age:** Only people who have attained the age of majority may contract. Those below this age are deemed to be minors/infants and may only contract in special circumstances.
- **Mental abilities:** people with mental impairment may not contract.

- **Legal right:** corporations may only contract within their object clause and their contracts are only admitted by specific people. Bankrupts may also not be allowed to contract.

**5) Consent:** Entering into a contract must involve the elements of free will and proper Understanding of what each of the parties is doing. In other words, the consent of each of the parties to a contract must be genuine. Where there is a lack of essential element of genuine consent there is no contract.

If the following elements are detected in a contract, then the courts may expect the Innocent party to avoid the contract based on lack of genuine consent:

- (a) **Mistake:** Only a few types of mistakes will cause the contract to be non-binding on the parties to it: they must be mistakes that go to the very basis of the agreement. For example, where there is a contract for the sale of a car that both parties assume to exist, although in reality it has been destroyed by fire, this contract is non-binding on the parties. By contrast, where the parties are only mistaken about the model of the car, then this contract would be binding.

Another example is when a person signs a written document mistakenly believing that it relates to something entirely different from what it does relate to, in this case, the person will not be bound by it. This means that if X is told to sign a document that X reasonably believes to be something like a character reference to assist Z to obtain a loan from a finance company, and the document is later discovered to have been a guarantee of the loan contract, then the guarantee will not be binding on X.

- (b) **False statements:** There are serious false statements and minor false statements that might be made by parties contracting with each other. Different consequences flow, depending on the seriousness of the false statement made.

False statements affect the question of whether or not a contract exists. Very serious false statements mean a court would view the contract as void and unenforceable.

False statements might be made where either:

- ❖ The parties come to agree and contract because one of them has been motivated to agree by a statement of fact (something said or written) that is not true. Commonly, these types of statements have not been included in the contract

itself but were an encouragement to enter into the contract. For this reason, they are viewed as though they were part of the contract; and/or

- ❖ the parties have agreed and there is a contract, but the statements or terms in the contract exist only because one of the parties has made a false statement.

There are three types of false statements

- **Fraudulent misrepresentation:** To prove fraud, it is necessary to show that the person making the statement knew it was false, had no belief in its truth, or knew it might be false and recklessly went ahead and made it anyway, not caring whether it was true or false.
- **Innocent misrepresentation:** An innocent misrepresentation will be made where the false statement is made with no intention to deceive. An innocent misrepresentation could nevertheless be a serious false statement (being a condition of the contract), or a breach of warranty.
- **Negligent misrepresentation:** A negligent misrepresentation will arise where a party to the contract is under a special duty of care to the other party. This special relationship will be held to exist where the person making the false statement claimed to have some special skill not generally possessed by an ordinary member of the community, and where that person was prepared to exercise this special skill on behalf of the person to whom the false statement was made. The wronged party must be able to show that:
  - the person making the false statement could reasonably be expected to foresee that the false statement would be relied upon;
  - in the circumstances, it was reasonable to rely on the statement;
  - the statement was made without due care; and
  - the statement was false.

(C) **Duress:** Proper consent may be affected by duress. Duress is held to have occurred where there has been actual or threatened violence either to the other contracting party directly or to their immediate family, near relatives, or close associates. Duress now extends to contracts entered into as a result of threats to a party's economic well-being, that is, a threat to a person's business or trade. This form of duress is called economic duress. The consequence is that the contract is voidable at the election of the wronged party.

**(d) Undue influence or unconscionability:** Undue influence is exercised by taking unfair and improper advantage of the weakness of the other party, to the extent that it cannot be said that that party intended voluntarily to enter into the contract.

- The main reason for the rule against the use of undue influence is to correct abuses of trust and confidence.
- It is applied when the parties are in a relationship where one party may be able to exercise considerable influence over the other party.

There are two categories of undue influence.

- a) Where no special relationship exists, the stronger party will have used some fraud or wrongful act expressly to gain an advantage from the weaker party. The weaker party will have to prove that undue influence was exerted.
- b) Where the parties are in a confidential relationship; most cases of undue influence fall into this category. A confidential relationship exists when one party's position towards the other's involves a dependency or trust, in the form of authority or an expectation to give fair and independent advice to the weaker party. for example, solicitor and client, doctor and patient, religious or spiritual adviser and devotee.

- The consequence of establishing undue influence is that the contract may be held voidable at the election of the wronged party.

**(e) *Legality of purpose:*** Where a contract is illegal, this may affect its enforceability.

- Contracts that are illegal by statute will be regulated as to enforceability by the statute; thus the statute will need to be read and interpreted.
- Contracts prohibited by statute will be void, whether the parties know of the illegality or not.
- However, where one party performs an otherwise legal contract in a manner that breaches legislation, the other party, if not knowing the facts giving rise to the illegality, can still enforce the contract or recover damages for breach of it. They may also recover money or other property transferred under the contract.



Certain types of contracts are illegal at common law because they are contrary to public policy/or good. These include contracts:

- to commit a crime, a tort, or a fraud;
- that are sexually immoral;
- that prejudice public safety, including good relations with other states or countries;
- that prejudice the administration of justice;
- that tend to promote corruption in public life; and
- to defraud the revenue.

Illegally formed contracts are generally void and unenforceable by either party at common law. Therefore, property or money transferred cannot be recovered.

Where legally formed contracts are performed illegally (Le. the illegal conduct was not an intended or required part of the contract but merely incidental to the way it happened to be performed) then the contract is not void, but:

- No remedies are available to the guilty party; and
- The innocent party retains all rights and remedies (provided they did not know the contract was to be performed illegally).

Certain types of contracts are void at common law, being contrary to the public good.

These include contracts:

- To oust the jurisdictions of the courts;
- Prejudicial to the status of marriage;
- In restraint of trade (unless the restraint is reasonable both between the parties and in the public interest). The courts here will look at the relative bargaining power of the parties. The restraint imposed between equals is viewed with more favor than, for instance, a contract between an employer and employee in unequal bargaining positions.

The general rule is that the contract is void only so far as it is contrary to the public good; it is not void entirely. That is, the offending part can be removed provided that the rest

of the contract continues to make sense.

*(f) Possibility of performance:* For a contract to be valid, it must be such that in all fairness and the eyes of prudent men, it can be performed under the circumstances.

### **Discharge of Contract**

A contract is said to be discharged when the obligation created by it ceases to bind the parties who are now freed from performance. However, whether a party is liable or not after discharge, depends on the method of discharge. A contract may be discharged in the following ways: -

1. ***Express agreement:*** The general rule is that what has been created by agreement may be extinguished by agreement.
  - An agreement by the parties to an existing contract to extinguish the rights and obligations that have been created is itself a binding contract, provided that it is made under seal or supported by consideration. Where the agreement for discharge is not under seal, the legal position varies according to whether the discharge is bilateral or unilateral:

### **Bilateral discharge**

*Bilateral discharge* occurs whenever both parties to the contract have some right to surrender, eg where there has been non-performance by either party or is partly performed by one or both parties. The agreement by the parties to discharge their contract may be designed to have one of several effects:

- ***Accord and satisfaction-*** The parties may intend to rescind their present agreement and nothing more. Where there is an agreement mutually to release the other from the obligations under the first agreement, there is an accord and satisfaction.
- ***Rescission and substitution-*** *The parties* may intend rescission of the original contract and substitution of a new contract.
- ***Variation*** - The parties may agree on the variation of an existing contract, i.e. modifying or altering the terms of the original agreement.

- **Waiver** - Where one party voluntarily accedes to a request by another to forbear his right to strict performance of the contract, or where he represents to another that he will not insist upon his right to strict performance of the contract, the court may hold that he has waived his right to performance as initially contemplated by the parties.

**Unilateral discharge;** Unilateral discharge takes place where only one party has the right to surrender. Where one party has entirely performed his part of the agreement, he is no longer under obligations but has the right to compel the performance of the agreement by the other party.

For unilateral discharge, unless the agreement is under seal, consideration must be furnished to make the agreement enforceable, i.e. accord and satisfaction.

2. **Performance:** The general rule is that the parties must perform precisely all the terms of the contract to discharge their obligations. For example, in contracts for the sale of goods, if the contract imposes the condition that the goods must correspond with the description and they indeed correspond and are delivered within the stipulated time and paid for, then performance occurs.
3. **Breach:** A failure to perform the terms of a contract constitutes a breach. A breach that is serious enough to give the innocent party this option of treating the contract as discharged can occur in one of two ways: either one party may show by express words or by implications from his conduct at some time before a performance is due that he does not intend to observe his obligations under the contract (anticipatory breach); or - he may break a condition or otherwise break the contract in such a way that it amounts to a substantial failure of consideration.
4. **Impossibility or doctrine of frustration:** The doctrine of frustration operates in situations where it is established that due to subsequent changes in circumstances, the contract is rendered impossible to perform, or it has become deprived of its commercial purpose by an event, not due to the act or default of either party.

## Examples of frustration

- ❖ ***Destruction of the specific object essential for the performance of the contract:*** The destruction of the specific object essential for the performance of the contract will frustrate it.
- ❖ ***Personal incapacity:*** Personal incapacity where the personality of one of the parties is significant may frustrate the contract.
- ❖ ***The non-occurrence of a specified event:*** The non-occurrence of a specified event may frustrate the contract.
- ❖ ***Interference by the government:*** Interference by the government by introducing new regulations in an industry may frustrate a contract.
- ❖ ***Supervening illegality:*** A contract may become frustrated if it later becomes illegal.
- ❖ ***Delay:*** Inordinate and unexpected delays may frustrate a contract. The problem is to know how long a party must wait before the delay can be said to be frustrating.

5. ***Operation of law:*** A contract may be discharged under the operation of law under the following circumstances:

- ***Lapse of time:*** If time is of the essence in a contract and a party fails to perform within the prescribed time, the contract is discharged.
- ***Death:*** In the case of personal services, the death of either party discharges a contract.
- ***Merger:*** This is the incorporation of the items of a simple contract into a subsequent written agreement between parties. The simple contract is then discharged

## Remedies for Breach

- ***Damages:*** In most cases take the form of monetary compensation
- ***Prohibitory injunction:*** It is a court order which restrains a party from doing or continuing to do a particular thing.
- ***Rescission:*** It is a remedy to restore the parties to the position they were in before the contract.
- ***Quantum meruit:*** It means as much as earned or deserved. It is compensation for the work done. The plaintiff is paid for the proportion of the task completed.
-

## **TENDERING**

### **Steps involved in tendering**

A tender is a submission made by a prospective supplier to an invitation to tender. It makes an offer for the supply of goods or services. Tender documents clearly define the bid evaluation criteria, and describe the form of tender applicable fees and standard documents to be used. An effective bid management and tender process provides a positive evaluation approach that leads not only to the appointment of appropriate suppliers but to ensures that the ongoing relationship is mutually beneficial. Tendering helps in reducing costs, improving the quality of supply, and managing risks. The original document should be posted or given in person to the Tender Inviting Authority, within the bid submission date and time for the tender. The bidder has to submit the tender document(s) online well in advance before the prescribed time to avoid any delay or problem during the bid submission process.

The procurement team prepares and organizes a meeting comprising the budget holder and other representatives from human resources, quality management, etc. Each tender should adhere to the requirements to increase the chances of winning the tender. Once the evaluation is done, the tenderer will be selected and notified of their successful tender and others of the unsuccessful submissions. If you are successful at this stage, you will join the buyer's shortlist.

There are four main types of tender namely:

- I. Open tender
- II. Selective tender
- III. Negotiated tender
- IV. Single-stage tender.

### **Open tender**

It is the main tendering procedure employed by both the government and private sector. It allows anyone to submit a tender to supply the goods/services required. It provides the greatest competition among suppliers.

**Selective tender.**

It only allows suppliers to submit tenders by invitation. These suppliers are those who are known by their track record to be suitable for a contract of that size, nature, and complexity required.

**Negotiated Tender**

Negotiated tenders are exclusively used in the engineering and construction industry. Negotiating with a single supplier may be appropriate for highly specialist contractors or extending the scope of an existing contract.

**Single – stage**

It is used when all the information necessary to calculate a realistic price is available when tendering commences. An invitation to tender is used by suppliers.

The tender committee develops tenders & evaluation criteria which contain the following sub-headings:

- Pre-qualification questionnaire (PQQ)
- Issue tender -invite the public to tender i.e., ask the bidder to submit a proposal and price
- Tender briefing meeting
- Initial evaluation – tender panel marks each bid against the agreed evaluation matrix
- Tender shortlist
- Presentation interviews & visits
- Selection of best performer
- Award contact.

## **SALE OF GOODS**

The sale of goods is a contract whereby the seller transfers or agrees to transfer the property in goods to the buyer for a price. There may be a contract of sale between one part-owner and another. Not all transfers of goods to another person for any purpose whatsoever constitute a sale. Goods may be transferred for use only (lease), for safekeeping or storage (bailment), as a present (gift), or in exchange for another good (barter). They may also be transferred as security. A contract of sale may be absolute or conditional. For example, you have an apple orchard with apples in it. You agree to sell 1000 apples to a buyer after the apples rip. This is a sale that has to occur in the future but the goods have been identified already and the agreement made. Such goods are known as future goods. The seller's duties are three: he must deliver the goods, transfer ownership of them, and warrant their conformity to the specifications of the contract. The essential characteristics of a contract of sale of goods are as follows:

1. There must be two distinct parties to the contract of sale viz, a buyer and a seller.
2. There must be a transfer of property. Property here means "ownership". The seller must either transfer or agree to transfer or agree to transfer the property in goods to the buyer.
3. The subject – matter of the contract of the sale must be goods. Personal other than things.
4. The consideration for a contract of sale must be money consideration called the price.
5. The term contract of sale includes both the sale and an "agreement to sell"

Condition in a sale by sample

When under a contract of sale, goods are to be supplied to a sample agreed upon, the implied conditions are:

- (i) That the bulk shall correspond with the sample in quality.
- (ii) That the buyer shall have a reasonable opportunity of comparing the bulk with the sample.
- (iii) That goods shall be free from defect, rendering them un-merchantable which would not be apparent on a reasonable examination of the sample.

### **Obligations of the buyer**

The buyer's main duties are to pay the purchase price and acceptance of delivery. The buyer is strictly responsible for payment of the agreed price and cannot excuse himself for not paying. In many other countries the seller, though not obliged, is at least entitled to resell the goods. The proceeds of the resale diminish the seller's loss; however, the original buyer remains responsible for the difference

## **Negotiable instruments**

A negotiable instrument is a document guaranteeing the payment of a specific amount of money, either on demand or at a set time, whose payer is usually named on the document. The negotiable instrument, which is essentially a document carrying a right to the payment of money and which may be transferred from person to person. Thus, a promise of A to pay B a certain sum at a specified date in the future could be used by B to pay a debt to C. This “negotiability of credit” has a variety of negotiable instruments including promissory notes, checks, and drafts (bills of exchange). These are the most common negotiable instruments in use.

### **Types of negotiable instruments**

- **Personal checks.**

Personal checks are signed and authorized by someone who deposited money with the bank and specifies the amount required to be paid, as well as the name of the bearer of the check (the recipient).

### **Traveler's checks.**

Traveler's checks are another type of negotiable instrument intended to be used as a form of payment by people on vacation in foreign countries as an alternative to foreign exchange. Traveler's checks are issued by financial institutions with serial numbers and in prepaid fixed amounts. They operate using a dual signature system, which requires the purchaser of the check to sign once before using the check and a second time during the transaction. As long as the two signatures match up, the financial institution issuing the check will guarantee payment to the payee unconditionally.

## **3. Money order**

Money orders are like checks in that they promise to pay an amount to the holder of the order. Money orders contain relatively little personal information compared to checks with just the names and addresses of the sender and recipients and not any personal account information.

- **Promissory notes.**

Promissory notes are documents containing a written promise between parties – one party (the payor) is promising to pay the other party (the payee) a specified amount of money at a certain date in the future. Like other negotiable instruments, promissory notes contain all the relevant information for the promise, such as the specified principal amount, **interest rate**, term length, date of issuance, and signature of the payer.

- **Certificate of Deposit (CD)** The buyer or his bank signs the bill as drawee and thereby becomes the acceptor. In return for the instrument, the seller may use this accepted bill to pay his debts or may sell it to his bank (discounting).



## **TIME MANAGEMENT.**

Time management” is the process of organizing and planning how to divide your time between specific activities. Good time management enables you to work smarter – not harder – so that you get more done in less time, even when time is tight and pressures are high.

### **Benefits of good time management to an entrepreneur**

- Greater productivity and efficiency.
- A favorable professional reputation
- Minimizes stress in business
- Enhances business opportunities

Failure to manage time well in by an entrepreneur may have the following negative consequences:

- Missed deadlines.
- Inefficient workflow.
- Poor work quality
- High-stress levels

### **a) Time-wasting (robbers) activities.**

- ❖ Indecisiveness on part of the manager
- ❖ Poor conducted meetings
- ❖ Unconducive environment
- ❖ Excessive paperwork
- ❖ Misplaced items
- ❖ Non-scheduling of events or poor scheduling
- ❖ Coffee/tea breaks
- ❖ Lack of preparation
- ❖ Failure to delegate

**b) Reasons for poor time management:**

- ❖ Lack of priorities
- ❖ Lack of proper follow-up
- ❖ Inadequate preparation
- ❖ Lack of delegation
- ❖ Not being foresighted
- ❖ Poor approach to tasks (unsystematic approach)
- ❖ Constant interruption
- ❖ Procrastination.

**TIME MANAGEMENT TECHNIQUES**

**a) Ways to make the best use of time:**

- Identify daily specific goals
- Establish deadlines, keep a schedule of appointments/activities
- Work in blocks of time - the most effective time for hard tasks
- Be action-oriented
- Plan in detail for tomorrow
- Learn from your experience
- Question on time use.

**As an entrepreneur, you should learn skills on how to delegate. The following steps are necessary:**

- Carefully define the task to be delegated
- Give some thought to the selection of the process
- Plan for the instruction and training needed
- Communicate the task to the person
- Consider the human behavior aspects of motivation and trust
- Delegate the authority as but maintain the responsibility
- Follow up on the results and give feedback by practicing the 10- 80-10 delegation rule.

## **BUSINESS ETHICS & SOCIAL RESPONSIBILITY**

Ethics is a code of conduct that guides an individual while dealing with others. They are rules or principles that define right and wrong conduct. It relates to social rules and values that motivate people to be honest in dealing with others. Ethics direct human behavior differentiating between good and bad, right and wrong, fair and unfair human behavior and actions.

The word ethics has a wide application to various fields for instance. Economics, social, political, religion, engineering, law, teaching, accounting. Businesses are expected to follow a fair code of conduct while managing their business activities. They can make profits but not by exploiting customers, employees and the society as a whole.

The quality of business activities mainly depends on ethical values respected by the business community. This results in business expansion and social recognition of a business. Today's business is more concerned with making profits and expands as fast as possible.

When dealing with customers, a business should avoid unfair trade practices, give correct information to shareholders through company reports, pay fair wages to employees and provide a conducive working environment.

A professional should evaluate his/her decisions/actions to ensure it will not produce a harmful. Effect on others.

### **Importance of Ethics:**

- ❖ Ethics correspond to human needs since man desires to be ethical both in private and in business affairs. Most people prefer to deal with an enterprise they can respect.
- ❖ Values create respectability with the public if it perceives a company as ethical and socially responsive.
- ❖ Management earns credibility with employees and the public.
- ❖ Better decision making by management in the interest of the public.
- ❖ Profits - a company which is inspired by ethical conduct is a profitable one in the long run.
- ❖ A business that is ethics oriented will take steps to prevent pollution and protect the workers' and public health.

### **The Need for Business Ethics:**

- To check business malpractices that is make business activities fair to consumers and offer protection to them.
- Improving consumer confidence as regards quality, price, and reliability of goods/services.
- To make business people conscious of their duties and responsibilities towards consumers and other social groups.
- To safeguard consumer welfare.
- To protect the interests of all who deal with the business namely employees, shareholders, dealers and suppliers.
- Developing cordial relations between business and society.
- To create a good image for the business and avoid public criticism.

People have become increasingly aware of their rights (Government, consumers, employees, shareholders and the local community).

### **Unethical Business Practices:**

Business practices that not fair are treated as unethical practices used to exploit and cheat consumers and social groups. The aim is to maximize profit at the cost of the social good.

Examples of such unethical practices are:

- Supplying inferior quality good to consumers.
- Charging high prices by hoarding to create artificial shortages.
- Giving false, confusing and misleading advertisements of products/services.
- Adulteration, under weights/measures of products.
- Misbranding and black marketing.
- Supplying false/inadequate information on packaging.
- Use of unfair sales promotion techniques.
- Providing inefficient services. Give examples.
- Paying low wages and indecent treatment of employees.
- Disregard to labor laws including the right to form a trade union.

- Lack of safety measures for employees.
- Child labor.
- Paying low dividends to shareholders.
- Tax evasion.
- Forming cartels and monopolies (Oil sector).
- Disregard to business laws, Government policies and misuse of incentives offered by Government.
- Giving bribes, donations, kickbacks to politicians and Government officials for certain benefits.
- Inadequate measures in regard to pollution control.

Creating inconveniences to local people through industrial activities without due regard to local community.

## **CORPORATE SOCIAL RESPONSIBILITY**

Business's measure of success goes beyond the bottom line. In today's world, how a company gives back to its community, positively impacts the environment, and acts for the greater good—not just a greater profit—is critical. That's where the corporate social responsibility of a business comes in. Social responsibility in business, also known as corporate social responsibility (CSR), pertains to people and organizations behaving and conducting business ethically and with sensitivity towards social, cultural, economic, and environmental issues. Socially responsible companies should adopt policies that promote the well-being of society and the environment while lessening negative impacts on them. Corporate social responsibility is traditionally broken into four categories: environmental, philanthropic, ethical, and economic responsibility.

### **Environmental Responsibility**

For companies committed to CSR, it's important for businesses to engage in environmentally friendly practices. Corporations can be significant contributors to greenhouse gas emissions, pollution, waste, and natural resource depletion—but by committing to environmental responsibility, a business takes ownership over its impact on the environment.

Depending on a business's size and industry, environmental responsibility can take many different forms. For some companies, it means using alternative energy sources and sustainable materials. For others, it means enacting a company-wide recycling program or donating to and volunteering for local environment-focused organizations.

### **Ethical Responsibility**

Being ethically responsible means ensuring a business engages in fair business practices across the board—including treating all employees, stakeholders, and customers ethically and with respect. This type of CSR can also take a lot of different forms. Some common examples of ethical responsibility include setting a higher minimum wage, guaranteeing all materials are ethically sourced, and ensuring that all employees receive competitive pay and comprehensive benefits as well as treated with respect.

### **Philanthropic Responsibility**

In today's world, it's almost expected for businesses to give back to the communities they exist in and donate to causes that align with their company mission. When businesses do this, they're following through with their philanthropic responsibility. This philanthropic responsibility can be as small scale as sponsoring a local nonprofit's annual fundraiser or as large-scale as donating a percentage of a business's annual earnings to a prominent cause.

### **Economic Responsibility**

When a business is acting with economic responsibility in mind, it is making financial decisions that prioritize doing well, not just making more money. This means that this type of CSR is intertwined with the other types above. For example, this could mean that a business signs a contract with a supplier that uses sustainable materials—even if it costs more. Another example of economic responsibility is when a company commits to a transparent salary system that fairly compensates all employees and makes up for past gender and race pay gap.

### **Benefit of CSR**

- Can help to attract and retain employees

One of the major reasons people apply to various companies is because of their CSR. It shows a company is compassionate and treats all people including employees, well.

- Can improve customers' perception of the brand.

Business that take social responsibility seriously can win consumers as well as develop a platform to market and earn their audience's attention. Business must create trust with their target audience.

- Shows a sign of accountability to investors.

Business that are socially responsible can appear more attractive to investors and general public because it's an indicator of a corporate culture less likely to produce expensive missteps like financial fraud.

- CSR can enable a company / business saves money.

It improves bottom line because it typically requires investment in projects which convince customers to pay more for products from socially responsible brand.

- Better engagement with customers.

Many forms of CSR involve business interacting directly with members of the society who may also be customers or potential customers.