**ENTREPRENURSHIP EDUCATION / SKILLS LECTURE NOTES**

**TUTOR-MOGIRE BERNARD**

**CONTACT-0725603541**

**THE CONCEPT OF ENTREPRENEURSHIP/ENTREPRENEUR**

Entrepreneurship is the process of designing, launching and running a new business, which is often initially a small business. The people who create these businesses are called entrepreneurs.

**Entrepreneurship has been described as the "capacity and willingness to develop, organize and manage a business venture along with any of its risks in order to make a profit”.** While definitions of entrepreneurship typically focus on the launching and running of businesses, due to the high risks involved in launching a start-up, a significant proportion of start-up businesses have to close due to "lack of funding, bad business decisions, an economic crisis, lack of market demand—or a combination of all of these

"Entrepreneurship is much broader than the creation of a new business venture,”. “At its core, it is a mindset – a way of thinking and acting. It is about imagining new ways to solve problems and create value."

The word “entrepreneur” is derived from the French verb *enterprendre*, which means ‘to undertake’. This refers to those who “undertake” the risk of new enterprises. An enterprise is created by an entrepreneur. The process of creation is called “entrepreneurship”.

**"An entrepreneur is someone who can take any idea, whether it be a product and/or service, and have the skill set, will, and courage to take extreme risk to do whatever it takes to turn that concept into reality and not only bring it to market but make it a viable product and/or service that people want or need,"**

Therefore, ***Entrepreneurship*** is a process of actions of an entrepreneur who is a person always in search of something new and exploits such ideas into gainful opportunities by accepting the risk and uncertainty with the enterprise.

**A BUSINESS MAN VS AN ENTREPRENUR**

***Definition of Businessman***

A person who is engaged in carrying out any activity, related to commercial and industrial purposes is known as Businessman. He sets up his business as a new entrant in the market as for the existing business. When it comes to originality of ideas, most of the businessmen go for a business which is highly in demand or which can make huge profits for them irrespective of uniqueness.

A businessman faces tough competition because there are hundreds of rivals already existing in the market undertaking the same business. Although the **risk factor is low** because he walks on a path that is already tested by the rivals so the chances of failure are relatively low.

The main objective of a businessman for conducting the economic activities is **to generate revenue by employing the human, financial and intellectual resources**. By virtue of this, customers are treated as the king of business by the businessman.

***Definition of Entrepreneur***

An entrepreneur is **a person who conceives a unique idea or concept to start an enterprise and brings it into reality**. He is the person who bears risks and uncertainties of the business. The venture established by the entrepreneur is known as **Startup Company**, which is formed for the very first time regarding the idea, innovation or business process.

He/She is the ones who lead the market always no matter how many competitors will come later, but their position will remain untouched.

In economics, the entrepreneur is considered as the most important factor of production, which assembles and mobilizes the other three factors of production i.e. land, labor and capital. In the long run, these entrepreneurs become a businessman.

Entrepreneurs are known for their creative approach. They introduce innovation and coordinate the resources. They offer such products and services which bring about a change in the world.

**Some real life examples of such entrepreneurs are Bill Gates (founder of Microsoft), Mark Zuckerberg (co-founder of Facebook), Larry Page (co-founder of Google), Steve Jobs (co-founder of Apple) etc.**

**Key Differences between Businessman and Entrepreneur**

The following are the differences between businessman and entrepreneur

1. A person who brings his unique idea to run a startup company is known as an entrepreneur. A businessman is a person who starts a business on an old concept or idea.
2. A businessman makes his place in the market with his efforts and dedication, whereas an entrepreneur creates the market for his own business.
3. The businessman is a market player while Entrepreneur is a market leader because he is the first to start such a kind of enterprise.
4. The nature of a businessman is calculative, but an entrepreneur is intuitive.
5. As the businessman follows the footsteps of other businessmen, the possibility of failure is very less which is just opposite in the case of the entrepreneur.
6. A businessman uses traditional methods to run the business. Conversely, an entrepreneur applies unconventional methods for the same.
7. A businessman is oriented towards profit, however, an entrepreneur is a people focused in essence, he gives more importance to its employees, customers, and the public.
8. The businessman faces extreme competition because it is very difficult to gain a competitive position in an already existing market, which is not in the case of an entrepreneur.

**Conclusion**

A businessman is a businessman, but an entrepreneur is an entrepreneur, an organizer, a risk taker, a manager at the same time. The former focuses on competition, but the latter gives emphasis on coordination and cooperation of all the resources.

***A good entrepreneur should have the following characteristics;***

* **Desire to achieve**- An entrepreneur is a person who wishes to excel and has the drive to succeed while competing with others. He/she always tries to accomplish something new.
* **Ability to solve problems**- An entrepreneur is expected to struggle with determination to get solutions even under difficult situation so that the business can succeed.
* **Risk taker**- Entrepreneurs take viable business ventures even when they are not sure of the returns. They assess situations and take calculated risks.
* **Initiative** – An entrepreneur should be aggressive in implementing ideas well ahead of other businesses so that he/she can be ahead of them.
* **Time consciousness**- An entrepreneur should be able to use time wisely and avoid wasting it. A wise and quickly implemented decision may mean success in business whereas time lost may mean failure.
* **Creativity and innovation**- An entrepreneur should be able to generate new ideas as well as think of the best ways of putting them into practice.
* **Independence and self-confidence**- Entrepreneurs are their own bosses and should believe in their ability to do things and succeed.
* **Persistence and patience**- An entrepreneur should not give up when challenges arise. Sometimes, he/she takes time and make a repeated action or adopts a different course of action in order to overcome such challenges so as to reach the target
* **Decisive**- Entrepreneurs have strong problem, solving and decision making skills. The business environment is such that decision has to be made quickly to respond to any situation that may arise.
* **Persuasive**- Convincing people to believe in their ideas and buy their products keeps entrepreneurs in business
* **Goal-oriented**- Entrepreneurs are achievers who work towards set goals. They continually monitor progress to determine whether they are achieving the goals they have set and where improvements need to be made.
* **Seek information**- Entrepreneurs use various methods to get the relevant information that is necessary for the success of the business.
* **Concern for high quality products**- An entrepreneur should strive to cope or beat the existing standards of quality. This will enable him/her succeed in a competitive market.
* **Commitment to work**- An entrepreneur places priority on getting tasks accomplished. To achieve this he/she may make extra ordinary personal sacrifice e.g. working until very late.
* **Concern for customer satisfaction**- An entrepreneur should ensure that customers are satisfied so as to continue being/remain loyal to the business.
* **Desire to feedback**- An entrepreneur should be interested in knowing how the business is performing..

**IMPORTANCE OF ENTREPRENEURSHIP TO AN ECONOMY**

1. **Creation of employment-** Through entrepreneurship, jobs are created which help in absorbing people who would otherwise have been jobless e.g. people employed in the jua kali sector.
2. **Formation of capital**- Profit earned by entrepreneurs may be used to expand the business or even to start other businesses. Wages and salaries paid to the employees is a source of capital to them.
3. **Raising standards of living-** Entrepreneurs pay wages and salaries to their employees which enable them to acquire goods and services they need to live comfortable lives. Entrepreneurs also provide a wide variety of goods and services to consumers hence leading to improved living standards.
4. **Encourages the use of local resources-** Entrepreneurship makes it possible to use/exploit local resources. Idle resources such as scrap metal may be used to make jikos.
5. **Improving infrastructure-** The existence of businesses in the economy makes the government establish or improve infrastructure such as roads, communication facilities and water. At other times, entrepreneurs may combine forces to improve infrastructure in their area of operation.
6. **Savings on imports-** Local entrepreneurs are able to produce goods and services that are a substitute to imports. This helps the country to reduce the amount of money required to pay for such imports.
7. **Reducing foreign dominance of the economy-** Participation of local entrepreneurs in various business activities helps in reducing investments by foreigners in the particular area.
8. **Promotion of technology/promotion of innovation, research and development-** Entrepreneurs are creative and they come up with new and better ways of accomplishing tasks. Most of the inventions and innovations in our society have been developed by entrepreneurs.
9. **Promotion of entrepreneurial culture/helps in the creation of role models-** Successful entrepreneurs/entrepreneurial ventures encourage other members of society to initiate their own businesses and hence act as role models in the business world.
10. **It contributes to government revenue-** Taxes and fees paid by entrepreneurial ventures constitute part of government revenue/income that helps it to facilitate its operations.
11. **It promotes economic growth-** Entrepreneurs produce goods and services. This increases the volume of goods and services in the economy leading to expansion of the economy.
12. **It may promote self-actualization and esteem-** By initiating businesses in which they are their own bosses, entrepreneurs pride is boosted and this may promote the overall productivity of the economy.

**SOME MYTHS ABOUT ENTREPRENEURSHIP:**

Over the years, a few myths about entrepreneurship have developed. These are as under:

**(i) Entrepreneurs, like leaders, are born, not made:**

The fact does not hold true for the simple reason that entrepreneurship is a discipline comprising of models, processes and case studies.

One can learn about entrepreneurship by studying the discipline.

**(ii) Entrepreneurs are academic and socially misfits**:

**Bill Gates has been a School drop-out**. **Tabitha Karanja-CEO Keroche Breweries hasn’t gone through any institution of higher learning**. Therefore, this description does not apply to everyone. Education makes an entrepreneur a true entrepreneur. **Mr Vimal Shah-USIU**, **Mr Manu Chandaria-University of Oklahoma**, for example, are educated entrepreneurs and that is why they are heroes.

**(iii) To be an entrepreneur, one needs money only:**

Finance is the life-blood of an enterprise to survive and grow. But for a good idea whose time has come, money is not a problem.

**(iv) To be an entrepreneur, a great idea is the only ingredient:**

A good or great idea shall remain an idea unless there is proper combination of all the resources including management.

**(v) One wants to be an entrepreneur as having no boss is great fun:**

It is not only the boss who is demanding; even an entrepreneur faces demanding vendors, investors, bankers and above all customers.

An entrepreneur’s life will be much simpler, since he works for himself. The truth is working for others are simpler than working for oneself. One thinks 24 hours a day to make his venture successful and thus, there would be a punishing schedule.

**ROLE OF GOVERNMENT IN PROMOTING ENTREPRENEURSHIP AND THE GROWTH OF SMALL BUSINESS**

* Government support/ favorable government policies/ funding regulation (of business activities) may encourage the emergence expansion of business venture.
* Training/ in education entrepreneurship/ trainees are equipped with skills/ knowledge to undertake entrepreneurial activities to start businesses.
* Entrepreneurial culture/ cultural practices that encourage entrepreneurship through early exposure to business activities opportunities/ positive attitude towards business.
* Presence of role model interaction with successful business people who may inspire/ create interest in entrepreneurship/ business ownership.
* Availability of capital/ loans/ credit facilities for start expanding a business (may facilitate entrepreneurship).
* Political stability/ non political interference that creates a confused environment for starting/ running expanding business.
* Availability of market/ market information.
* Availability of security- that ensure safety of businesses/ property/ business owners.
* Healthy/ fair competition that business owners can withstand/be safe with.
* Good government that ensures accountability in conducting business activities.
* Availability of technology that can lead to the production of desired quality/ quantity of goods/services.

**ENTREPRISE DEVELOPMENT**

The term "enterprise" has two common meanings.

Firstly, an enterprise is simply another name for a business. The establishment where the business activities are undertaken is called business enterprise. The business enterprise may be owned by an individual or by more than one individuals.

Secondly, and perhaps more importantly, the word enterprise describes the actions of someone who shows some **initiative** by taking a**risk** by setting up, investing in and running a business.

Someone who shows enterprise is an **"entrepreneur"**

The following are some of the essential characteristics of the business enterprise:

* The business enterprise should have an entrepreneur who takes the initiative of establishing a business unit.
* The business enterprise requires an organisation in order to co-ordinate the factors of production.
* Business enterprises require finance for their working.
* Business is carried on the anticipation of demand and therefore it should be based on sound forecasting or planning.
* Business is carried on for a purpose of surplus creation or profit. Greater the surplus better will be the business.
* Business enterprise should aim at providing better service to the customers at large.

**PROCESS OF SETTING UP A BUSINESS ENTERPRISE**

The major steps involved in the process of setting up a new business enterprise include the following.

1. Identification of business opportunity and Generation of business idea
2. Feasibility study-evaluating the business opportunity
3. Preparation of business plan
4. Launching the enterprise

**Step 1: Identification of Business Opportunity and generation of business idea**

Business opportunity refers to a business idea which can be converted to a profitable business.  The world of business offers a number of business opportunities, but not many people can identify them. An entrepreneur should be able to identify such business ideas which can be converted to profitable business ventures. While choosing an idea to work with, an entrepreneur has to be very careful about the line of business (manufacturing, trading or service) as any mistake made in taking such a decision may prove to be very costly. Moreover, the entrepreneur should also ensure that there is an adequate market for the product or service that he wants to offer in the market and that the rate of return on the investment is sufficient.

A business idea becomes a business opportunity if it is viable i.e. it can be developed into a successful/profitable business enterprise

A business opportunity is a favourable chance that an entrepreneur accepts for investment. It exists where there is a gap to be filled in the needs of the market. Examples of such gaps include;

1. **In availability of products**- This is where goods and services needed by the consumers are not available at all in the market.
2. **Poor quality products**- A business opportunity exists if one offers better quality goods and services than those of the existing businesses.
3. **Insufficient quantities**- This is where the goods supplied are not enough to meet the demand/need of the consumers.
4. **Unaffordable prices**- A business opportunity exists where one would charge affordable prices.
5. **Poor services**- A business opportunity exists where customers are not served well.

**Step 2: Feasibility Study-evaluating the business opportunity**

Feasibility study is a detailed study done by an entrepreneur to ensure that the project is viable.

This means assessing whether the identified opportunity is viable or not. This helps in arriving at the best decision concerning the business idea to implement

Evaluation should be done carefully, systematically and without emotions. Evaluation is necessary even where there is only one business idea. This will help in avoiding starting a business that cannot succeed.

**Factors to consider when evaluating a business opportunity**

​The following are the factors to consider when evaluating a business opportunity.

**a. Personal consideration**

These are the abilities and expectations of an entrepreneur. They include the following;

1. **Objectives**- The entrepreneur should evaluate the business idea to find out whether it is in line with his/her objectives.
2. **Skills**- Where a business requires certain specialized skills and those skills are lacking the idea may be dropped.
3. **Commitments**- Where the business is likely to interfere with the entrepreneurs other commitments it may fail.
4. **Interest**- It is necessary to check whether the intended business will interest the entrepreneur or not. If the entrepreneur will not enjoy running the business, the idea should be dropped.

**b. Business consideration**

*These are external factors that are likely to affect the operations of the business and they include;*

1. **Availability of market for the product**- An entrepreneur should assess the availability of customers before starting a business. Customers exist where there is a gap/niche in the market.
2. **Technology**- The business should be evaluated in terms of whether there is an appropriate technology that can be used in production. Factors to be looked into include;
   1. Appropriateness of the technology
   2. The cost of the technology
   3. The possibility of the business suffering in case the technology becomes outdated/obsolete.
3. **Availability of raw materials and other resources**- The raw materials and resources required should be within the reach and affordable to the entrepreneur.
4. **Government policy**- An entrepreneur should consider the requirements of the government before starting a business e.g. the government may require certain businesses to be located in certain areas only.
5. **Amount of capital required**- The capital required to run and maintain the business should be considered i.e. the source of capital.
6. **Profitability of the business**- Within a certain duration of time.
7. **The break-even period**- How long the business can take to support itself.
8. **Possibility of expansion** i.e. the potential for growth of the business.
9. **Impact of the business operations on the environments;** some businesses lead to environmental degradation and should be located in appropriate places/effect on community and environmental health.
10. **Security**- Availability of security should be considered.
11. **Level of competition**- This will help determine whether the business will survive or not.

**Step 3: Preparation of Business Plan**

Business plan is an important document prepared by the entrepreneur that describes various elements involved in starting a new enterprise. It is often an integration of functional plans such as marketing, finance, production, personnel etc. Business plan serves the following objectives:

a.       It indicates the actions to be taken to implement the project.

b.      It helps the entrepreneur in raising necessary funds.

c.       It helps in measuring the progress of the venture at successive stages

d.      It informs investors, suppliers, creditors and other stakeholders about the programme of the entrepreneur.

**Step 4: Launching the Enterprise**

After preparing the business plan, the entrepreneur assembles the necessary resources to launch the enterprise. He collects the required funds and acquires land and buildings, plant and machinery, furniture and fixtures, raw materials, employees etc. Once this is achieved, it is necessary to ensure that the project is implemented properly and it has smooth and uninterrupted operation

**THE LIMITATIONS IN BUSINESS ENTERPRISE DEVELOPMENT**

**Small and medium enterprises** often referred to as SMEs play a very fundamental role in the economy. However, these enterprises are not able to operate to their optimum level due to the challenges they face.

 The following are challenges faced by small and medium enterprises.

1. Lack of adequate managerial training.

 More often than not small and medium enterprises establish managerial strategies through trial and error mechanism. Their managerial techniques only focus on operational plans rather than strategic plans of their organization. In addition, these managerial techniques are not standard with those of other global managers. Consequently, managers of small and medium enterprises are not able to adequately handle challenges facing enterprises.

2. Lack of adequate finance and limited access to credit.

Many small and medium enterprises do not have access to finance and credit especially from financial institutions such as commercial banks. This is because of the lending conditions given to them such as collateral for the loan. These enterprises may not be able to provide collateral such as immovable assets due to their small asset base. Consequently, most of these enterprises resort to borrowing from friends and relatives. However, this type of finance is inadequate to cater for all the needs of the medium and small enterprises. As a result, lack of credit forces the management to use cheap and local technology which most times is inappropriate.

3. Rapid technology changes.

Technology change poses a big challenge to the growth of small and medium enterprises. Most of these enterprises are not able to adopt new technology due to its high initial and installation costs. In addition, this new technology, more often than not, does not suit the needs of these enterprises. For example, a small enterprise located in a rural area cannot reap the full benefits of internet connection due to lack of rural electrification. Adopting to new technology has also been hampered by the slow rate of economic growth in Kenya.

4. New laws and regulations.

 Everyday, the government and other stakeholders continue to introduce new regulations for industries and enterprises in Kenya. New laws are being enacted in a bid to regulate the operations of enterprises. These laws are also meant to spearhead sustainable economic growth in the country. However, such regulations sometimes pose tremendous threat to the growth of small and medium enterprises in Kenya. This is because some of these laws are too tough.

5. Inadequate knowledge and skills.

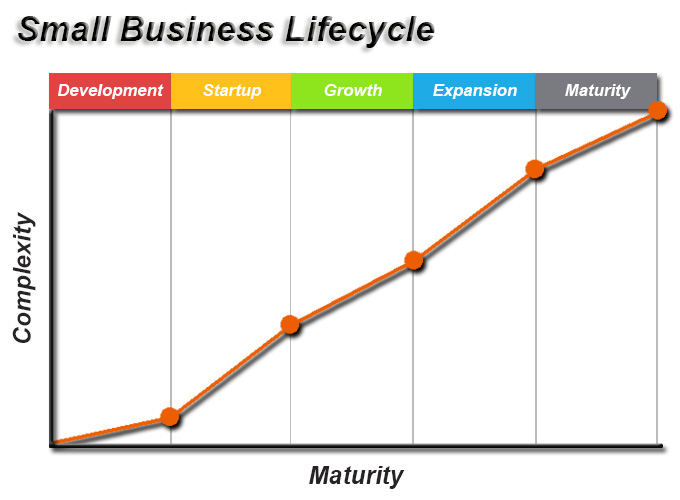
Every managerial position regardless of whether in a small shop, supermarket chain or an enterprise warrants for adequate education and skill. However, research reveals that most of the managers of these enterprises in Kenya lack adequate education. In addition, they are not well informed in terms of managerial knowledge and skills.

**Other challenges facing small and medium enterprises include poor infrastructure, poor management of resources and inadequate support from the government.**

n/b Small and medium enterprises should not be ignored. They can serve as the backbone of restoring our crippled economy back on its feet. Therefore, the government should intervene and help these enterprises gain momentum.

**THE BUSINESS LIFE CYCLE OF A SMALL BUSINESS**

During the growth of a small business, a company will go through the stages of the business life cycle and encounter different challenges that require different financing sources. For example, the business will require a different strategy when it comes to market penetration, business development, and retaining market share. As the business matures, operations and priorities will change therefore requiring business financing to also change as well.  
A business will go through the stages of a business lifecycle similar to a tree’s lifecycle. As a seedling that sprouts and matures, the tree will require different amounts of resources through the stages of its lifecycle. Understanding the different stages of the business lifecycle will help you prepare for the obstacles that your business will needs to conquer in order to succeed.



**1. Development / Seed Stage**

The development or seed stage is the beginning of the business lifecycle. This is when your brilliant idea is merely just a thought and will require a round of testing in its initial stage. In testing your business idea, you may conduct research regarding the industry, gather feedbacks from your friends, family, colleagues, or other industry specialists. This is when you are determining whether the business idea that you had is worth pursuing and if so it will be the birth of your new business.

Challenges

* Business Idea Profitability
* Market Acceptance
* Establishing Business Structure
* Accounting Management

**2. Startup Stage**

You’ve decided that your business idea is worth pursuing and have now made your business entity legal. In this stage, you’ve finished developing the products or services that your business has to offer and will begin marketing and selling. During this stage, you will be tweaking your products or services according to the initial feedback from your first paying customers and market demand. You will need to learn and adjust your business model to ensure profitability and that it meets your customer’s expectations. By adjusting your business model, you’ll be able to set your business on the right track.

Challenges

* Managing Cash Reserves
* Managing Sales Expectations
* Accounting Management
* Establishing Customer Base
* Establishing Market Presence

**3. Growth / Survival Stage**

Your business has endured through the initial stages of the business lifecycle and is currently in its growth or survival stage. The business is consistently generating revenue and adding new customers. These recurring revenue will help pay for your operating expenses and open up new business opportunities. Currently, your business could be operating at a net loss or maintaining a healthy profit, but there could be some competition. This is also when you need to fine tune your business model and implement proven methodologies, sales model, marketing model, and operations model before expanding your venture for the mass market.

Challenges

* Dealing with Increasing Revenue
* Dealing with Increasing Customers
* Accounting Management
* Effective Management
* Market Competition

**4. Expansion / Rapid Growth Stage**

Your business has been a thriving company and established its presence in the industry. You have now reached the stage in which your business will expand and spread its roots into new markets and distribution channels. In order to start capitalizing on the success of your business, you will need to capture a larger market share and find new revenue. Therefore your business will experience a rapid growth in revenue and cash flow. The rapid growth stage takes advantage from the proven sales model, marketing model, and operations model set forth from your growth/survival stage.

Challenges

* Increasing Market Competition
* Accounting Management
* Moving into New Markets
* Adding New Products/Services
* Expanding Existing Business

**5. Maturity Stage**

After a successful expansion, your business is on top of its industry and has matured. At the final stage of the business lifecycle, your business has a dominating presence in its market. Your business could still be growing but not at the substantial rate as you’ve previous experienced. Your current option is to decide to take a step back towards the expansion stage or to think of a possible exit strategy.

Challenges

* Increasing Market Competition
* Accounting Management
* Moving into New Markets
* Adding New Products/Services
* Expanding Existing Business
* Exit Strategy

Every stage of the business lifecycle brings new or pre-existing challenges. Solutions that may have worked for one stage may not work in another stage, which is why you should always adjust your business plan and operations accordingly.

At each stage, your business will rely on a financial source to help overcome the challenges your business faces. This is especially important to have an accounting management software in place so that you will have an accurate reflection of your current business finances. Having an accounting software in place will help you understand where your business is on the current business lifecycle and the details will allow you foresee upcoming challenges and to make better business decisions.

**PROTECTION OF BUSINESS IDEAS AND MAINTAINING SECRECY**

Whether you are an owner of an established business or a budding entrepreneur working on a start-up, understanding how you can protect your business ideas is key to making your company attractive to investors, securing funding, growing the company and ensuring the longevity of your business.

Confusion over how to protect ideas and innovations is widespread among businessmen, many of whom lack an understanding of the basic legal protections available to them.

Depending on the type of idea that you have, the state of the idea, and the amount of money at your disposal, you have the following four ways to protect your intellectual property:

1. PATENTS. A patent is a right granted by the United States government to prevent other parties from making, selling, or using your invention, whether that invention is a product, a method, an apparatus, a composition of matter (including man-made microorganisms), or a computer program.

To qualify for the right, a person must file an application describing the invention in the Patent and Trademark Office. After the office determines that the invention is in fact new, it will issue a patent, a process that takes about two years. Exclusive rights, i.e., the right to sue to stop others from using your invention and to collect damages for unauthorized use, do not begin until the patent is issued.

**Patents are registered with the Kenya Industrial Property Institute (KIPI) which is a Government department under the Ministry of Trade and Industry. The Institute implements two (2) Acts of Parliament that provide for the protection of industrial property rights, that is, the Industrial Property Act, 2001 and the Trade Marks Act, Cap 506 of the Laws of Kenya.**

There are three types of patents: utility patents; design patents, and plant patents. Having a patent for an invention or a design allows the owner to exclude others from making, using, or selling the invention or design for a certain period of time. To obtain a patent, a person must file an application with the Patent and Trademark Office.

**Utility patent** may be granted to anyone who invents or discovers any new and useful process, machine, article of manufacture, or composition of matter, or any new and useful improvement thereof. Utility patents last up to 20 years from the date of patent application.

**Design patent** may be granted to anyone who invents a new, original, and ornamental design for an article of manufacture. In general, a design patent is obtained for the aesthetically appealing features of a product. It gives the owner the right to prevent others from making, using, or selling a product that so resembles the patented product that an “ordinary observer” might purchase the infringing article, thinking it was the patented product. An example of a famous design patent is Coca-Cola’s unique bottle shape. Also, many clothing companies often patent a unique design to prevent other companies from imitating it. Design patents last for up to 14 years from the date of the grant.

In many circumstances, one may obtain a design patent in addition to a utility patent for the same invention. Also, to the extent that the subject qualifies as a work of art, there may be an opportunity to obtain a copyright for the same, and if the design is embodied in a physical article, and also functions as a trademark, a trademark registration may be obtained.

**Plant patent** may be granted to anyone who invents or discovers and asexually reproduces any distinct and new variety of plant.

The patent application process is complicated and can cost thousands of dollars as most applications require help from a qualified patent attorney or agent. Basic requirements to preserve your patent rights. Before seeing a patent attorney, you should not release any information about the product or innovation publicly, since public disclosure triggers various laws by which rights can be irrevocably lost. You should also have written documentation, signed by a witness, of every step that went into making your invention, to prove that you are the actual inventor. If any of your employees are likely to be inventors, you should have them sign agreements, in advance, that inventions developed in the course of their work for you belong to the company

**2. COPYRIGHT**. Copyright protects original works of authorship including literary, dramatic, musical, and artistic works, such as poetry, novels, movies, songs, computer software, and architecture. Copyright does not protect facts, ideas, systems, or methods of operation, although it may protect the way these things are expressed. You do not have to register your work to have copyright protection. However, only registered works may be eligible for statutory damages and attorney’s fees in a copyright infringement suit. Thus, you should register your work with the Copyright Office.

The term of copyright for a particular work depends on several factors, including whether it has been published, and, if so, the date of first publication. As a general rule, for works created after January 1, 1978, copyright protection lasts for the life of the author plus an additional 70 years. For an anonymous work, a pseudonymous work, or a work made for hire, the copyright endures for a term of 95 years from the year of its first publication or a term of 120 years from the year of its creation, whichever expires first.

3. **TRADEMARKS**. A trademark is a word, phrase, or design that distinguishes the source of the goods of one business from its competitors. A right in a trademark is acquired by use, but registration with Patent and Trademark Office makes it easier to enforce such right.

To apply, you must have a clear representation of the mark, as well as an identification of the class of goods or services to which the mark will apply. You can submit an online application, and filing fees vary according to the type and the number of classes of goods or services, among other factors. Filing an application for trademark is complicated, so, as with patents, most people hire attorneys who specialize in trademarks to handle the process.

To establish ownership of a trademark, you must first use it in a commercial sale of the goods or services. Then you should promptly file an application for registration of the mark in the Patent and Trademark Office. After the office determines that the mark is not confusingly similar to any previously registered mark, it will issue the official registration. This notice of your rights to the mark enables you to legally prevent others from using the mark anywhere in the country, even if they don't know you've used it before.

Basic requirements to preserve trademark rights: Have a search conducted to see if the mark is still available; get legal advice to verify that the mark can be registered; and learn how to use it properly to complete your ownership.

**4. TRADE SECRETS**. A business or a person may claim as a trade secret any information that (1) has economic value because it is not generally known and (2) is subject to efforts to maintain its secrecy that are reasonable under circumstances. Trade secrets may include, but are not limited to the following: formula, pattern, compilation, program, device, method, technique, process, financial data or list of actual or potential customers or suppliers.

Thus, even those ideas and business processes that do not qualify for patents, copyright or trademark protection, can be protected by the owner as trade secrets, as long as they have economic value and the owner’s efforts to keep the ideas secret are reasonable under circumstances.

Trade secrets may be defined as all those documents and pieces of information within a company that the company takes steps to conceal from outsiders and that are not necessarily disclosed upon the sale of the company's product or services. Examples include customer lists, blueprints, and recipes. The company's ownership in these secrets exists upon their creation. No application need be filed anywhere.

However, maintaining secrecy is essential; a company cannot prevent an outsider from using the secret if the company voluntarily or carelessly revealed it to him without a signed agreement prohibiting use of these materials. The company also cannot prevent outsiders from using its trade secret if the outsider arrived at it independently. (A patent, remember, does allow a company to stop such use.)

While trade secrets are essentially for protecting internal matters, they can often be used in advertising to convey to the public your company's exclusivity in a certain product or service. Cosmetic ads often sell products made by "secret formulas" and many kinds of foods are allegedly made by "secret recipes."

Basic requirements to preserve trade secret rights: Trade secrets can be protected indefinitely (as, for example, the Coca-Cola formula has been for nearly 100 years) by following two basic rules:

1. Before anyone is given access to any trade secret, that person should sign an agreement that he will keep it secret. Employees and hired outside consultants have a duty not to reveal trade secrets. The laws governing such duties are not always clear, especially as they apply to employees after they leave the company. So to preserve rights to trade secrets, employees and hired outside consultants should be asked to sign a secrecy agreement at the beginning of their employment. Such agreements will be especially helpful to stop other companies from using your secrets if they become aware of them without authorization.

2. Have a sensible in-house control procedure that, for example, keeps secret documents in a secure place, prohibits outside visitors from access to places where trade secrets are visible, and educates employees on the importance of maintaining secrecy.

**BUSINESS INCUBATION**

Business incubation is a process of support for businesses with growth potential.

It can be targeted at one or a combination of support to:

• Start-ups,

• Early stage businesses,

• Established businesses with new products/ new directions.

A business incubator is a company that helps new and startup companies to develop by providing services such as management training or office space. This is also Facility established to nurture young (startup) firms during their early months or years. It usually provides affordable space, shared offices and services, hand-on management training, marketing support and, often, access to some form of financing.

Business incubation programs are often sponsored by private companies or municipal entities and public institutions, such as colleges and universities. Their goal is to help create and grow young businesses by providing them with necessary support and financial and technical services.

If an incubation program seems interesting to you, be prepared to submit a fleshed-out business plan. The plan will be reviewed by a screening committee to determine whether or not you meet the criteria for admission. Incubators carefully screen potential businesses because their space, equipment, and finances are limited, and they want to be sure they're choosing to nurture businesses with the best possible chance for success.

**The benefits of business incubators are numerous**. Amongst other things, they:

i) They help with business basics

(ii) They provide Networking activities

(iii) They provide Marketing assistance

(iv) Incubators help in Market Research

(v) They provide High-speed Internet access

(vi) Incubators Help with accounting/financial management

(vii) They help in providing Access to bank loans, loan funds and guarantee programs

(viii) Incubators help with presentation skills

(ix) They link to higher education resources

(x) They link to strategic partners

(xi) They provide Access to angel investors or venture capital

(xii) They organize Comprehensive business training programs

(xiii) They act as Advisory boards and mentors

(xiv) They help in Management team identification

(xv) They help with business etiquette

(xvi) They provide Technology commercialization assistance

(xvii) They help with regulatory compliance

(xiii) They provide Intellectual property management.

**Examples of Startup Incubators in Kenya Helping Entrepreneurs Prosper**

Are you an entrepreneur in Kenya with an awesome idea but lack the funds, space, skills and technology to bring it to life? These are the business incubators in Kenya that can help you.

**Nailab**

ICT entrepreneurs who want to start and scale their businesses in Kenya need to know about Nailab. It is one of the popular startup incubators in Kenya. Nailab focuses on early stage business ideas that are likely to have a large social and economic impact. These ideas must be highly scalable, require minimum investments to prototype, and have a strong value proposition. They are currently offering a 3 – 6 month entrepreneurship program with focus on growing innovative technology driven ideas. If you are interested you can get more information here.

**Chandaria Incubation and Innovation Center**

Chandaria Incubation and Innovation Center has become one of the best business incubators in Kenya. It was launched in 2011 at the Kenyatta University. Their goal is to inspire and mentor Kenyatta University students, staff and other Kenyans to be wealth and employment creators. Check out the many startups that were incubated at the center.

**iHub**

Nairobi based iHub brings together novice entrepreneurs, mobile software programmers, researchers, tech designers. They provide them with a vibrant and collaborative environment to think through their ideas. As one of Kenya’s pioneer startup incubators, they pride themselves in connecting innovators with investors. All their information is on their website.

**Kenya Industrial Research and Development Institute (KIRDI)**

KIRDI set up a Technology Business Incubator in 2006. They support entrepreneurs and start up technology based enterprises in the development, assimilation, absorption, and utilization of technology to accelerate their successful development. Entrepreneurs who qualify are provided with the necessary technology and the technical support to help them absorb and assimilate the technology. It’s is among the startup incubators in Kenya that also provide BDS and business growth skills to entrepreneurs.

**M-Lab East Africa**

M-Lab East Africa is a consortium of four organizations (University of Nairobi, iHub, World Wide Web Foundation and eMobilis). They that facilitate the innovation of high value mobile solutions. They make it to our list of startup incubators in Kenya as they offer onsite and virtual business incubation for entrepreneurs. They select startups with great ideas and potential to be part of a learning and networking community at the lab. The startups are provided networks to facilitate access to markets and access to capital. Onsite startups access office space, internet connectivity and shared business facilities as well.

Other startup incubators in Kenya include EPZ Business Incubator, Seven Seas Technologies Innovation Labs and Biz Africa.

**BUSINESS NETWORKING**

Networking Definition:

**Business networking** is the process of establishing a mutually beneficial relationship with other business people and potential [clients](https://www.thebalance.com/the-7-best-places-to-find-clients-2948330) and/or [customers](https://www.thebalance.com/rules-for-good-customer-service-2948079). The primary purpose of business networking is to tell others about your business and hopefully turn them into customers..

**The Benefits of Business Networking**

New contacts and referrals - The most obvious benefit of networking is to meet potential clients and/or generate referrals which you can then follow up on to hopefully add to your client base. Networking can also help you identify opportunities for partnerships, joint ventures, or new areas of expansion for your business.

Visibility - You need to meet and communicate with potential clients and business partners on a regular basis to maintain your business relationships. Attending business luncheons and other networking events raises your personal profile and can help keep you front and center in the minds of the right people.

Staying current - In an ever-changing business climate it is important to keep up with the target market conditions as well as overall trends in your industry. Knowing the market is the key to developing a successful marketing plan. Attending seminars and networking with your peers and business associates on a regular basis will help you stay current.

Problem solving - In addition to the potential of increasing your business you can often find solutions to your own business problems or needs by networking. For example, if your business needs the services of a bookkeeper, accountant, or lawyer you may find the ideal candidate via networking, or if your business needs equity financing for startup you may be able to find an angel investor or venture capitalist through networking channels.

Sharing knowledge and experience - Networking is ideal for expanding your knowledge by taking advantage of the viewpoints and prior experience of others. If for example, you are thinking of getting into the import or export business you may be able to get some valuable advice from someone else who has done similar business internationally. Taking advantage of the experiences of others before you invest time and money in a particular venture can be invaluable.

Confidence and morale - Most business people are optimistic and positive. Regularly associating with such people can be a great morale boost, particularly in the difficult early phases of a new business. If you are not naturally outgoing, regularly meeting new people can also boost your confidence and on a personal basis you may form new friendships with like-minded people.

The purpose of business networking is to increase business revenue - one way or another. The thickening of the bottom line can be immediately apparent, as in developing a relationship with a new client, or develop over time, as in learning a new business skill.

**Business Networking Groups**

1) Local business groups - Most cities and towns everywhere have local business groups that meet on a regular basis.

2) Community service groups - Rotary International is one example of such a group. Groups such as Rotary can be ideal business networking groups for those who enjoy mixing service to their community with networking.

3) Professional associations - Specific industries have specific challenges and opportunities and those who also work in your industry will know them best. Membership in such groups can also boost your professional standing.

4) Social media/ online business networking groups - One of the things the internet excels at is creating opportunities for people to get together online so social media/online business networking groups are legion. If you're a business professional, you definitely want to be on LinkedIn. Other than that, once again pick the networking group or groups that are the best fit for your business and your goals. Here are 6 of the top ranked business networking groups on the web.

**BUSINESS FINANCE**

Def: This is the amount of money you need to start your business. It enables you to buy machinery and equipment, build your business premises, hire labor and meet daily obligations of your business. Finance needed to start your business is commonly known as capital.  
  
As an entrepreneur, the primary types of capital that you are likely to arrange for include startup capital, working capital and expansion capital. Start up capital is the capital you will require to begin a business while working capital is the amount you would need to meet the day to day activities of the business. Expansion capital is the capital you will require to help your business grow.

**SOURCES OF BUSINESS FINANCE**  
 **1. Equity financing:**The main source of equity financing is your personal savings. Some experts say that one half of the money needed to start a small business should come from the owner. This may mean ‘you’, as the future owner must work and save for several years before having enough money to start the business.  
  
Another popular source of equity financing is money from your family and friends. Equity financing can also be obtained by selling part of your business to others. This can be done in several ways e.g. you could get one or more partners. With the partners putting in a portion of their own money, you will find it easier to raise the total amount needed. Equity financing can also be obtained by selling part of your own property.  
  
**2. Borrowing from lending institutions:**   
When your sources are not enough, you have the option of borrowing from other sources. Lenders will usually lend you money for starting a business if they know and trust you. Lenders want to be sure they will not lose their money on businesses that

fail. Most lenders, therefore, will want to review your business plan carefully. The plan should describe how the business will operate, how much money will be needed, how it will be used and when the business will be profitable. Most people think of banks when borrowing money. Banks lend money when the risks of losing it are extremely low. Usually, they will only lend to customers whom they have known for a long time.  
  
**3. Borrowing from cooperative societies:**  
If you are a member of a co-operative society, you may be able to borrow money for business use. Some loans can be obtained with just your signature. Cooperative society interest rates are usually lower than bank rates. Commercial finance companies may lend you money to start your business. Because they take greater risks, commercial finance companies usually charge high interest rates.  
  
Some people borrow money against their life insurance policies. This is an easy way to obtain some of the money needed to start the business. Life insurance policy loans are based on cash that is already paid in. Life insurance companies offer these loans at low interest rates. If you need to buy land or building for a new business, you will be able to borrow money from a savings and loan institution. They specialize in real estate finance. The loans they give out are called mortgages. Their interest rates are similar to those of banks.  
  
**4. Borrowing in the form of trade credit:**   
This is another source of business finance. It is where a business receives, on credit, raw materials and also other goods used to start up business. Suppliers grant credit to their clients for a period of 3 to 6 months. The seller finances the buyer who wants to start a business.  
  
**5. Borrowing through factoring:**   
This is a financial service designed to help a firm in managing their debt books and receivables in a better manner. The debt books and receivables are assigned to a bank or an institution called the “factor”. The bank then advances cash to the firm.  
  
**6. Bank Overdrafts financing**:   
Overdrafts are allowed by banks to current account holders, who are allowed to withdraw from up to a certain limit of a given amount.  
  
**7. Youth Enterprise Fund:**   
This is managed by the Ministry of Youth and Sports. It mainly funds youth projects. A youth in this case is regarded as a person between the ages of 18 and 32 years.  
  
**8. Kenya Women Finance Trust (KWFT):**   
This is a women’s enterprise fund managed by the Ministry of Gender, Children and Social Development. Currently, it also serves men.  
 **9. Micro finance institutions:**   
Examples of these are:   
• K-Rep micro finance institution.   
• Faulu micro finance institution.   
• Kadet micro finance institution.   
• Rupia micro finance institution.   
• Pioneer micro finance institution, among others.  
  
**10. Other sources:**  
• Welfare Associations (Chamas)   
• Leasing property etc.

**SOURCES OF BUSINESS IDEAS**

Business ideas are thoughts that when implemented can lead to income generalization. Entrepreneurs must first come up with ideas from different sources that should lead them to starting a well-planned business.   
  
Here are some of the sources of business ideas  
  
**a) Surveys.**  
Business ideas can be generated from market surveys indicating or showing which sector is viable or possibly void of products. People can check the market to come out with appropriate conclusions on which sectors are not flooded or occupied.  
 **b) Training.**  
Business ideas can be acquired through training individuals where they are equipped with necessary skills and knowledge from schools and such other institutions of training.  
  
**c) Experience.**  
An idea can also be generated from experience. Experience in itself comes from constant touch on a particular aspect. For instance, an individual might have an experience in accounting through his or her occasional involvement with accounting issues.  
  
**d) Hobbies**.  
Hobbies are what one is fond of doing most of his or her time. At least each and every one finds something interesting and comfortable doing every time. Well, that might be a source of a business idea.  
  
**e) Talents.**  
A business idea can also come from individual talents. You are best in what you are talented in and this might form a good base for starting a business if you spot an idea in that area. For instance, if you are talented to play football, you might spot an idea in supplying football kits to customers in the market.  
 **f) Strengths of an individual**.  
An individual's strength can also serve as a source of idea which is tuned to an idea for carrying out business. For instance, if you have a particular strength in helping out clients through consultations, that could form a base to start a business.   
 **g) Market gaps (niche)**  
Spotting a gap in the market can also form an idea. A market gap in this

case is used to mean some important area that is not occupied. Sometimes, a particular area in the market may be empty with nobody really providing some goods or services needed by customers. This is what can be formed to an idea.  
  
**h) Events.**  
A business can also be generated through attending events in which new ideas are exchanged. For instance, an event that is scheduled in some other place can be very good opportunity to find out what is missing in that particular place and by providing such products, you satisfy customers’ needs which is one of the reasons of doing business.  
 **i) Media.**  
An idea can also come from the media. Reading magazines, newspapers and such published materials that contain business related issues can help one generate an idea. An idea can still come from the other media sources like television stations and radios. Discussions related to business topics can be very useful in generation of an idea.  
  
**j) Shows and exhibition.**An idea can also be extracted from shows and exhibitions. By seeing what other people presents in the shows and exhibitions, an individual can come up with an idea of providing something like what he or she has seen others do.  
  
**k) Recognizing needs**.  
An idea can also be generated from recognition of what customers need in the market. If for instance customers are frequently demanding maize flour instead of maize itself, one can come in to provide the maize flour demanded by customers.  
 **l) Merging existing businesses.**  
Business people can also come up together to merge their business as a new development towards achieving or getting more customers or for provision of better services to customers.  
  
**m) Listening to what people say.**  
A business idea can also be generated through listening from other people's thoughts. This is more so important when you socialize with great minds or such people who have tried out businesses or those who actually are in businesses.

**FORMS OF BUSINESS OWNERSHIP**

A business can be organized in one of several ways, and the form its owners choose will affect the company's and owners' legal liability and income tax treatment. Here are the most common options and their major defining characteristics.

1. **Sole proprietorship**

With this type of business organization, you are the sole owner, and fully responsible for all debts and obligations related to your business. All profits are yours to keep. Because you are personally liable, a creditor can make a claim against your personal assets as well as your business assets in order to satisfy any debts.

**Advantages:**

* Easy and inexpensive to register
* Regulatory burden is generally light
* You have direct control of decision making
* Minimal working capital required for start-up
* Some tax advantages if your business is not doing well (for example, deducting your losses from your personal income, and a lower tax bracket when profits are low)
* All profits go to you directly

**Disadvantages:**

* Unlimited liability (if you have business debts, claims can be made against your personal assets to pay them off)
* Income is taxable at your personal rate and, if your business is profitable, this could put you in a higher tax bracket
* Lack of continuity for your business if you are unavailable
* Can be difficult to raise capital on your own

1. **Partnership**

A partnership is a non-incorporated business that is created between two or more people. In a partnership, your financial resources are combined with those of your business partner(s), and put into the business. You and your partner(s) would then share in the profits of the business according to any legal agreement you have drawn up.

**In a general partnership, all partners are personally liable for business debts, any partner can be held totally responsible for the business and any partner can make decisions that affect the whole business.**

**In a limited partnership, one partner is responsible for decision-making and can be held personally liable for business debts. The other partner merely invests in the business. Although the general structure of limited partnerships can vary, each individual is liable only to the extent of their invested capital.**

**In a general partnership, each partner is jointly liable for the debts of the partnership. In a limited partnership, a person can contribute to the business without being involved in its operations. A limited liability partnership is usually only available to a group of professionals, such as lawyers, accountants or doctors.**

When establishing a partnership, you should have a partnership agreement in place. This is important because it establishes the terms of the partnership and can help you avoid disputes later on. Hiring a lawyer or other legal professional to help you draw up a partnership agreement will save you time and protect your interests.

**Advantages:**

* Fairly easy and inexpensive to form a partnership
* Start-up costs are shared equally with you and your partner(s)
* Equal share in the management, profits and assets
* Tax advantage — if income from the partnership is low or loses money (you and your partner(s) include your shares of the partnership in your individual tax returns)

**Disadvantages:**

* There is no legal difference between you and your business
* Unlimited liability (if you have business debts, personal assets can be used to pay off the debt)
* Can be difficult to find a suitable partner
* Possible development of conflict between you and your partner(s)
* You are held financially responsible for business decisions made by your partner(s); for example, contracts that are broken

1. **Corporation**

Another type of business structure is a corporation. Incorporation can be done at the federal or provincial/territorial level. When you incorporate your business, it is considered to be a legal entity that is separate from its shareholders. As a shareholder of a corporation, you will not be personally liable for the debts, obligations or acts of the corporation. It is always wise to seek legal advice before incorporating.

**Advantages:**

* Limited liability
* Ownership is transferable
* Continuous existence
* Separate legal entity
* Easier to raise capital than it might be with other business structures
* Possible tax advantage as taxes may be lower for an incorporated business

**Disadvantages:**

* A corporation is closely regulated
* More expensive to set up a corporation than other business forms
* Extensive corporate records required, including documentation filed annually with the government
* Possible conflict between shareholders and directors
* You may be required to prove residency or citizenship of director

1. **Cooperative**

A cooperative is a business organization owned by a group of individuals and is operated for their mutual benefit. The persons making up the group are called members. Cooperatives may be incorporated or unincorporated.

Some examples of cooperatives are: water and electricity (utility) cooperatives, cooperative banking, credit unions, and housing cooperative.

**THE END**