

**ENTREPRENEURSHIP  
PROMOTION AT  
HIGHER EDUCATION  
INSTITUTIONS  
AND RESEARCH  
CENTERS**

UTZ DORNBERGER, RICHARD ADU-GYAMFI, PETER SOMMER (EDITORS)

# ENTREPRENEURSHIP PROMOTION AT HIGHER EDUCATION INSTITUTIONS (HEIs) AND RESEARCH CENTERS

Entrepreneurship Promotion at Higher Education Institutions  
(HEIs) and Research Centers

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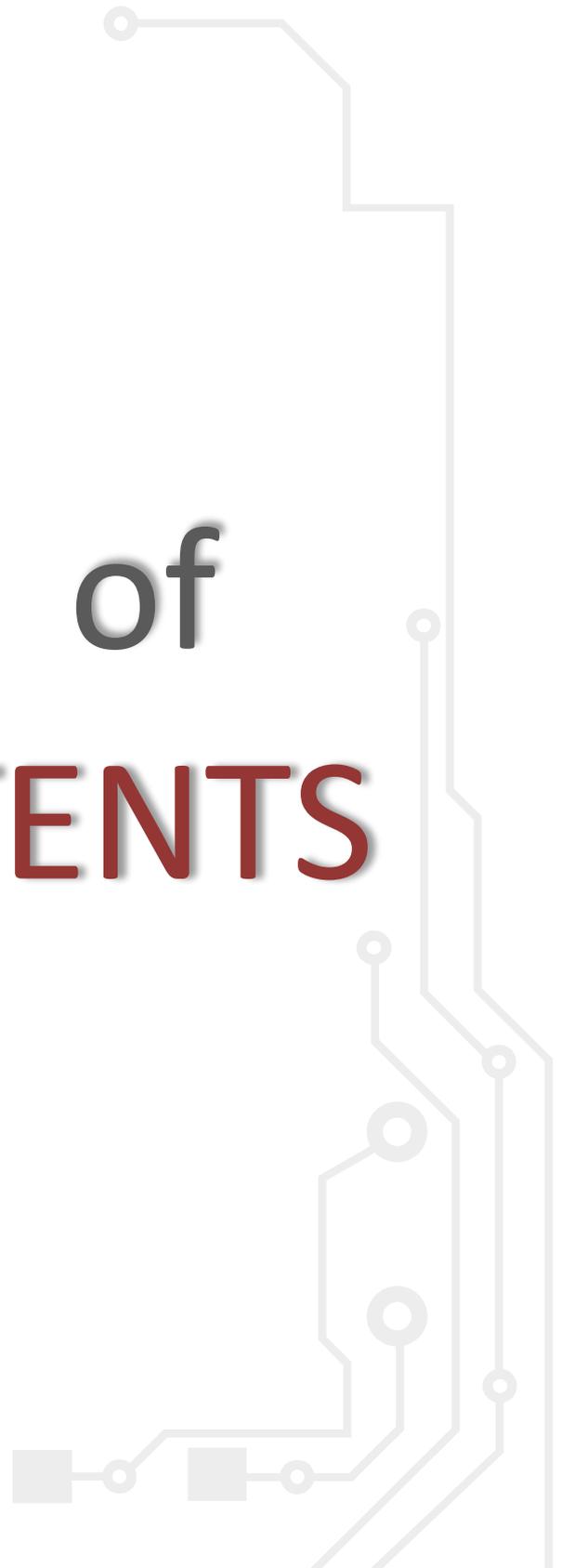
04109 Leipzig

Design: Mirian Gil ([migidesigner@gmx.de](mailto:migidesigner@gmx.de))

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# LIST OF CONTRIBUTING AUTHORS

## PART 1: TOOLS FOR ENTREPRENEURSHIP PROMOTION

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Utz Dornberger

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Goodluck Charles and Donath Olomi

### ENTREPRENEURSHIP CLINICS: THE CASE OF KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, GHANA

Ralph Nyadu-Addo

SUSTAINABLE FINANCING MODELS FOR BUSINESS INCUBATOR: THE KUMASI  
BUSINESS INCUBATOR  
Ralph Nyadu-Addo

# PREFACE

Promoting entrepreneurship is an important way to job creation and economic growth. Universities play a vital role in the creation and growth of innovative small and medium – sized enterprises (SMEs). It is for this reason that a network of universities and businesses has been brought together under the umbrella “Intelligence for Innovation” (iN4iN) in order to promote entrepreneurship and innovation around the world. This E-book has been compiled by members of the iN4iN network to contribute their knowledge in the field.

As the network members seek to advance knowledge and share experiences among its partners, there should also be a common medium to reach both existing and prospective partners alike. The E-book serves this purpose as a knowledge sharing reference tool. The E-book targets staff members of Higher Education Institutions (HEIs), managers of Business Development Centers, Research Centers and all interested players in entrepreneurship promotion.

This E-book is made up of two sections. The first part consists of “Tools for Entrepreneurship Promotion” and the second part represents a collection of “Case Studies of Best Practices in Entrepreneurship Promotion”. The two parts in combination present entrepreneurship knowledge from different countries in very practical sense because they are instances that have been experienced and as such serve as guiding and reference materials for all who seek a diversified but clear understanding of entrepreneurship promotion.

We consider this E-book as an “open book”. It means that we will collect more management tools as well best practices in Entrepreneurship Promotion from our members of the iN4iN network and publish it here. In this way we hope to contribute to the preparation of HEIs and Research Centers in order to become important players in local economic development.

THE EDITORS

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# AUTHORS' PROFILE

## PROF. DR. UTZ DORNBERGER

Prof. Dr. Utz Dornberger is the Director of the International SEPT Program (SME Promotion and Training) from the Leipzig University. His academic and professional focus lies primarily in innovation management in SMEs, innovation policies, promotion of entrepreneurship and internationalization processes. Currently, he is also the Director of Self Management Initiative LEipzig (SMILE), promoting entrepreneurial spirit and start-up creation. His international experience in consultancy, coaching and education in private, institutional and government sectors covers five continents and over 35 countries.

## CARLOS PALACIOS

Carlos Palacios is a consultant in technology and innovation management with emphasis on tools for managing the first phases of the innovation process, including the generation, evaluation and implementation of new ideas about products. Since 2004 he has been a consultant in innovation management in Siemens AG working at the corporate technology department in Munich Germany. He has given several training courses in different organizations in Latin America and Spain.

## CHRISTIAN HAUKE

Christian Hauke is the coordinator of the Self Management Initiative LEipzig (SMILE). After he graduated in 2004 at the Leipzig University in the subjects; Oriental studies, Political science and Philosophy, he gained between 2005 and 2009 multiple international experience working in educational and cultural projects mainly in countries like Egypt, United Arab Emirates or Yemen. Now he is working as a coach for young entrepreneurs at the Leipzig University. Since 2011, he is

offering his expertise in innovation management and entrepreneurship mainly in the Middle East and North Africa.

#### **GONZALVES NSHIMIYIMANA**

Mr Gonzalves Nshimiyimana is lecturer and coordinator of INES Business Incubation Centre, which aims to support communities and SMEs at and around the Institut d'Enseignement Supérieur de Ruhengeri (INES-Ruhengeri). His expertise lies in entrepreneurship promotion and SME Development. He graduated from the International SEPT MBA program, Leipzig University, he is currently a PhD candidate in the same program and his research focuses on Academia - Industry linkages.

#### **DR. GOODLUCK CHARLES URASSA**

Dr. Goodluck works with the University of Dar es Salaam Business School (UDBS) as the Coordinator of Research and Publications and Lecturer in the Department of Marketing. Over the last fifteen years of his career he has acquired a noteworthy experience in entrepreneurship promotion, research, teaching and consultancy. He has designed and delivered a number of entrepreneurship and innovation programs for students and the external market at the University of Dar es Salaam.

#### **DR. DONATH R. OLOMI**

Dr. Donath R. Olomi is the Chief Executive Officer of the Institute of Management and Entrepreneurship Development ([www.imedtz.org](http://www.imedtz.org)). He was a Senior Lecturer and Director of the University of Dar es Salaam Entrepreneurship Centre ([www.udbs.udsm.ac.tz](http://www.udbs.udsm.ac.tz)) until 2009 when he co-founded IMED to pioneer education and training that is responsive to current and future needs of society. Dr. Olomi's main area of expertise is entrepreneurship and private sector development.

### KWABENA OBIRI YEBOAH

Kwabena Obiri Yeboah is the assistant coordinator of the iN4iN Africa Network. He is currently doing his PhD studies at the Leipzig University, Germany. He holds an MBA degree in Small and Medium-sized Enterprise Development from the International SEPT program at the Leipzig University, Germany. He has experience in coaching and teaching as a staff member of the Economics and Business Administration Faculty of the Catholic University College of Ghana (CUCG) since 2008. He is a faculty advisor of the Enactus - CUCG organization, a community of students, academics and business leaders committed to using the power of entrepreneurial action to transform lives and shape a better more sustainable world.

### RALPH NYADU-ADDO

Ralph Nyadu-Addo has been a lecturer in Entrepreneurship and Small Business Management since 2004 at the Kwame Nkrumah University of Science & Technology (KNUST), Ghana. He is certified by the National Business Incubator Association (NBIA) of USA having received training and internships in Ghana, USA and German on how to manage Business Incubators. His recent assignment is with the French Foreign Ministry where he traveled to ten Francophone African countries to promote Entrepreneurship, Business Incubation and industry-academia relations as an International expert. He is currently undertaking PhD in International Entrepreneurship and SME Management in at Leipzig University in Germany. His research interests lie within the dynamic area of the creative industry.

### SEBASTIAN ALEXANDER

Sebastian Alexander is co-founder and CEO of VivoSensMedical GmbH. As consultant and researcher he was working in several countries in the MENA Region. He has extensive experience in the strategic development of small and medium enterprises, Start Up financing as well as in the backing of university spin-offs in the medical field. At SEPT, he

teaches organizational development, creative thinking and team management.

### THOMAS OSTERBURG

Thomas Osterburg is a business consultant at the International SEPT Program and Self Management Initiative Leipzig (SMILE). His key qualifications are development and promotion of Small and Medium-sized enterprises with Economic-anthropological competencies and qualification in Sociology of markets, Entrepreneurship management, Internationalisation of SMEs, and Network analysis. He holds a MBA in Small and Medium-sized Enterprise Development at the University of Leipzig.

# PART 1: TOOLS FOR ENTREPRENEURSHIP PROMOTION



## GUIDE FOR IDEA DEVELOPMENT: CREATIVE THINKING

By Carlos Palacios, Sebastian Alexander and Utz Dornberger

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By Utz Dornberger



**GUIDE**  
**FOR** **IDEA**  
**DEVELOPMENT**  
CREATIVE THINKING

# GUIDE FOR IDEA DEVELOPMENT: CREATIVE THINKING

BY CARLOS PALACIOS, SEBASTIAN ALEXANDER AND  
UTZ DORNBERGER

## IDEAS – CREATIVITY – INNOVATION AND COMPETITIVE ADVANTAGE

*Creativity is one of the most valuable resources to explore new areas of knowledge.*

The competitive advantage of companies in an environment of ongoing changes lies in the capability to innovate new products to the market they are able to address the needs of the customers. Based on the approach of Joseph E. Schumpeter, and his concept of “creative destruction” as an economic theory of innovation and progress, the fundamental for sustainable economic growth in the long run is exist in the innovative potential of the entrepreneur. In modern literature ongoing economic success on the macro- and micro level is strongly related to knowledge, innovation and creativity. Innovation needs invention. Invention needs idea development and idea development needs creativity.

Therefore installing and managing a fluent process of idea generation and idea development within a company will lay the ground for innovation and sustainable competitive advantage.

Creativity is one of the most valuable resources to explore new areas of knowledge. Creativity, in its simplest definition, can be understood as the ability to create, that is, to produce something out of nothing. The creativity comes from the Latin word *creare*, which means to generate something new, invent something, produce something, but is also associated with the concept of choice. Originally, the concept of creativity was used to designate the cause of a personal intellectual creation, referring especially to artists. However, nowadays, this concept is not limited to the arts (Amabile, 2005). In fact, creativity becomes important now in business as a tool for generating new ideas.

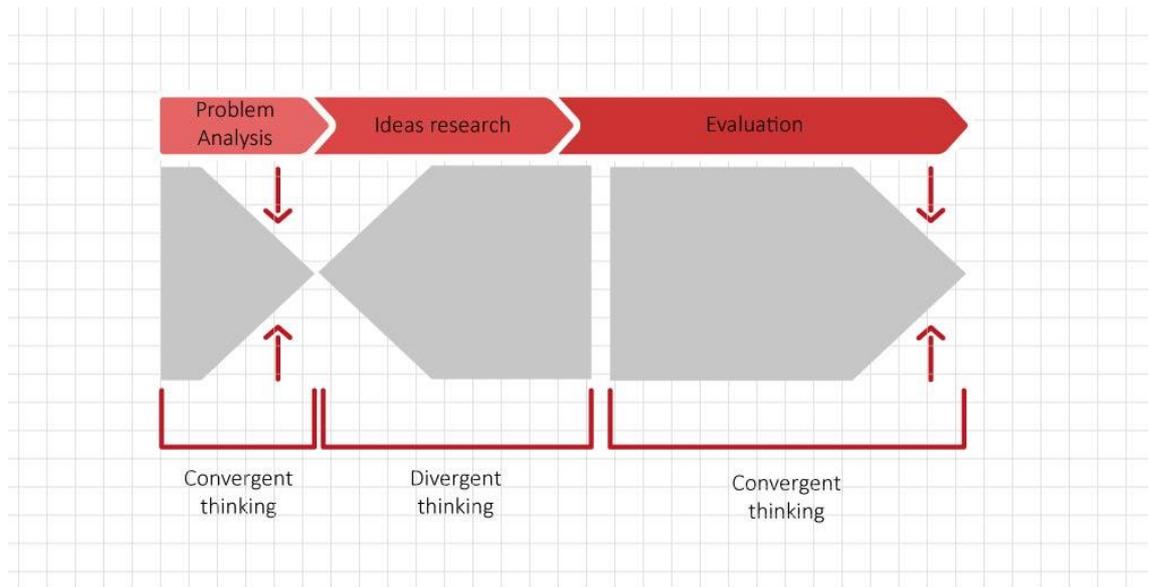
Psychology has dealt with creativity as a study object. However, creativity is much more difficult to analyze because, unlike intelligence, creativity is elusive at the time of being measured. The identification of the moment when creativity is activated into an individual is not something that is fixed by

pressing a button. American psychologist Joy Paul Guilford came to the conclusion that creativity involves several psychic characteristics of human beings (Guilford, 1950):

- Sensitivity to problems: recognize when and where there is a problem.
- Fluency: produce many ideas in a short time.
- Flexibility: abandon the traditional ways of thinking and develop new perspectives.
- Redefinition: giving new uses to familiar objects, improvise.
- Preparation: adaptation of ideas to reality.
- Originality: ideas should not be replications of pre-existing ideas.

According to Guilford, there are two different types of thinking: convergent thinking and divergent thinking. Convergent thinking starts from a general knowledge and moves on closing its scope but increasing in detail. This process can be used to define problems in a concrete and clear way. Divergent thinking does the reverse process: starts from a particular subject and moves on to increase its scope. The aim is to develop ideas in different directions which provide solutions to problems which were previously identified. Although divergent thinking is used in the generation of ideas, the creative process includes not only one but both types of thinking. Creativity needs a starting point and this must be clearly defined. This is achieved through convergent thinking, defining problems, thinking corridors or areas of innovation. Subsequently, after generating a number of ideas using divergent thinking, convergent thinking is used again to select the idea or combination thereof that best solve the problem or the optimal solution with regard to different factors. The following chart shows the path of the creative process.

THOUGHT DURING THE CREATIVE PROCESS



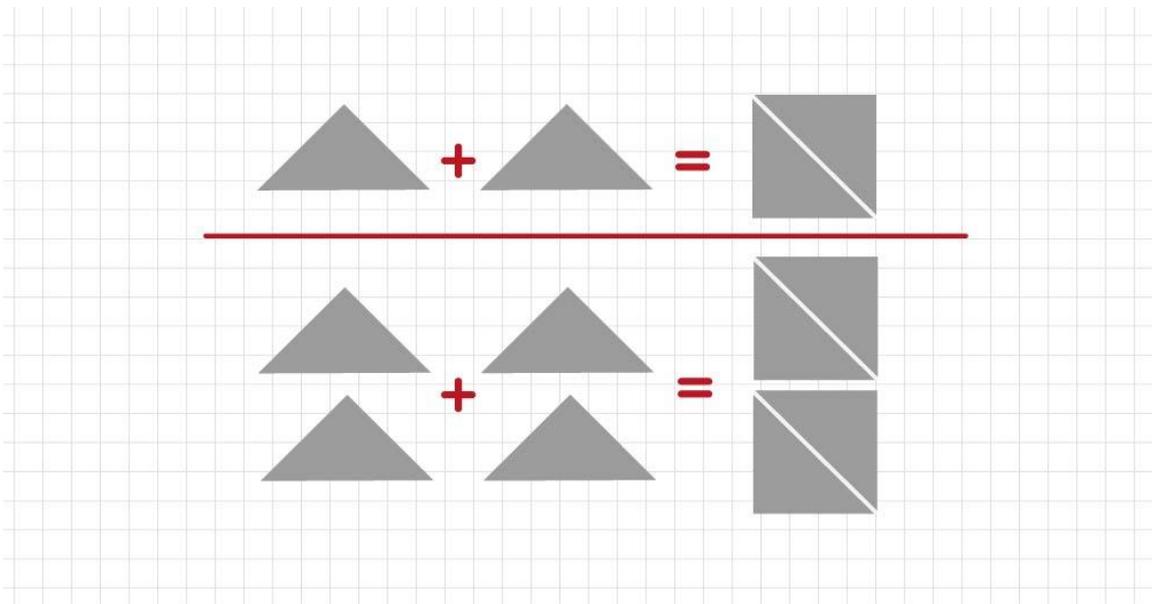
In order to develop ways of thinking that stimulate the ideas generation (this is creativity itself), Edward De Bono developed the concept of lateral thinking (De Bono, 1970). This way of thinking seeks to generate alternative thinking directions, in opposition to vertical thinking, which seeks to develop ideas in a thinking direction that is already defined. Normally, the mind accumulates experiences and patterns that are used when decisions must be taken. However, these existing patterns in the mind do not always offer the best response to a situation. While vertical thinking is analytical, lateral thinking is provocative to suggest these new thinking directions. Nevertheless, according to De Bono (1970), these two forms of thought are not antagonistic. In this sense, lateral thinking may be useful to find ideas or directions for problem solving and vertical thinking may be useful to develop them.

*While vertical thinking is analytical, lateral thinking is provocative to suggest new thinking.*

From birth, the human being starts to gather experiences, from moving his own body with an objective until acting so that other people make what this human being wants. That's why experiences which have not been lived before become uncomfortable, because they are outside the framework already established through experience. Activities such as cycling or swimming mean a new experience different from the normal movement in the air. Maybe if we did not learn to

walk, or simply did not have the experience of moving in the air, learning to swim would not be so difficult, or would be as difficult as learning to walk. Of course, not all accumulated experiences are unnecessary. In fact, many of the experiences gained are necessary to tackle new problems. The major drawback appears when the reactions are based only on accumulated experiences and problems are not questioned. Normally, these problems can be solved based on the standards established by experience, but new ways to solve the problems do not arise from this practice.

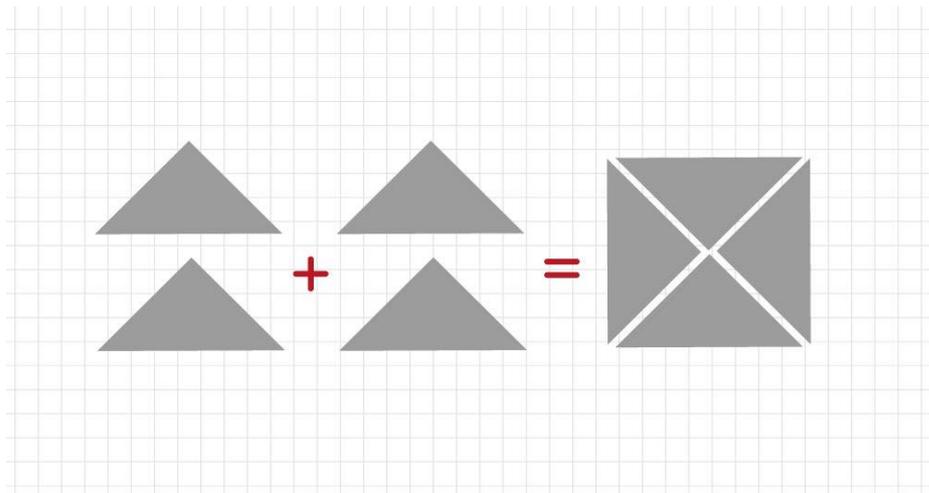
Establishing patterns can be more easily understood through a chart, as shown in the next figure. Following the first given sequence, the sum of the two triangles results in a square. The mind accumulates this result, which can help to deduce that if instead of having two triangles there would be four, the result may be two squares.



### PATTERN OF THOUGHT

The use of knowledge of the first pattern in which two triangles results in a square, persuades the mind that in the case of having 4 triangles, the result would be 2 squares, but leaves out the possibility that the result could be a bigger square, as shown in the following figure.

### ALTERNATIVE SOLUTION TO ESTABLISHED PATTERN



The same happens with knowledge, technical problems tend to be solved based on the knowledge we have. For example, if a mechanical engineer is faced with a problem, he will tend to seek the solution to that problem in the field of knowledge of mechanics, even when the most effective solution is in the field of chemistry. Much of the creativity techniques suggest new ways to seek solutions to existing problems.

Another aspect to consider is the creation of partnerships. By having a problem or an area to apply creativity, people tend to make associations with situations or circumstances surrounding the problem or issue to be solved. That's why some creativity techniques, as will be discussed in following sections, aim to present different elements with which independent associations can be made or different from the typical associations which are made in a particular field of action in order to reach new associations or new ideas.

The objective of creativity is, then, to break with these pre-established patterns in order to get new ways to find ideas or solutions to problems. The development of creativity is, therefore, the ability to find new ways to solve problems, and, in this sense, is a skill that can develop in a person.

### CREATIVITY AND INNOVATION

Although normally the link between creativity and innovation is almost immediate, the reasons why this link exists are not always clear. Creativity, as previously mentioned, can be understood as the ability to produce new knowledge. However, the human being occupies much of his life accumulating existing knowledge to be used in facing daily problems. This is why, among other things, creativity diminishes in humans as years pass by, since the accumulation of knowledge during the education and through experience restricts the ability to think in new directions (Herb, 2000). The accumulated information and knowledge are not always enough to solve problems or challenges. It is then that creativity is necessary.

The increase in product's complexity in order to improve the competitive position thereof on one hand, and the development of new technologies on the other, make the development of new products or improving existing ones objectives which are increasingly elusive. The use of creativity in analyzing problems and finding solutions to them, allows that the complexity of products and technology do not become a barrier to innovation.

Viewed from the perspective of innovation, creativity is more than just the creation of something new. Generate something new would be a relatively easy task. That's why, in the context of innovation, creativity should be defined only as the creation of something new, but at the same time valuable. The value or quality of what is new determines its influence on an innovation; in other words, the more valuable the result of creativity (e.g. an idea), the more likely that this will become



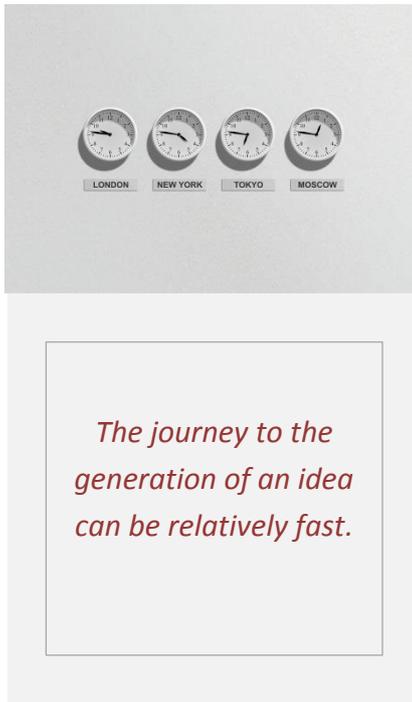
an innovation. By becoming innovation, the idea that results from creativity will provide a benefit at the end of the innovation process, when the idea hit the market after becoming a product.

### STAGES OF THE CREATIVE PROCESS

Although creativity cannot fit into the framework of a process (as this cannot be activated and deactivated as is done with a computer), there are certain stages to go through to generate an idea. Understanding these stages helps in the time to facilitate a favourable environment for creativity, so that the right tools at the right time can be implemented. As mentioned above, there are different kinds of thinking to be used according to the existing need. When analyzing a problem convergent thinking is used and when generating ideas divergent thinking is used. But which are the phases where these different types of thinking are used? The problem identification, idea generation and its evaluation are part of the activities to be done during the „creative process“, but more activities can be identified while generating ideas:

- Problem identification phase
- Research phase
- Incubation phase
- Enlightenment phase
- Development phase

At first, there must be a motivation to use creativity. This is the problem identification phase. This phase is more complicated than it seems, because it must determine the problem to solve, which is not always easy. It may be a technical problem in the simplest case, but can also be a need in the market, or even less simple, it may be to create a market need. The importance of the problem identification phase is clarified just by asking what the point of a brilliant idea is, if this fixes a



problem in the wrong place. Linking this issue directly with the innovation process can be thought that this phase corresponds to the phase in which areas of innovation are identified, for whom later on ideas should be generated.

The following is the research phase. Once identified the problem or area in which creativity is wanted to be applied, it's necessary to start gathering information. This information helps to better define the problem and identify the tools and resources that could provide a complete solution to the problem. Another activity in this phase is to set the problem in different scenarios or analyze it from different points of view. This helps to identify different directions to solve the problem or start the ideas generation process.

Once defined the problem and performed the analysis of their environment comes an incubation phase. During this stage, the problem or area of innovation matures. Often it is simply loaded with the problem, and in some cases it is confronted with different situations. In this phase the problem is also abstracted, and thus compared to other similar problems or situations that already have been experienced. In some cases, we try to find the pattern of standard problem in order to give a solution to it.

The phase of "enlightenment" is where ideas are generated. After having compared the problem to other situations already experienced and be familiar with the problem and the resources to solve it, there comes a moment of enlightenment in which one or more ideas around the problem are generated. As previously mentioned, this phase cannot be arbitrarily activated at any given time, but the tour through the previous phases facilitates that this moment of "enlightenment" occurs. It should also be mentioned that these phases do not always occur in similar time spans.

Finally, when an idea is conceived, it is not always ready to be presented, much less to be implemented. Thus, in the next phase, that of development, it is necessary to mature the idea and take it to the point where it can be presented. Many times

the idea must be faced with the problem to verify that it definitely offers a solution to the problem or truly addresses the need that had been identified. Other classifications only include four phases: preparation, incubation, enlightenment and verification. The content of the phases is similar; the difference is only in the differentiation between problem identification and finding information on the classification described above, while this other classification only refers to a preparation phase.

### CREATIVE THINKING – HOW DOES IT WORK?

The process of creative thinking is tremendous complex in nature. A large amount of literature from different fields and areas of research existed due this topic. To summarize them it could say that until now we have just a rough and briefly understanding of the processes related to creative thinking. But nevertheless for some points it makes sense to spot on them.

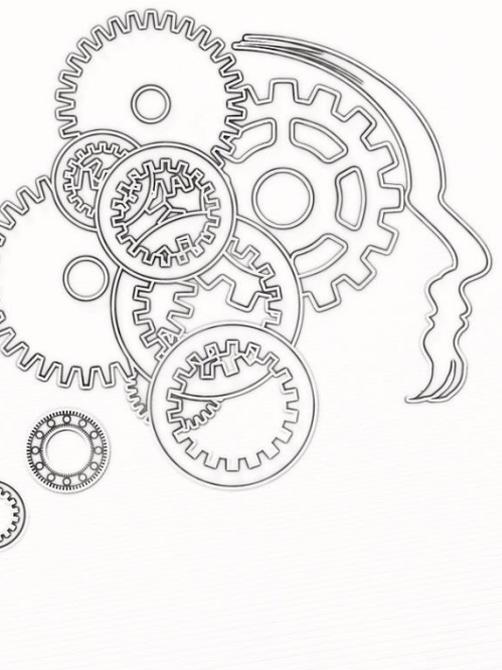
#### THE WAY OUR BRAIN WORKS

The human brains could shortly divide in three parts the Limbic system, the Brainstem and the Cerebrum.

The **Brainstem** is the part of the brain, which is responsible for all the autonomous acting processes of the human body.

The **Limbic system** is the part where the chemical system of the brain is controlled. In combination with the Hypothalamus these parts are forming the center for metabolism, hormonal balance and sexual function. Related to the process of creativity it is important to know that stress, time as well as mental pressure is cause the human brain to produce different kind of chemical reactions, which are hindering creative thinking processes.

The most important and appropriated part of the brain related to thinking and creativity is the **Cerebrum**. The Cerebrum is divided into two sections which are interconnected through the Corpus Callosum. Beside the fact, that each section is



controlling the opposite side of the body, there exist a division of labor between left and right side.

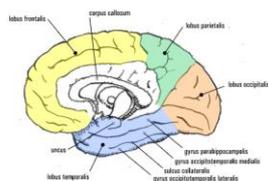
The **left side** of the Cerebrum is more related to functions as logical and analytical thinking, numbers, language as well as data and facts. The left side is time bound and is recognizing details and parts.

The **right side** is more related to emotional behavior, connectional thinking, Intuition, the thing as a hole as well as sounds and pictures. It is time free and able to think in visual way.

Hence the function and responsibilities for both sections not fulfill attributed it is widely accepted that creativity needs the cooperation of both parts of the brain. For that reason most of the techniques and methods to foster creative thinking are drying to push the participants to change the perspectives and with that use both sections of the Cerebrum. This is mostly done through changing positions to analyze a problem or question.

### The Way how our brain works

#### 3 partitions of the brain



- Limbic System**      The part where the chemical system of the brain is controlled.
- Brainstem**        Responsible for autonomous acting processes.
- Cerebrum**         The thinking part. Mainly appropriate for the thinking process.

	<b>Left Side</b>	Logic Rational Numbers Data Facts Read Calculation	<ul style="list-style-type: none"> <li>•Is controlling the right side of the body</li> <li>•Is recognizing details and parts</li> <li>•Analyzing (breaking apart)</li> <li>•Is treating the information's in logical order</li> <li>•Is time-bound, has a sense of time and goals and your position in relation to those goals</li> </ul>
	<b>Right Side</b>	Emotional Sympathetic Conceptionell Creativity Instinct Intuition Pictures Sounds Experience	<ul style="list-style-type: none"> <li>•Is controlling the left side of the body</li> <li>•Wholes and relationships among the Parts</li> <li>•Simultaneous and holistic thinking</li> <li>•Visual Thinking</li> <li>•Is time free, might lose a sense of time altogether</li> </ul>

Source: [http://de.wikipedia.org/wiki/Datei:Gehirn\\_lobi\\_medial.png](http://de.wikipedia.org/wiki/Datei:Gehirn_lobi_medial.png); [http://de.wikipedia.org/wiki/Datei:Gehirn\\_lobi\\_basal.png](http://de.wikipedia.org/wiki/Datei:Gehirn_lobi_basal.png)

## CREATIVITY – HOW TO THINK OUT OF THE BOX

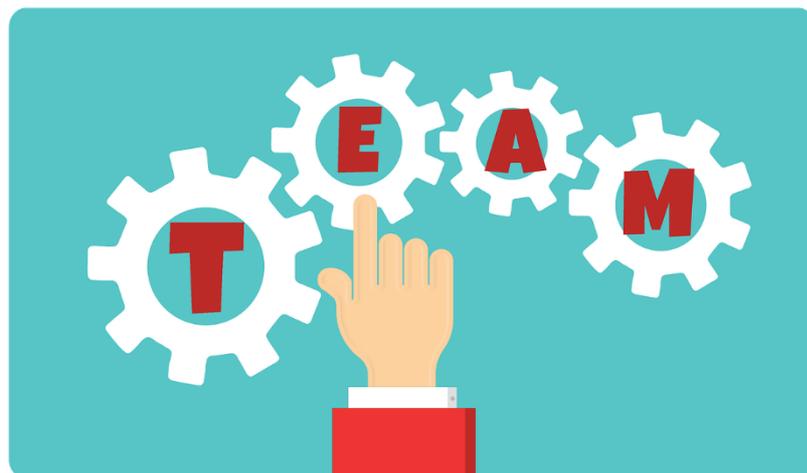
### WE NEED:

#### A QUESTION OR PROBLEM TO SOLVE

First of all the starting point for being creative necessarily should be a question or a problem to solve. This is the starting point for the process of creative thinking and to think outside the box it is essential to define first what the box is. Therefore in the beginning of every creative problem solving process stands the definition of the problem to solve. Here it is important to concentrate on the task to get the right focus for the problem or question or to cut them into suitable partitions. This is due the reason that a creative process based on general or Meta questions is difficult to handle and in the end the results are mostly not satisfying.

#### A TEAM

Experiences and researches show that a group is much more effective and productive in Creativity than a single individual. The myth of the lonesome inventor how is independently finding the solution in his enclosed room is widely disproved in the reality as well as in the literature. Furthermore the team should as diverse as possible in terms of age, culture, discipline, background, department etc. The goal should be to involve different perspectives, backgrounds and experiences into the creative process.



*Creativity is highly related to emotions and feelings as well as chemical and hormone functions within our brain and body. A positive and motivating environment influences our way of thinking.*

### A SUITABLE ENVIRONMENT

Based on the fact that thinking and creativity is highly related to emotions and feelings as well as chemical and hormone functions within our brain and body, a positive and motivating environment influences our way of thinking. Like the Walt Disney Method shows us, to put one's self in different perspectives it could support one to change the room or place.

### TIME

Not even that the majority of the methods for creative thinking are time consuming. Also creative problem solving processes are strategically addressing the future and therefore they need adequate time resources.

### FREEDOM OF THINKING

To enable the creativity process and foster them to effective results it is necessary to think in absolute freedom. Every Idea is an idea, which by definition is not useless.

For the freedom of thinking sometimes it might be a good solution if the management is not involved in the idea development because of uncertain hierarchy behavior of the team.

### IDEA MANAGEMENT

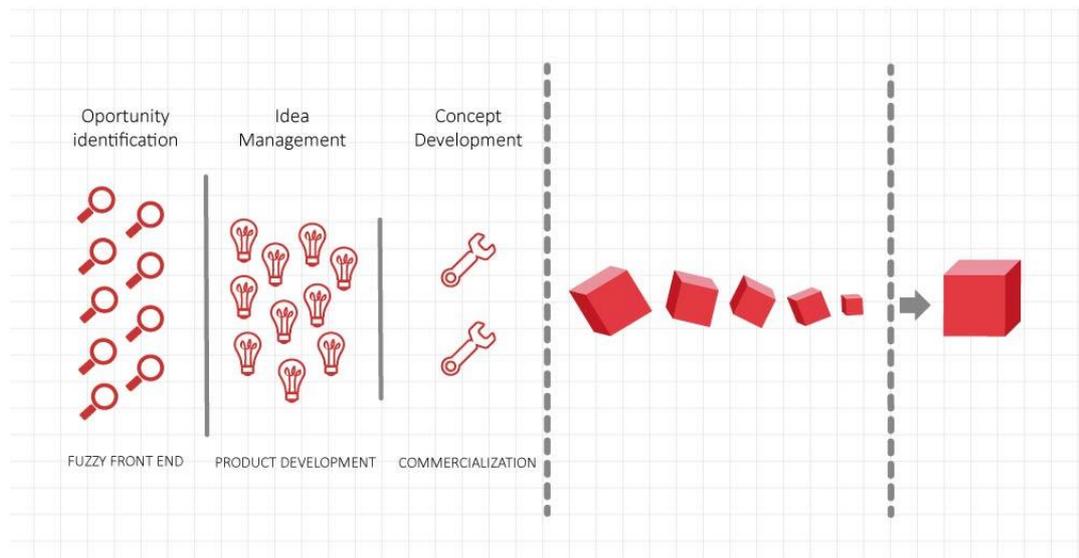
Idea Management – The Fuzzy Front End of the Innovation Process

Idea Management stands in the beginning of the Innovation Process, right after the demand analysis and the defined question or problem to solve. It is also called the Fuzzy front End of the Innovation Process due the fact that this part is the most difficult one to handle. Even the Fuzzy Front End is not the expensive part of the innovation process. It is first and foremost the most time consuming one and the one where the major commitments are made into the process.



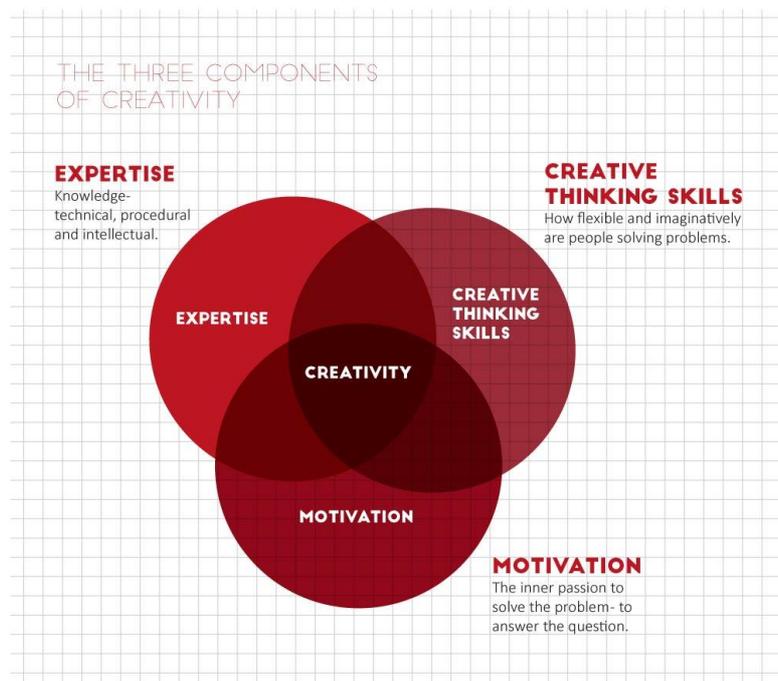
*It might be that one idea is better for the explicit problem than another one, but in lots of creative processes the ideas which were produced below the line leads to successful innovations.*

Innovation process inside companies (Chesbrough 2006):



### THE THREE COMPONENTS OF CREATIVITY

In many organizations, the use of creativity tools is considered synonymous with creativity. However, fostering creativity depends not only on tools, since there are other elements that contribute to the fact that an organization can effectively use creativity. One way to understand these additional elements is the analysis of the three components of creativity by Amabile (2005): expertise, creative thinking skills and motivation.



*Motivation has the biggest influence in order to improve creativity*  
(Amabile, 2015)

The expertise is all the knowledge the person possesses. This offers different approaches or ways to find a solution. The development of expertise includes conducting seminars and courses on a specific topic, studies made by the individual and conferences, among others.

Creative thinking skills refer to the way a person approaches a problem and its solution. It includes how to seek out ideas, the way in which we analyze the problems, methodologies, techniques, etc. Creativity techniques are part of these creative thinking skills. It can be concluded, therefore, that the use of creativity techniques as those described above, to increase the creativity in an organization, influences only a third part of the creativity.

The creativity of an organization can be influenced by working on the three components of creativity, but, depending on the organization, the influence that one component or the other has can be bigger or smaller. Some studies conclude that motivation has the biggest influence in order to improve creativity (Amabile, 2005); nevertheless, it is important to keep in mind the other components to get good results.

Besides identifying the three components of creativity, Amabile has identified six practices of the management contributing to creativity, namely, challenge, freedom, resources, teamwork characteristics, supervisor encouragement and strong support from the organization.

- **Challenge:** Refers to assigning the right person to fulfill each activity. This involves collecting information necessary to combine the tasks with the right person to perform them so that the person has a challenge which can be accomplished.
- **Freedom:** The possibility that employees have to choose how to achieve the established goals. For this, it is important that goals are clearly defined and not changing constantly, otherwise freedom does not contribute.
- **Resources:** It consists in obtaining a balance between economic, time and physical resources to foster an enabling environment for creativity.

- Characteristics of teamwork: This practice refers to having an influence in the formation of teams to achieve diversity and to encourage different points of view, fellowship or “team spirit”, the same enthusiasm for the goal and mutual respect. Thus, the creative team will be more efficient.
- Encouragement of supervisor: This refers to the influence that the superior has on the employees, the way he recognizes their ideas, not extrinsically, but intrinsically, so that the creativity contributions of the employee are evaluated and taken into account according to their potential.
- Organizational support: This refers to the support of the leaders of the organization through collaboration and information exchange to stimulate a creative environment.

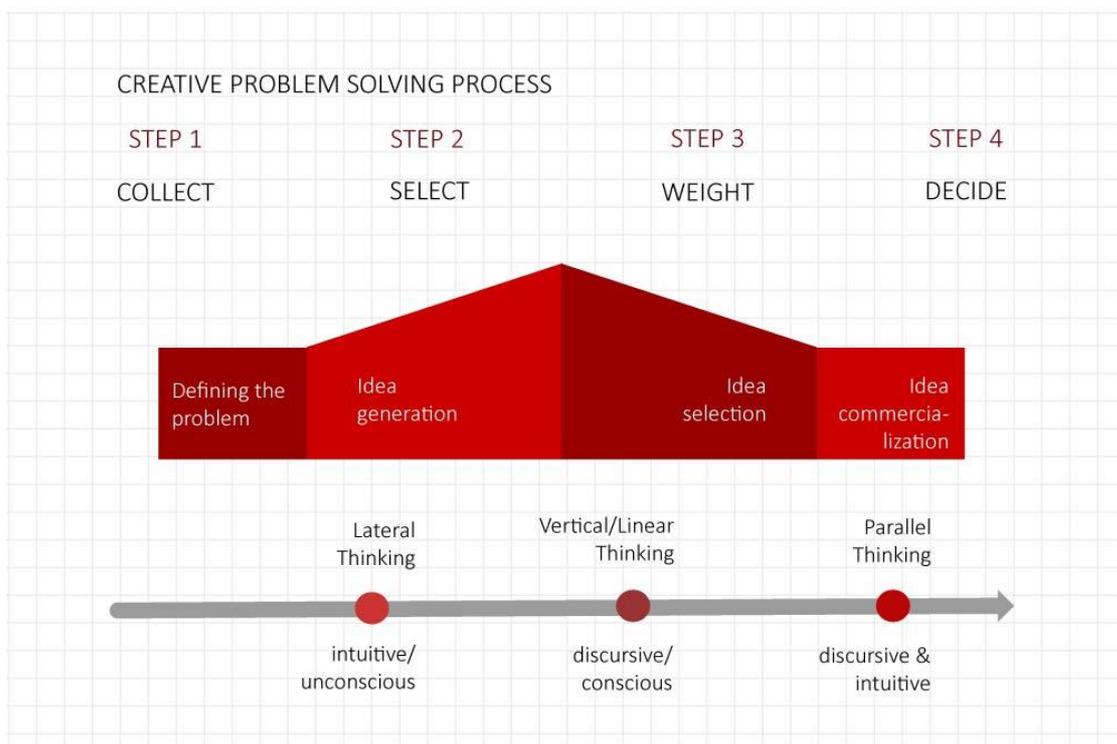
*Creativity can be cultivated as a principle and can be integrated into the philosophy of the organization.*

The stimulation of these factors contributes to increase creativity in organizations, but in each of these factors is also possible to adversely affect creativity, for example, changing constantly the goals of the organization, or simply ignoring the initiative of employees, or eliminating any resource that can be used by an employee to develop ideas which favors the achievement of goals. There are also other difficulties, as many valid business imperatives such as the pursuit of productivity, coordination and control affect a creative environment. That is why a balance between stimulating creativity and control business performance should be found.

Creativity in the organization is something that can be cultivated as a principle and can be integrated into the philosophy of the organization. It is also something that can be developed. However, this requires work on it. Creativity should not be left in the hands of the skills of each person; there must also be a stimulus, if necessary, incorporation into the strategy and corporate culture of the organization. In order to effectively influence the creativity of the organization, management must be actively involved to facilitate the actions and elements that stimulate creativity.

### STRUCTURING THE PROCESS

To make the process manageable it is helpful to structure the process into four Steps and to allocate the different resources and methods to each single step.



#### STEP 1 DEFINING THE PROBLEM

As mentioned above it is first of all necessary to define the problem to solve and the questions to ask.

#### STEP 2 IDEA GENERATION

This step is related to the task of generating as many quality ideas as possible in a compact timeframe. This step is mainly using methods and techniques which are addressing intuitive and unconscious way of thinking. Following Edward de Bono this way of thinking could be defined as “lateral thinking”.

*With logic you start out with certain ingredients just as in playing chess you start out with given pieces. But what are those pieces? In most real life situations the pieces are not given, we just assume they are there. We assume certain perceptions, certain concepts and certain boundaries. Lateral thinking is concerned not with playing with the existing pieces but with seeking to change those very pieces. Lateral thinking is concerned with the perception part of thinking. This is where we organize the external world into the pieces we can then 'process'.<sup>1</sup>*

### STEP 3 IDEA SELECTION

Following the step of Idea generation, now we have to select those ideas which seem to be most suitable for solving the problem. The Ideas should be selected and weighted; we have to give them a priority to build the base for the strategic decision in the end which on them should be implemented or commercialized.

Here more discursive and conscious methods and techniques are helpful to structure the group discussions. Those are more related to linear and structural thinking.

### STEP 4 IDEA COMMERCIALIZATION

In the last step there is to decide which ideas we want to implement. Here it is a necessity to change the perspective and to involve different people. Idea generation and Idea commercialization are two different stories and a few people have equal capabilities in both. After the idea generation and selection process most of the participants love their ideas and sticking to them. Hence they are not able to change into a market perspective and to adjust or transform the idea into a product or solution, which the company can implement or commercialized. Because of that reason most companies separating these sections. Let the people do the things they are able to do well

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<sup>1</sup> <http://www.edwdebono.com/debono/lateral.htm>. Accessed on 04.11.2010

## METHODS AND TECHNIQUES TO FOSTER CREATIVE THINKING



### INTUITIVE METHODS

#### BRAINSTORMING

##### THE HISTORY

The method was introduced by Alex F. Osborn, founder of the “Creative Education Foundation” in 1954. With a Bachelor in Philosophy he was for many years active in the US Marketing Industry. Brainstorming is the most common creative technique worldwide.

### THE RULES

1. Arrange a meeting with a suitable amount of participants (normally 4 to 8 people)
2. Develop the question, problem or topic for the session and write them on the board.
3. Make sure that everybody understands the question for the session.
4. Review the ground rules:
  - a. No critics, comments or remarks about any idea
  - b. The ideas should outcome spontaneous as a huge amount in numbers in a short timeframe.
  - c. No discussions.
  - d. Freedom of thinking. Every idea is welcome. No idea is nonsense or useless.
  - e. Listen to the other ideas
  - f. A suitable timeframe around 10 minutes for each session.
5. Make sure that all ideas are documented during the session. Write them down.
6. The session can go unstructured (everybody can tell his ideas at any time) or structured (one after another around the table)
7. Clarify and conclude the session. Show all ideas and discuss the following steps.

For the development of brainstorming, it is recommended to have a moderator. During the course of brainstorming, the moderator must ensure that each idea is taken into account without being criticized, regardless of how silly it may sound. Jokes or satires against members of the group must not be allowed either; this could lead members to feel self-conscious and, consequently, will refrain from expressing an idea that could result in a solution.

The selection of participants is essential to obtain different points of view, and for this reason, the moderator must involve all participants.

*Every idea is welcome.*

*No idea is nonsense or  
useless.*



## METAPLAN

### THE HISTORY

The method was developed from the German consultancy company “Metaplan GmbH” which was founded in 1972. The method is now well known around all over the world and often used in consultancy. The method has the aim to structure group discussion in an effective way and to document them in a visual way.

### HOW IT GOES

1. First of all material for the visualization is need. Pinboard, Moderation Cards, Pens, Pins, Metaplan Paper and so on
2. Develop the question, problem or topic for the session and write them on the top of the board.
3. Make sure that everybody understands the question for the session.
4. Every participant has now the possibility to write his ideas on a card. Each idea on one card.
5. The moderator will pin the card on the board and the group will structure and cluster the ideas around the question or topic.
6. In the end we will have a structured picture about the question and the possible answers from the group.

## MIND MAPPING

### THE HISTORY

The method was developed by Tony Buyan, a British mental trainer and author of well-known books about creativity. The Mind Maps are also called spider diagram or conceptual maps and they are built through tree diagrams.

### HOW IT GOES

1. We need a large sheet of paper or a widespread dashboard or a computer with a mind mapping software
2. Develop the question, problem or topic for the session and write them in the middle of the board.
3. Make sure that everybody understands the question for the session.
4. For each major sub topic there we will start a new branch of the tree and label them.
5. For each sub-sub topic we will start a subordinated branch and label them.
6. We carry on this way.
7. In the end we will have a structured picture about the question and the possible answers related directly to the question in the center.

## HEADSTAND

This method is based on the principle that sometime it is better to answer the question what I don't want to be than answering the question what I am want to be. Therefore reversing the question and putting them top down gives us the possibility to change the perspective in the opposite.

### HOW IT GOES

1. Develop the question, problem or topic for the session and write them in the middle of the board.
2. Make sure that everybody understands the question for the session.
3. Reverse the question upside down. Don't ask what your company can do for the customers; ask what the customer can do for your company.
4. After answering the reversed question put them on the ground again and you will have possibilities to solve the problem.

### ABC TECHNIQUE

This is a quick and very easy creative technique which is also very suitable for individual idea development.

#### HOW IT GOES

1. Develop the question, problem or topic for the session and write them in the middle of the board.
2. Make sure that everybody understands the question for the session.
3. Just write an ABC on a paper or the board.
4. Try now to find answers in which each answer starts with another letter of the ABC.
5. In the end you will have quickly 26 possibly answers. (for the Latin alphabet)

### ANALOGIES (SYNECTICS)

*One of the problems with the proliferation of communication networks is to find the best way to communicate.*

The use of analogies consists in taking the problem that needs to be solved to other knowledge areas or simply to other scenarios. This stimulates the flexibility of the already established thinking structures, facilitating linkages to generate new ideas. The essential part of this method is the selection of the analogy. It is possible that a group cannot find a suitable analogy or that the found analogy does not lead to the generation of good ideas. We should also take into account the knowledge of the selected area. Although the overall exercise simply attempts to make the mind more flexible, a greater knowledge can lead to new associations and understandings. A good analogy may be done with nature, therefore it is recommended to have at least one participant who is an expert on the selected area, in this case, a biologist.

An example could be network intelligence: one of the problems with the proliferation of communication networks is to find the best way to communicate. In order to develop ideas for a more efficient communication, we used the analogy with intelligent swarms within nature. Analyzing the topic, we

found that ants leave a pheromone by the places where they walk through so that other ants can find a more efficient path to go somewhere, for example, where their food is. In this way, we can also think about leaving a mark on information packages for instance, in emails that could be read by other messages and thus, make its transmission and storage more efficient.

#### **HOW IT GOES**

1. Definition of the problem
2. Search for the analogy
3. Analysis of the selected analogy
4. Search for the analogy elements that are linked to the problem.
5. Generation of ideas from the analogies.
6. Evaluation and development of ideas.

## DISCURSIVE METHODS

### MORPHOLOGICAL ANALYSIS

#### THE HISTORY

The method was first developed by Fritz Zwicky, a Swiss astrophysicist and aerospace scientist at the California Institute of Technology in the 1940's and 50's. The method is built for the systematic structuring of multidimensional problems and the investigation of complex relationship constructs. The basic method is also attribute list and uses a matrix for the visualization.

The morphological analysis consists in the collection and systematic analysis of parameters and their possible values or characteristics, from which possible solutions or ideas are developed. The selection of the parameters and the definition of the possible values or characteristics of each parameter can be made in groups.

*Morphological Matrix: Lamp example*

Parameter	Possible values or characteristics of the parameter			
Light source	Candle	Bulb	Halogen lighting	Fluorescent tube
Diffusion of light	Opaque glass	Paper	Natural fibers	Indirect lighting
Energy source	Electricity	Batteries	Solar energy	
Material	Cedar wood	Aluminum	Polyethylene plastic	Glass
Style	Medieval	Retro	Pop	

In the example of the table above there is a description of parameters of a lamp and possible characteristics that each of these parameters could have. For example, as light source, it is possible the use of a candle, a bulb, halogen lighting or a fluorescent tube. The points connected with lines identify the selection within the possible characteristics of each parameter.

#### HOW IT GOES

1. Definition of the problem.
2. Definition of the parameters of the object or problem to be solved.
3. Definition of the values or characteristics of each parameter.
4. Preparation of the parameter matrix and its values or characteristics.
5. Selection of the characteristics of each parameter and development of the concept or solution to the problem.
6. Evaluation of the idea or solution.

Below are some examples of different levels of the morphological analysis through the use of matrices.

#### TWO-DIMENSIONAL MATRIX (MUÑOZ 1994)

A company that produces umbrellas wants to expand their range to include more specialized and unusual products. The company is looking for new ideas.

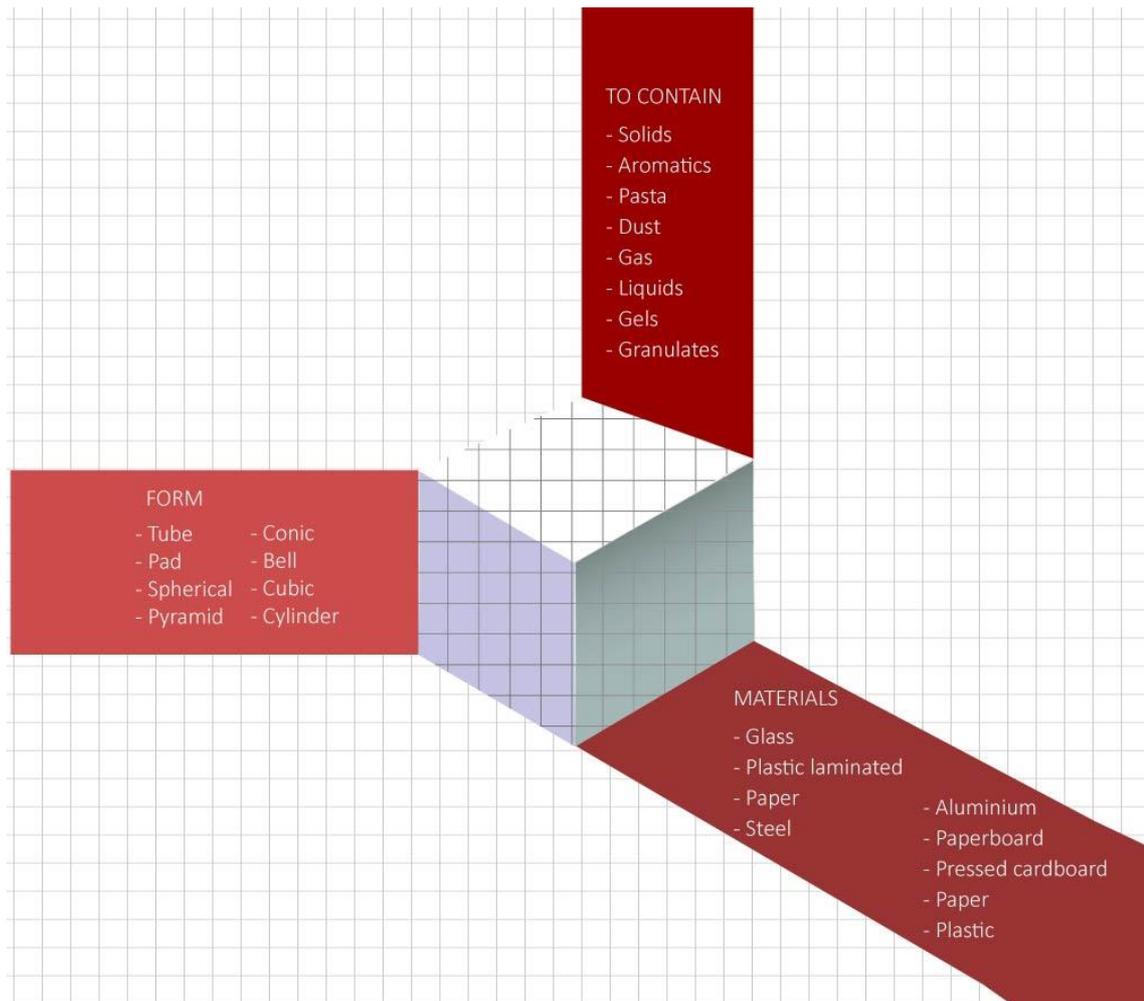
The first step is to identify the categories of ideas that would be used as axes of the matrix, keeping in mind that the goal is to discover opportunities and not reach an immediate solution. In this case, the axes could be called, one as „accessories” (additional characteristics that consumers could appreciate and that could be incorporated to the umbrella), and the other as „scenarios” (places or situations in which the umbrella could be used). If these two axes were selected, the appearance of the matrix could be as follows:

		Accessories													
		Bottle	Calculator	Radio	Alarm clock	Security alarm	Compass	Telescope	Battery powered ventilator	Photo camera	Tools set	Storage place			
Scenarios	Work days														
	Cricket games														
	Golf days														
	Sport schools														
	Walks														
	Horse races														
	Planes exhibitions														
	Gardens and parks														
	Tennis games														
	In the city														
	In the beach														

This example shows an 11x11 matrix (121 items) and it is clear that it is possible to add more items to each axe. With a combination of ideas like this, the possibilities of finding one or two that are correct increase greatly.

**THE THREE-DIMENSIONAL MATRIX (MAJARO 1994)**

A packaging manufacturer wants to find new ideas to build new markets. Again, the success depends on determining axes that are relevant to the problem and that are appropriate. For example, a three-dimensional matrix would look like the next Figure. With those three axes (content, material and shape) 448 (8x8x7) combinations or ideas generated. Moreover, in this example, the simple addition of a new item in the axis of the shapes would generate other 64 ideas. But even if we limit ourselves to the 448 original ideas, it is possible to expect, statistically, that from them around seven or eight potentially „winner” ideas will arise.



#### IDEAS EVALUATION

Due to its enormous potential to generate ideas, the *morphological analysis* sometimes poses a serious problem for those who must evaluate its results. It is obvious that dealing with computer lists with 1000 combinations or ideas is a discouraging task. Fortunately, there are two methods to simplify this task.



#### GROUPING IDEAS

Instead of focusing on one idea at a time, they can be analyzed in „groups“; for example, we can evaluate the combination „paper-ball-coffee“ against each of the scenarios. This approach reduces to a manageable size the extension of the lists. The fact of evaluating the groups of ideas against the items in a column tends to focus the attention on that column and often, in the evaluation session new approaches or items arise; for example, „would it be possible to use this combination in the military service?, in an airline?, etc.

#### MULTI-STAGE SIEVING

This approach is based on the principle that often, creative people find it easier to work with ideas that are expressed visually. This can be achieved in the case of a four-dimensional matrix if the first three axes are presented in the form of a cube. In this visual representation, the best ideas are selected and the evaluated in combination with the four axis, using a two-dimensional matrix. If it turns out that there is a fifth axis, we must build a new cube in which we will take the best ideas that were obtained in the first cube to evaluate them in combination with the two remaining axes.



## FORCE FIELD ANALYSIS

### THE HISTORY

This method was first developed by Kurt Lewin (1890-1947), a German born pioneer of the social psychology and founder of the theory of group dynamic. The method is visualizing the different factors and topics involved in the problem situation and structure them in the way how they hinder or help.

### HOW IT GOES

1. First a dashboard or a large paper with moderation material is needed.
2. Develop the question, problem or topic for the session and write them in the middle of the board.
3. Make sure that everybody understands the question for the session.
4. The group now has to identify factors which are helping or hindering the solving process.
5. Throw a line in the middle of the paper or board.
6. Draw the helping forces with upward arrows over the line and the hindering factors with downward arrows under the line through discussion within the group.
7. The size and thickness of the arrows can symbolize the power of the factors.
8. Then the group develops ways to strengthen or add positive forces, weaken or remove negative forces or should recognize that the negative forces are too strong to solve the problem.

## FISHBONE DIAGRAM

### THE HISTORY

This method was originally developed during the 1940's by Kaoru Ishikawa, a Japanese Chemistry and scientist which developed a couple of tools for quality management. The diagram shows the cause and effects of a certain event or problem.

### HOW IT GOES

1. First a dashboard or a large paper with moderation material is needed.
2. Develop the question, problem or topic for the session and write them in the middle of the board.
3. Make sure that everybody understands the question for the session.
4. Draw an arrow in the middle and label with a topic or question. This is the backbone of the fish.
5. Now for every major cause the group can think about one bone in a 45 degree on the backbone and label them.
6. For every sub cause there will be a small arrow or bone in direction to the major cause the sub cause is related to.
7. Through group discussion you will define the key cause for a positive effect to the problem.

## CHECKLIST (OSBORN)

### THE HISTORY

This method is based on the principle that the solution to a problem may arise from the structuring of ideas around the formulation of it. With this principle, Alexander Osborn, also known for developing the brainstorming technique, created a checklist to be used to solve problems. Each of the items on the checklist does not need to have an answer but each one must be considered as it may possibly lead to some idea.

#### HOW IT GOES

1. Define the problem
2. Review each item on the checklist, taking the defined problem into consideration.
3. Develop solutions to the problem, starting with the items on the checklist. If at some point an idea cannot be generated, we should move on to the next one.
4. Evaluate the generated ideas and, if necessary, case development for some of them.

*Checklist*

<b>What is similar?</b>	<b>What function? Similar? Similar material? What parallels are there?</b>
What other utilization options?	New usage options? Usage for other people? Other usage options through changes on the object?
Adapt?	What is it like? What other ideas does the object suggest? Are there similar examples in the past? What can we adapt from them? What can be taken as an example?
Change?	Can the object be given a new shape? Can the purpose be changed? Can the colour, tone, smell or resemblance be changed? Are there any other possible changes?
Enlarge?	What can be added? Should more time be employed? Can frequency be increased? Can it be made more robust, bigger, longer, fatter, and thicker? Can it be given additional value? Can the number of parts be increased? Can it be duplicated or multiplied? Can it be exaggerated? Can it be more expensive?
Minimize?	What is unnecessary? Can it be small, more compact, shorter, lower, flatter? Can it be miniature? Can it be aerodynamic, slighter? Can it be divided into parts?
Replace?	Who or what can replace it? What other pieces or parts are possible? What other materials, production processes, energy sources or places are possible? What other solutions are possible? What other sound?
Deform?	Is it possible to regroup the parts? Is it possible to develop new models? Can the order be changed? Exchange the cause and the effect? Can the speed be changed?
Change to the opposite?	Is it possible to take what is positive instead of what is negative? Achieve the opposite? Bring the bottom up? Change roles? Change people's positions? Change the order of the process?
Combine?	Try a combination? Make a compound? A selection? Group a new selection? Join multiple objects into one? More action fields instead of just one? More goals? Less goals?

## COMBINATION METHODS

### WALT DISNEY METHOD

#### THE HISTORY

The method was developed by Robert Dilts, a pioneer of the Neuro-Linguistic Programming (NLP), and goes back to Walt Disney and his process of “imageneering” within the Walt Disney Company. The method separates on three different roles to play. The “dreamer”, the “realist” and the “critic”.

#### THE DREAMER

This role is producing the visionary big picture.

#### THE REALIST

This role is where everything is organized and structured. Thinking constructive and devise plans and possibilities to reach the vision. Cut the vision down to suitable and realistic aims and terms.

#### THE CRITIC

This is the role which critically will discuss the plan and the solutions of the realist. Here the role should look behind the scene. What could go wrong, what is missing? What are the consequences, the cost of the solution? What kind of resources is needed and could they provide and so on.

The method can be used as each individual is playing one role. Also the whole group can jump from one role to another one. Even it is possible to change the rooms and places. In the Walt Disney Company, for the visionary people there have been huge studios with room and space to be creative. For the realistic people there have been well structured and organized offices and for the critical ones there have been tiny and small offices.



*Everything is aloud even  
thinking the unthinkable.  
There are no boundaries  
and limits.*

## SIX THINKING HATS OF EDWARD DE BONO

### THE HISTORY

The method was developed in the early 1980s by Edward de Bono, a British medical scientist and author of well known books about creativity. He is the inventor of the theories and methods for lateral thinking. This method involves the systematic analysis of a problem or situation from different points of view. Each view is represented by a „hat“, which is characterized in a specific way.

**White hat:** it is focused on data, facts and information about the problem.

- What information is available?
- What data, facts or information are missing?
- What data must be obtained and by who?

**RED HAT:** with this one, we can express any feeling or intuition about the problem. The perception and the feelings should be expressed without being criticized by other members of the team.

- How do you feel?
- How do you feel about the problem?
- What sensation comes to your mind?

**BLACK HAT:** we must be careful with it. This role indicates the errors and gives a critical look at the solution of a problem or the implementation of an idea.

- Is the possible solution profitable?
- Is law or any regulation violated?
- Which are the risks?

**YELLOW HAT:** it is optimistic. When wearing the yellow hat, it is necessary to focus on consciously identifying the benefits of a project or an idea.

- What are the advantages?
- What does everyone get?
- What advantages can it bring to other people?

**GREEN HAT:** it concentrates on creative thinking. In this space, new ideas can be generated by complementing the already existing ones.

- What are the alternatives?
- Where do you think you can have fallen into paradigms?
- How can the process be accelerated?

**BLUE HAT:** This hat emphasizes the control of methods and processes. The issues that must be reflected on and the steps to be followed are determined here.

- What aspects still need to be considered?
- What is not clear yet?
- What should be discussed?

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DEVELOPING  
**INNOVATIVE**  
BUSINESS  
MODELS

# DEVELOPING INNOVATIVE BUSINESS MODELS

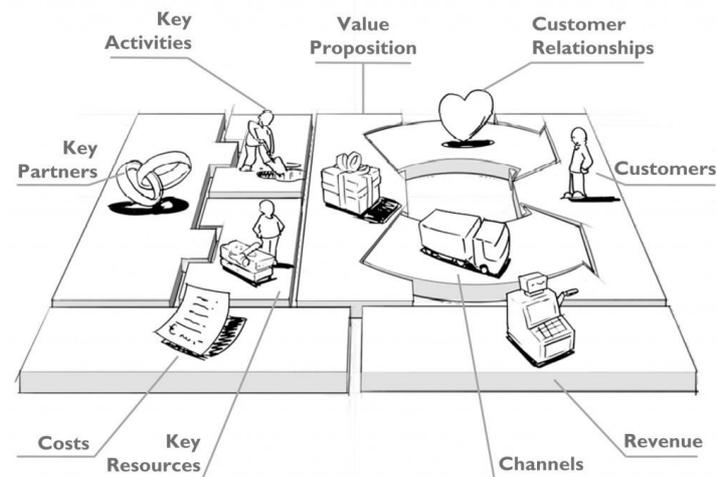
BY UTZ DORNBERGER AND THOMAS OSTERBURG

## BUSINESS MODEL CANVAS

This Guide supports entrepreneurs in developing an innovative business model. This is of particular importance because just a new business idea does not describe how a start-up creates, delivers and captures value. Based on the business idea a business model has to be developed in order to describe in more detail the value proposition, as well as its production and delivery to the target customer.

## THE 9 BUILDING BLOCKS

According to Osterwalder et al. (2010) a business model can best be described through nine basic building blocks that show the logic of how a company creates and delivers value as well as generates revenues and profit. The nine blocks cover all main areas of a business and are structured in a so-called business model canvas. The business model canvas is like an executive summary describing the business strategy which needs to be implemented through organizational structures, processes, and systems.



Source: Osterwalder et al. (2010)

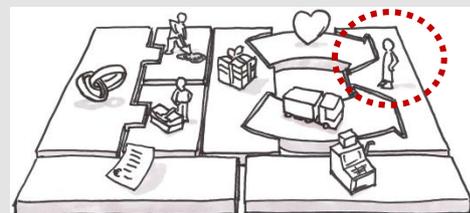
## CUSTOMER SEGMENTS

The Customer Segments represent the first building block of the business model canvas which an entrepreneur has to identify and describe in detail. It defines the different groups of people (B2C) or organizations (B2B) an enterprise aims to reach and serve.

A business model may define one or several large or small Customer Segments. An organization must make a conscious decision about which segments to serve and which segments to ignore.

Customer groups represent separate segments if:

- Their needs require and justify a distinct offer
- They are reached through different distribution channels
- They require different types of relationships
- They have substantially different profitabilities
- They are willing to pay for different aspects of the offer

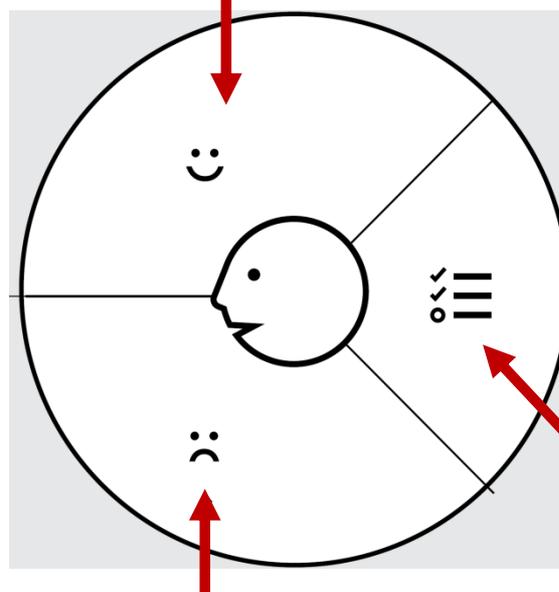


A company can focus on larger market segments, niche markets or several target groups. In all cases it would be necessary to understand in more detail the demand of the respective customer which would make it necessary to analyze deeply the Customer Profile.

### CUSTOMER PROFILE

The Customer Profile describes a specific customer segment in a business model in a more detailed way. Following the approach by Osterwalder et al. (2014) one could differentiate here between: customer jobs, pains, and gains.

**Gains** describe the additional benefits the customers may seeking



**Customer Jobs** describe what customers are trying to get done in their work and in their lives, as expressed in their own words

**Pains** describe bad outcomes, risks, and obstacles related to customer jobs

Modified from Osterwalder et al. (2014)

### CUSTOMER JOBS

Customer jobs describe the things the target customers are trying to get done in their work or in their life. Here we can differentiate between several types of jobs:

- Functional jobs: when customers want to complete a specific task
- Social jobs: how customers want to be perceived by others
- Personal/emotional jobs: when customers seek a specific emotional state
- Supporting jobs: when customers act as co-creator of value, transmitter of value

Sometimes even a combination of several type of Customer Jobs can be identified in the market in a specific customer segment.

#### CUSTOMER PAINS

Customer Pains describe anything that hinders a target customer using a new product or service in the market. Here one can differentiate between undesired outcomes, obstacles, and risks:

##### Undesired outcomes

Here we can differentiate between:

- Functional level: a solution doesn't work
- Social level: customer looks bad doing this
- Emotional level: customer feels bad doing this

##### Obstacles

There can be a lot of obstacles related to a use of a new product or service in the market. One very important obstacle is related to the time the customer has to invest in using the new product or service. Another obstacle can be related to getting an access to the new product or service.

##### Risks

Risks are related to negative consequences for the customer, e.g. customer might lose credibility using a new service or product.

In developing new products or services we very often do not consider the customer pains. But here we a lot of opportunities to design innovative solution.

### CUSTOMER GAINS

Customer Gains can be translated into additional benefits the target customer may want. These additional benefits are either desired by the customers (it mean directly expressed) or they are more representing a latent demand. Here the company would surprise the customer when they are responded by a new product or service. Once again one can distinguish different types of Customer Gains

- Functional utility
- Social gains
- Positive emotions
- Cost savings

In the development process of a customer profile one should always focus on the 3 to 5 most important Customer Jobs, Pains and Gains.

## VALUE PROPOSITIONS

The building block Value Propositions describes the bundle of products and services that create value for a specific Customer Segment.

Each Value Proposition consists of a selected bundle of products and/or services that caters to the requirements of a specific Customer Segment. In this sense, the Value Proposition is an aggregation, or bundle, of benefits that a company offers customers.

Some Value Propositions may be innovative and represent a new or disruptive offer. Others may be similar to existing market offers, but with added features and attributes (Osterwalder et al., 2010).

Values may be:

- quantitative (e.g. price, speed of service)
- qualitative (e.g. design, customer experience)



According to Osterwalder et al. (2010) one can differentiate between several types of a value propositions:

#### NEWNESS

Some Value Propositions satisfy an entirely new set of needs that customers previously didn't perceive because there was no similar offering. This is often, but not always, technology related. 3D printers, for instance, will create a whole new set of applications of this technology in a lot of different economic sectors. They allow a decentralization of production and facilitate customization. On the other hand, social innovations such as micro-insurances for poor people have little to do with new technology.

#### PERFORMANCE

Improving product or service performance has traditionally been a common way to create value. Here one could take the automobile sector as an example creating cars with lower fuel consumption. The logistic sector is a good example for using modern technology in order decrease shipping times.

#### CUSTOMIZATION

Tailoring products and services to the specific needs of individual customers or Customer Segments creates value. In recent years, the concepts of mass customization and customer co-creation have gained importance. This approach allows for customized products and services, while still taking advantage of economies of scale.

#### DESIGN

Design is an important but difficult element to measure. A product may stand out because of superior design. In the fashion and consumer electronics industries, design can be a particularly important part of the Value Proposition.

#### BRAND/STATUS

Customers may find value in the simple act of using and displaying a specific brand. Driving a Porsche car signifies wealth, for example. On the other end of the spectrum, skateboarders may wear the latest "underground" brands to show that they are "in."

A decorative graphic consisting of two overlapping red shapes: a large semi-circle on the left and a smaller circle on the right, both in a dark red color.

A product may stand out because of superior design.

### PRICE

Offering similar value at a lower price is a common way to satisfy the needs of price-sensitive Customer Segments. Even sometimes services can be offered for free to mass customers (e.g. Skype internet communication or Google search engine). But in this case, additional premium services are necessary to cover the costs of a free service for a particular Customer Segment.

### ACCESSIBILITY

Making products and services available to customers who previously lacked access to them is another way to create value. Here one can think in a lot of service provided to poor people, e.g. microfinance. But buying a specific product can also provide an access to a particular group of people (e.g. buying Nike sport shoes allows teenager to get accept by others to join the groups).

### COST REDUCTION

Helping customers reducing costs is an important way to create value. The IT Outsourcing sector is here a good example. Outsourcing of call center services allows customers to focus on running their airlines.

### RISK REDUCTION

Customer's value reduces emerging risks when purchasing products or services. For a used car buyer, a one-year service guarantee reduces the risk of post-purchase breakdowns and repairs. A service-level guarantee partially reduces the risk undertaken by a purchaser of outsourced IT services.

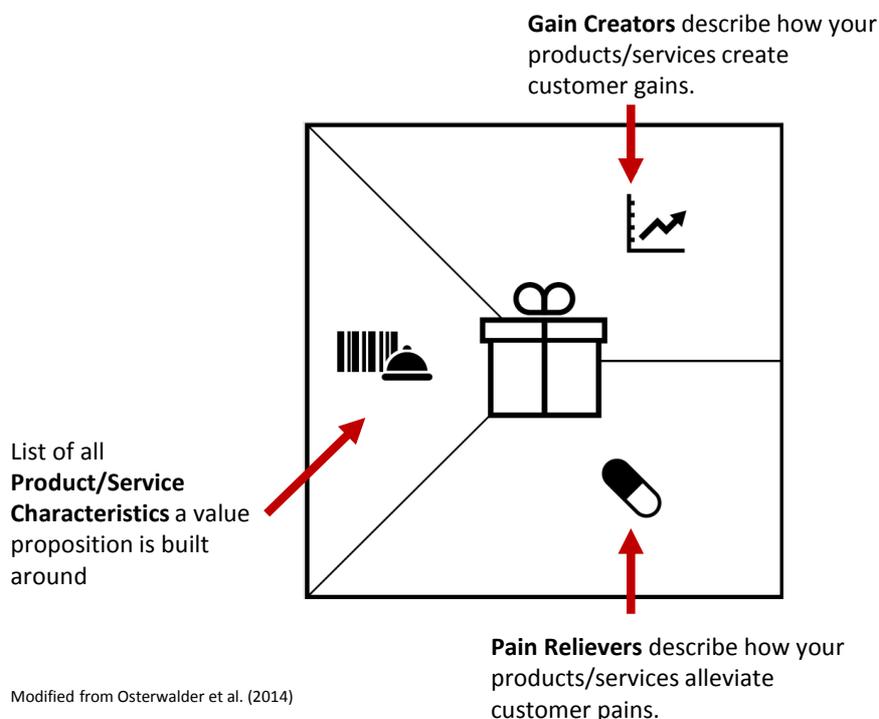
### CONVENIENCE/USABILITY

Making things more convenient or easier to use can create substantial value. Here the use of the internet to provide access to services (like shopping, banking etc.) at customer's home is a good example.

### VALUE MAP

The Value Map presents how a company intends to create value for the target customers. It is a perfect tool to describe

in more detail the Value Proposition. Following the approach by Osterwalder et al. (2014) one could differentiate here between: product/service characteristics, pain relievers, and gain creators.



### PRODUCTS/SERVICE CHARACTERISTICS

It represents a list of all the product/service characteristics the customers can see in the “shop window” of the company. In order to structure this listing one could differentiate between basic and performance characteristics:

#### Basis characteristics

- “Must have”
- Not mentioned by the clients
- The supplier does not advertise them
- Represent a market “threshold”

#### Performance characteristics

- Essential decision-factors for the customer
- Directly compared to the ones of the competitors
- Directly related to the customers’ satisfaction

- Clients are disappointed if the functionality or quality decline

Here it is important to list especially the most important performance characteristics.

#### PAINS RELIEVERS

Pain Relievers describe how exactly the new product/service alleviate specific customer pains. Here it is important to show how the company is eliminating or reducing all the barriers the customer could have in using the new product or service.

Companies should focus on pains that matter to customers, in particular extreme pains, because it is very difficult for a company to provide pain relievers for every pain identified in the customer profile. Thus, one should provide solution for only few extreme pains but they have to be alleviate extremely well.

#### GAIN CREATORS

Gain Creators describe how a new product/service creates additional customer benefits focusing on unexpected benefits. Gain Creators are not missed when they are absent and can make a difference. They finally may cause enormous satisfaction and therefore contribute to long term customer loyalty.

#### FIT BETWEEN CUSTOMER PROFILE AND VALUE MAP

Finally it is important to create a fit between value map and customer profile by:

- addressing essential customer gains and pains
- addressing the relevant jobs for the customer to get done.

## CHANNELS

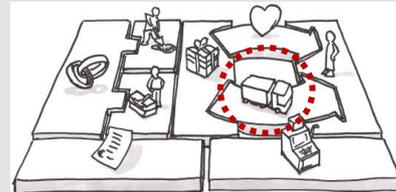
The building block Channels describes how a company communicates with and reaches its Customer Segments to deliver a Value Proposition (Osterwalder et al., 2010).

Channels are customer touch points that play an important

role in the interaction between the customer and the company.

Channels serve several functions, including:

- Raising awareness among customers about a company's products and services
- Helping customers evaluate a company's Value Proposition
- Allowing customers to purchase specific products and services
- Delivering a Value Proposition to customers
- Providing post-purchase customer support



Every company has to develop and to use a mix of channels transferring a Value Proposition to the market. A company can reach its customers through its own Channels, through partner Channels, or through a mix of both. Here one could distinguish five type of channels:

- Communication Channel
- Evaluation Channel
- Purchasing Channel
- Delivery Channel
- After Sales Service Channel

### COMMUNICATION CHANNELS

Here we talk about the channels companies use in order to create awareness on the customer site. Especially new products and service need to be communicated to the customers. Classical marketing tools to implement advertising activities can play a key role here. Furthermore new approaches like social media marketing should be taken into consideration. A crucial problems is the cost of advertising which could be very often not managed by start-up companies.

### EVALUATION CHANNELS

A key problem of customers is the assessment of new products and services before buying them. Especially in new services with high level of intangible elements the customer does not know how to evaluate the service quality. In the case of very new services, customers can't even obtain judgements from friends and family members, because of newness of the service and the missing references. Companies providing channels that allow customers to evaluate easily their Value Proposition will reduce customer pains in the buying decision process.

### PURCHASING AND DELIVERY CHANNELS

Very often, both channels go hand in hand. But there exist also examples where customers use an online channel provided by a company to purchase a product but the delivery channel is managed by another company, e.g. a logistic service provider.

### AFTER SALES SERVICE CHANNELS

In a lot of economic sector companies sell a product but also provide additional services. A typical example is warranty service. Furthermore, companies could provide training or maintenance services related to a product.

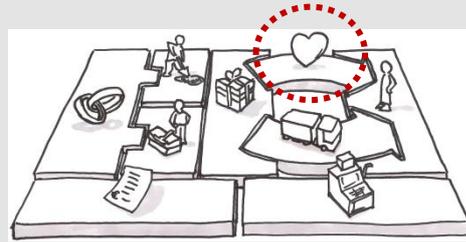
## CUSTOMER RELATIONSHIPS

The building block Customer Relationships describes the types of relationships a company establishes with specific Customer Segments (Osterwalder et al., 2010).

There exist a large number of options to create Customer relationships, e.g. personal assistance, automated services communities, co-creation, love marks, lock-in effect, etc.

Customer relationships may be driven by the following motivations:

- Customer retention
- Boosting sales based on loyal customers
- Increasing customer profitability



Here, some selected options creating Customer Relationships will be presented.

#### PERSONAL ASSISTANCE

In a lot of services the necessary human interaction between customer and staff of the service provider plays an important role in creating relationships. The customer can communicate with a real company representative to get help during the services provision process. This interaction can be managed via different channels: point of sale, through call centers, by e-mail, by internet or through other means. Sometimes companies opt for a dedicated personal assistance where key account managers develop and maintain personal relationships with important customers.

#### AUTOMATED SERVICES

According to Osterwalder et al. (2010) this type of relationship mixes a more sophisticated form of customer self-service with automated processes. For example, personal online profiles give customers access to customized services. Automated services can recognize individual customers and their characteristics, and offer information related to orders or transactions. At their best, automated services can simulate a personal relationship (e.g. offering book or movie recommendations).

#### COMMUNITIES

Increasingly, companies are implementing user communities to become more involved with customers and to facilitate connections between community members. Communities can offer several functions to customers as well as companies:

- Customers can exchange knowledge and solve each other's problems
- Communities can help companies better understand their customers
- Companies can advertise new products or service via its community
- Communities can be used to develop ideas for new product and service development

#### CO-CREATION

More and more customers are seeking for being involved in the creation as well as production process of new services. Customers who are involved in a co-creation process are normally developing very strong relationships with the respective service provider.

#### LOVE MARKS

Some companies (e.g. Apple) are able to develop very strong brands, where customers are really "fall in love" with their products. This is one of the best but also very costly (marketing cost) ways to create strong relationship with customers.

#### LOCK-IN EFFECT

Companies providing products like printer or wet razors sell the printer or razor handle at a relatively low price. They generate their main profit selling ink cartridges or razor blades which only fits to their device. The customer would have relatively high switching costs if she/he wants to use a competitor product.

## REVENUE STREAMS

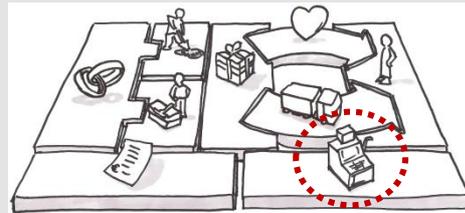
The building block Revenue Streams represents the way how the company generates cash flow from each Customer Segment.

First of all the size of the Revenue Streams depends very much on the pricing model the company is implementing for the new product or service. Each Revenue Stream may have

different pricing mechanisms, such as fixed list prices, bargaining, auctioning, market dependent, volume dependent, or yield management (Osterwalder et al., 2010).

A business model can involve two different types of Revenue Streams:

- Transaction revenues resulting from one-time customer payments
- Recurring revenues resulting from ongoing payments to either deliver a Value Proposition to customers or provide post-purchase customer support



Here, some selected options for generation Revenue Streams will be presented.

#### ASSET SALE

The most widely understood Revenue Stream derives from selling ownership rights to a physical product.

#### USAGE FEE

This Revenue Stream is generated by the use of a particular service. The more a service is used, the more the customer pays.

#### SUBSCRIPTION FEES

This Revenue Stream is generated by selling continuous access to a service.

#### LENDING/RENTING/LEASING

This Revenue Stream is created by temporarily granting someone the exclusive right to use a particular asset for a fixed period in return for a fee.

#### LICENSING

This Revenue Stream is generated by giving customers permission to use protected intellectual property in exchange for licensing fees. Licensing allows rights holders to generate

revenues from their property without having to manufacture a product or commercialize a service.

#### BROKERAGE FEES

This Revenue Stream derives from intermediation services performed on behalf of two or more parties.

#### ADVERTISING

This Revenue Stream results from fees for advertising a particular product, service, or brand.

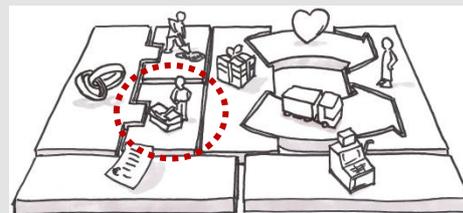
## KEY RESOURCES

The building block Key Resources describes the most important assets required to make a business model work.

Key resources are the basis of every business model and make it possible to design a Value Proposition, operate on markets, build customer relationships and achieve profit. Different Key Resources are needed depending on the type of business model. It is necessary to emphasize that the design of the business model affects the types of Key Resources.

Key resources can be:

- physical, financial, intellectual, or human
- owned or leased by the company or acquired from key partners



For each business, we can differentiate between four types of key resources:

- Physical resources involve for example productions plants, transportation facilities, machines or distribution systems.
- Intellectual resources could be brands, patents, or copyrights to create value.

- Human resources in form of well-trained and qualified personnel are normally important for every business.
- Financial resources could be, among others, cash or lines of credit.

## KEY ACTIVITIES

The building block Key Activities describes the most important activities a company must implement to make its business model work.

Key Activities of a company shall depend upon the type of business model. The aim is to operate successfully on markets, build customer relationships and achieve profit.

Key Activities differ depending on business model type:

- Production
- Problem solving
- Platform/network



### PRODUCTION

Production activities are the core activities of manufacturing companies. This includes, for example, the processes of designing and making a product.

### PROBLEM SOLVING

The aim of problem solving activities is to provide solutions to specific problems. The professional service sectors, e.g. business consulting or health care sector are typical examples.

### PLATFORM/NETWORK

In addition, there are platform or network activities. Here, platform management, service provisioning or platform promotion are Key Activities.

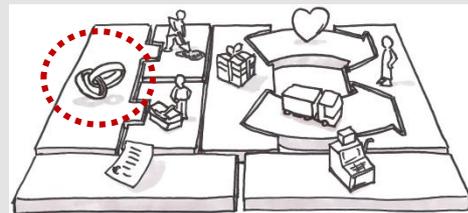
## KEY PARTNERSHIPS

The building block Key Partnerships describes the network of suppliers and partners that make the business model work.

Business partnerships, e.g. supplier relations and other alliances aim at supporting companies to reduce risks or to gain access to resources.

Different types of partnerships:

- Strategic alliances between non-competitors
- Coopetition: strategic partnerships between competitors
- Joint ventures to develop new businesses
- Buyer-supplier relationships to assure reliable supplies



### OPTIMIZATION AND ECONOMY OF SCALE

According to Osterwalder et al. (2010), optimizing the allocation of resources and activities belongs to the most basic form of partnership (e.g. buyer-supplier relationship).

Furthermore, companies cannot do it all themselves. For this purpose, optimization and economy of scale partnerships aim at reducing costs.

### REDUCTION OF RISK AND UNCERTAINTY

Competitive environments are characterized by uncertainty. Sometimes, strategic alliances with competitors are limited to one specific area while competing in another.

### ACQUISITION OF PARTICULAR RESOURCES AND ACTIVITIES

The aim of many companies is to extend their own capabilities by building relationships with other players in order to access specific resources and perform activities. Sometimes, the reasons are connected with a lack of knowledge, licenses, or access to prospective clients.

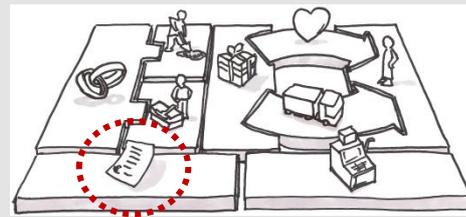
## COST STRUCTURE

The building block Cost Structure describes all costs incurred to operate a business model. Such costs can be calculated relatively easily after defining Key Resources, Key Activities, and Key Partnerships.

Two different strategies:

- Cost-driven business models
- Value-driven business models

Many business models fall in between these two extremes.



### COST-DRIVEN

The core focus of Cost-driven business models is on minimizing costs. According to Osterwalder et al. (2010), this approach aims at creating a lean Cost Structure. This includes, for example, low price Value Propositions, high degree of automation or extensive outsourcing.

### VALUE-DRIVEN

The value-driven business model focuses on value creation. There is less concern for cost implications. The example of first-class hotels shows us high price Value Propositions and a high degree of personalized services.

## BUSINESS MODEL INNOVATIONS

Larry Keeley et al. published in 2013 a very insightful book about 10 Types of Innovations. His categorization of innovation types is based on a deep analysis of a large number of business models of mainly well-known US companies. We consider the 10 Types of Innovation as a very helpful tool to discuss the ways how one could further innovate in business models.



The following pages, based on Perkin (2013) will presented a short description of each type of innovation according to Keeley at al. (2013).

### PRODUCT PERFORMANCE

Focus on the development of distinguishing features and functionality: This involves for example new products, or improved features and qualities. This is the most visible and easiest form of innovation for competitors to copy.

### PRODUCT SYSTEM

The creation of complementary products and services: This issue is related to how individual products or services might be brought together to create new capability or improved scalability. Here, many factors come into play (e.g. integration, modularity, interoperability). One example is the development of ecosystems that take value from one place and use it to enhance experience at another place .

### PROFIT MODEL

How to gain profit: Innovative profit models could change established pricing or revenue generation structures.

Furthermore, they have particular potential since in manufacturing industries the dominant profit model might go unquestioned for decades.

### NETWORK

How you connect with partners to create value: The focus of Network innovations is on capitalizing on their own strengths whilst harnessing the advantage that might be derived from prospective partners. This might include risk sharing activities associated with the development of new capabilities.

### STRUCTURE

The organization of talent, resources or assets: Structure innovations can create unique value or efficiencies. They can enhance productivity and collaboration, help attract qualified employees and improve performance.

### PROCESS

Designing and implementing unique or superior processes: Process innovations involve a significant level of change that can drive greater capability, adaptability or efficiency. The development of unique processes can prove difficult for competitors to access and can yield advantage for extended periods of time

### SERVICE

Supporting and amplifying the value of your offerings: Improving performance, use and loyalty through improved design or service provision, fixing customer pain points and helping to ensure seamless customer journeys. This can push the average into the remarkable, and create a particular experience.

### CHANNEL

The way in which your offerings is brought to customers: The focus of Channel innovations is on finding new or multiple ways to transfer products and services to the consumer, creating a particular experience with minimal friction.

## BRAND

The representation of your offerings and business: Innovations in the way that consumers might recognize and associate your brand, the distinct identity and promise of your offering. That means to incorporate multiple customer touch points; these can confer value, meaning and intent to the offering.

## CUSTOMER ENGAGEMENT

Fostering compelling interactions: The development of more meaningful customer relations derived from deep understanding of customer aspirations and needs. Helping people to “find ways to make parts of their lives more memorable, fulfilling, delightful - even magical”

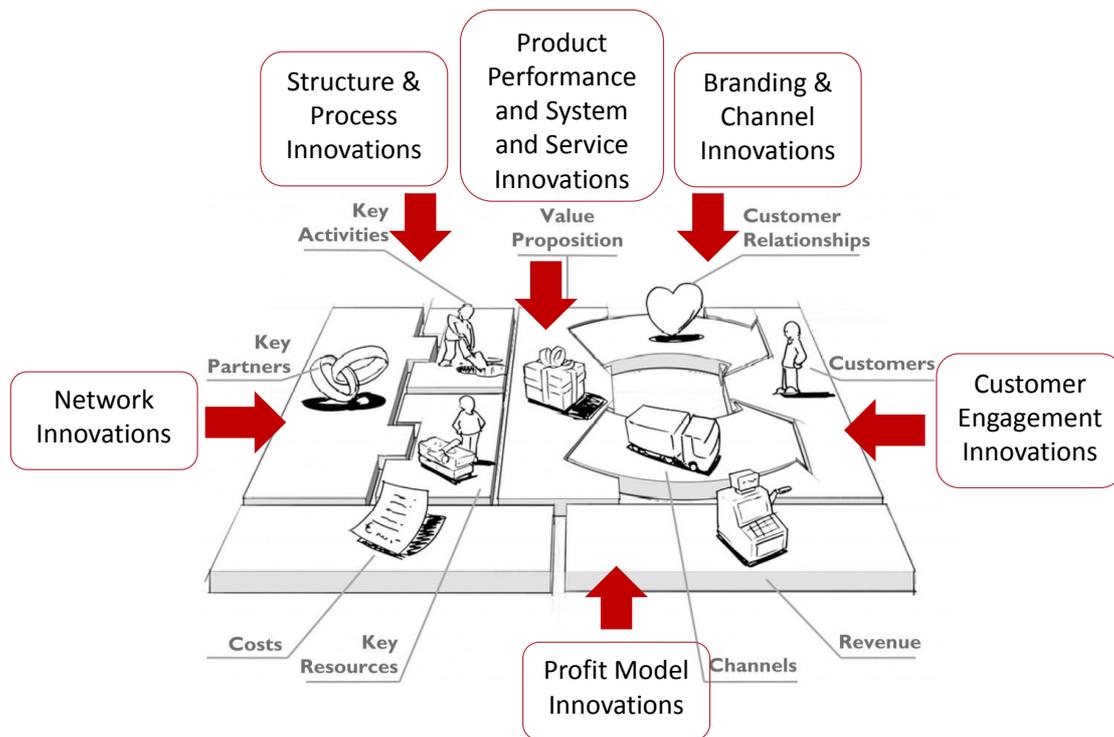
## APPLYING INNOVATION TACTICS

Based on the analysis of innovations of a large number of companies Keeley et al. (2013) present a very helpful overview of Innovation Tactics for each type of Innovation (see additional PDF document).

We use these Innovation Tactics in order to discuss their potential application in business models of start-ups. Here, the idea is to copy successful tactics and implement them in a new business model. The Innovation Types and the respective Tactics are targeting different building blocks in the business model canvas, as one can see in the following figure. In this regard the 10 Types of Innovation concept provides a very helpful tool to further innovate in a business model:

- Product Performance and Product System as well as Service Innovation Tactics are strongly related with the Value Proposition in the Canvas.
- Branding and Channel Innovation Tactics could be used to innovate in Customer Relationship as well as Channel building block.
- Profit Model Innovation Tactics could be applied to design ways of Revenue Streams.

- Process and Structure Innovation Tactics are related with Key Activities and Resources building blocks.
- Network Innovation Tactics can be used to develop innovative Key Partnerships.



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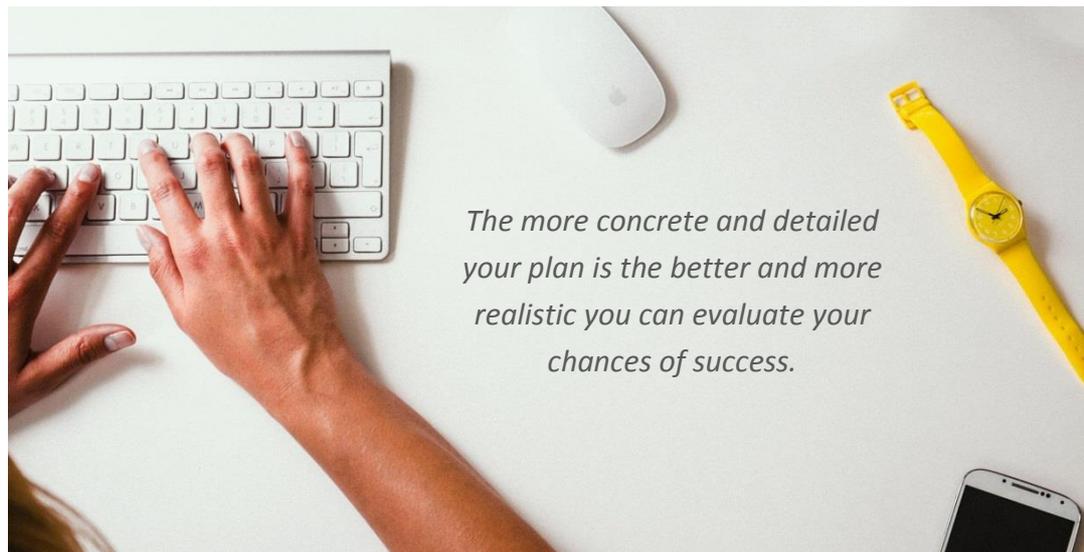


# **BUSINESS PLAN GUIDE**

**BASIS FOR YOUR SUCCESS**

# BUSINESS PLAN GUIDE: BASIS FOR YOUR SUCCESS

BY UTZ DORNBERGER<sup>2</sup>



*The more concrete and detailed your plan is the better and more realistic you can evaluate your chances of success.*

**HAVING A GOOD BUSINESS IDEA IS ONE THING – PUTTING IT INTO PRACTICE IS A DIFFERENT ONE ALTOGETHER.**

When young entrepreneurs break down, this is often explained by insufficient planning of the firm's creation. Hence, taking your time to be well prepared for your future as an entrepreneur is paramount. Evaluate different options for the setup of your enterprise and choose the best one. Inform yourself in detail. Estimate the chances and risks of your idea. You will see: The more concrete and detailed your plan is, the better and more realistic you can evaluate your chances of success. With a well thought-out business plan, it is considerably easier to become self-dependent, as you and the

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<sup>2</sup> This document is based on two publications: "Der Weg zum Erfolg in 8 Bausteinen - Sparkasse" and "Handbuch zur Businessplanerstellung - futureSAX". It is used for education purposes only.

capital providers can make a better evaluation and advise you competently. This handbook shows you how to prepare a professional business plan.

Here some rules that can help you:

### STAND OUT WITH CLEARNESS AND OBJECTIVENESS

Your business plan must be structured so clearly, that the reader orients himself and finds answers to his questions as soon as possible; hence, bring your statements to the point. Focus on the essential and do not strain the reader with too much analysis and data. Stick to the default structure of the eight building blocks.

Try not to get excessively enthusiastic when you depict your idea. Despite all the desirable enthusiasm, you should stay accordingly businesslike and give the reader the possibility to criticize your comments objectively.

Similarly, avoid being too critical in your presentation of the project. To evaluate critical points of your project, you should always present planned measures to solve the problem.

### FORMULATE YOUR PLAN SO IT IS ALSO UNDERSTANDABLE FOR NON-EXPERTS

Some founders think that technical details, bulky construction plans and small-printed business-assessment-curves will leave an impression of competence in the minds of the evaluators and investors. However, experts prefer simplified demonstrations during the evaluation of business plans and, where necessary, an explanatory figure or picture. Only particularly important details of your product or service should be included in the annexes to the business plan. Nevertheless, tangible “proofs”, for example, an application for a patent, help to evaluate your concept’s maturity.

When writing a business plan, it can be difficult to avoid losing yourself in the individual details and analysis. Therefore, lean back from time to time and critically evaluate if the information is enough or if additional analysis is necessary.

FOCUS ON THE ESSENTIAL  
AND DO NOT STRAIN THE  
READER WITH TOO MUCH  
ANALYSIS AND DATA

EXPERTS PREFER SIMPLIFIED  
DEMONSTRATIONS DURING  
THE EVALUATION OF  
BUSINESS PLAN

UNDERSTANDABILITY AND  
COHERENCE ARE CRUCIAL  
FOR THE SUCCESS OF YOUR  
BUSINESS PLAN

WHILE WORKING ON A  
BUSINESS PLAN YOU  
SHOULD OBTAIN ADVICE  
AND TIPS FROM  
SPECIALISTS

### CREATE A ONE-PIECE DOCUMENT

When more people participate in the creation of the business plan, a colorful random document could emerge. While one of the authors gives a very detailed sector and market analysis, another gives perhaps just a simple overview of the marketing activities. However, all the single parts of a business plan must be joined together into a coherent whole. Hence, it is recommended that one person is responsible for the final draft.

A business plan should also follow visually a uniform line – after all, it is the enterprise’s signboard. Try, for this reason, to have a reader-friendly composition. Please select a uniform font (for example Times Roman) and apply uniform formats (for example titles should always be bold or in uppercase letters); establish understandable references between text and figures.

### TEST YOUR OUTLINE

Understandability and coherence are crucial for the success of your business plan. Therefore it is important that you face up to an audience. Outsiders that revise the documents often identify weak points surprisingly fast and can give helpful suggestions for furthering the work.

### WORK YOUR BUSINESS PLAN OVER AS OFTEN AS NECESSARY

A business plan “lives” – it matures step by step. Maybe at the beginning there is just a basic concept and your notion is still imprecise, with time it becomes a “round” business plan. Due to new findings in this process, several themes must be revised and updated often. Assumptions, forecasts and target values must also be adjusted. By doing this, you avoid mistakes in the content.

### LOOK FOR SUPPORT EARLY

While working on a business plan you should obtain advice and tips from specialists. Do not be afraid of appealing to external help (for example advisors of chambers and professional associations, tax counselors, notaries and attorneys-at-law), but do not allow third parties to write the documents completely. Literature on business start-up offers support too.

### DO NOT ALLOW YOURSELF TO BE DISCOURAGED

The creation of a business plan demands time and concentration. Using the presented helpful options and working your concept step-by-step with the eight building blocks, you will see: with every building block, you come one step forward and the mountain of work will not seem unconquerable any longer.

## YOUR BUSINESS PLAN'S SEVEN BUILDING BLOCKS

Your business plan should consist of seven building blocks and, if necessary, an annex. To ease the work for you, we have assigned central questions to the building blocks. The questions are for you to contemplate and are not required. That means: you decide which questions are important for your intended business and which ones should be answered. The questions are by no means complete, you may want to show answers to questions that are relevant for your business and are not present.

We would like to help you to avoid typical mistakes when you write your business plan with these practical tips.

### BUILDING BLOCK 1 – EXECUTIVE SUMMARY

The Executive Summary is the presentation card of your business plan. It communicates to potential investors and partners in brief comments the most important information of your business plan. It should make explicit the core of your

business idea and point out the risk/success factors of your enterprise. And even more importantly, it should awaken the investor's interest.

The Executive Summary should be composed of the following parts:

#### DESCRIPTION OF THE BUSINESS IDEA

Define briefly your product or service and make clear why the idea is coherent.

#### ESSENTIAL SUCCESS FACTORS

Depict briefly what makes your business idea special, what makes your business successful and what the customer benefit is. Make clear your experience and knowledge, your personal competence, your background, in as much as they play a role in your idea's implementation.

#### MARKET OPPORTUNITIES

This accurate but short description of the markets must be completed with key information in your marketing strategy. Here you have to tell the reader how you are going to convince customers to buy your product or service.

#### FINANCIAL GOALS

Be optimistic and realistic at the same time (for example: by the year 2016 my enterprise should realize a turnover of 80,000 euros and generate a profit of more than 10,000 euros).

- ✓ Do not forget to clearly estimate sales, yield and capital requirement numbers.
- ✓ The reader reads the Executive Summary first. Through a clear, objective and coherent presentation of your start-up plan you can show that you understand your business. The skill is demonstrating the essentials of your business idea in no more than two pages.
- ✓ The Executive Summary should be read and understood in five minutes. Try it out!
- ✓ Write the Executive Summary at the end. Only after the remaining seven building blocks are finished, you will be able to formulate your ideas and

objectives precisely. It is not the introduction, but a compressed “compendium for the management”.

#### Guiding Questions:

- What is your business (product/service)?
- What is the customer benefit of your product/service?
- What are the unique selling points (USPs) of your business?
- Which market segment you are targeting?
- How you are going to convince customers to buy your product or service (marketing strategy)?
- Which knowledge and experience qualifies you for this start-up?
- How high is the required investment?
- What are the expected sales and profits for the next three years?

## BUILDING BLOCK 2 – PRODUCT/SERVICE

Your business is based on a product or service idea. Define your idea, describe the special benefits from the future customer’s point of view and compare your products or services with those of your competitors. In addition, you should give an overview of the development status and the market-readiness of your product or service. Also, you should point out the preconditions for the implementation of your project.

### DESCRIPTION OF THE PRODUCT OR SERVICE

A business plan based on the idea of a new product or service makes sense when your product or service is superior to the already existing competing products at least in one aspect. For this reason, include in the description of your project the characteristics of your product or service that differentiates it from the existing competition in a sustainable way.



*PUT ON THE “GLASSES OF  
THE CUSTOMER” AND  
DESCRIBE WHICH  
BENEFIT THE CUSTOMER  
COULD HAVE FROM  
YOUR PRODUCT/SERVICE*

#### CUSTOMER ADVANTAGES OR BENEFITS

If there are comparable products or services from the competition in the market, justify convincingly which additional benefits (or which costs savings) your product has. Evaluate the products and services of your competitors according to the same criteria. If you offer several products or services, try to consider the most important ones individually for the turnover and sum up the other ones in groups.

#### STATUS OF DEVELOPMENT OF THE PRODUCTS AND SERVICES

Put yourself in the reader's place who wants to visualize the development status of your product or service without having technical or specialized knowledge. Try to explain everything as visually as possible. A short description, layout or photograph helps document the status of your planning. Keep in mind, attaching available patents or certificates is beneficial, if part of the plan. If problems or open questions about the development still exist, indicate how you will overcome these difficulties.

Whether your products or services fulfill the requirements of the legislation is also important for your investors. Describe which approvals, licenses or permits from the appropriate authorities that have been obtained and which ones are still required. Keep in mind the labor regulations.

#### Guiding Questions:

- Which are the most important attributes of your products or services?
- Which competing products already exist?
- Which services and attentions do you offer additionally?
- What kind of guarantees (terms, quality, product or fabrication guarantees) do you give?
- What are the customer needs in your market segment?
- What are the customer-oriented benefits of the product or service?
- To what extent must you still complete your services offer, in order to create these additional benefits? (for example customer's service expansion)

- Make a comparison of your products or services with the ones of the competitors based on selected criteria. Which strengths and weaknesses attract your attention?

### BUILDING BLOCK 3 – MARKET AND COMPETITOR ANALYSIS

Your enterprise can become successful only when the business idea is implemented in the marketplace. Check where and how your enterprise can be positioned in the sector and market. First, analyze the sector and the market precisely. Procure data on the sector (sales in units/turnover in thousands of Euros), on the competitors, their market strategies as well as their distribution channels. Consider the market's entry barriers, clientele, providers and the typical sector prices, costs and returns.

The data required for the market and sector analyses is easier to obtain than what you might think. First, you have to list which data are required for your analysis and from which sources you can obtain this data. Available information sources are the publicly accessible statistics from public agencies, sector associations, unions, guilds, chambers of handicrafts, industry or commerce and last but not least, specialized industry press. Other information sources are sector reports and databanks (for example, the financial organizations). Conversations with experts and market rivals can also give valuable information.

*Be creative and use all available information in order to correctly evaluate the chances of success for your product or service in the market. Frequently, taking the telephone in your hands and calling is helpful. To prepare your telephone research, write brief guidelines, so that you determine the questions and their sequence. With pointed questions, you save not only time, but you increase the odds of getting the right answers from the call.*

#### SECTOR

In order that potential investors can appreciate your idea and objectives, first give an overview over the sector that your firm

will be joining. Describe the current situation of this sector and the future development of important factors like technical innovation, modification on legal bases or modifications in customer behavior. Describe factors that influence your enterprise.

#### Guiding Questions:

- How big are the sales and turnover totals of the sector?
- Is the sector growing, so that turnover increases are reachable without displacing competition?
- Which current trends could favor or restrain your product?
- Which influence do the innovations on the sector have?
- Which other economic developments influence the sector?
- How do prices, costs and returns evolve in the sector?
- How is the growth of the sector determined?
- How can lawmaker initiatives affect the sector?
- Which environmental developments influence the sector?

Your enterprise can exist in the market if the customers accept your products or services. To estimate your market potential and to target the customers, it is important to define your target group. For that, you should arrange your (future) customers in customer groups (segments). Segmentation criteria are e.g. customer benefits, buying behavior, regions, and usage of the products. You can choose the criteria for your segmentation freely, as long as you are sure that the customers in the same segment are reachable through the same sales strategy. For more information see also our Guide for Business Model Development.

*Do not underestimate the competition. Hence, explain and describe the current market position of all competitors.*

#### COMPETITORS

Do not underestimate the competition. Hence, explain and describe the current market position of all the competitors (actual and potential) based on the same criteria. Go into the sales, turnover, pricing, volume, growth, market share, costs situation, location, target groups, distribution channels and service. Then, evaluate your enterprise in the same way. Compare the strengths and weaknesses of your competitors to

the ones of your enterprise and explain your competitive advantage. Compare the competitor profiles to your enterprise in a tabular overview. This can be relevant for your competitive advantage in terms of the location, closeness to customers or suppliers, availability of labor force, advisory quality of the personnel, rent, labor costs and or regulatory obligations. Describe the environment of the target market, the competitive situation and the strengths of your enterprise as precisely as possible, so that the reader can have a comprehensive view of your market position.

#### Guiding Questions:

- Which important competitors offer comparable products or services?
- What is the market share of your competition?
- How profitable is your competition, now and in the future (estimation)?
- Which customer groups do your competitors target?
- Which marketing strategies do your competitors use?
- Which distribution channels do your competitors use?
- How is the pricing in general? Do you have price ranges?
- Which new developments are expected in this sector?
- How can you practice your competitive advantage?
- Are market entry barriers present and how can you overcome them?

In your market environment, besides your direct competition, there are other competitive forces. These are illustrated in the graphic below and are “Porter’s 5 Forces”, according to the Harvard Professor Michael Porter. Do not forget to have a clear idea of these factors during the analysis of your departure point. Possible dependencies of important clients or providers belong thereto; and hence, resultant influence like, for example, enforceability of prices, as well as the question about which substitutes or new entrants can endanger your business. Meditate during the analysis of your direct competition, how will they react to your entry into the market and what you must do to be prepared for this reaction and manage it.

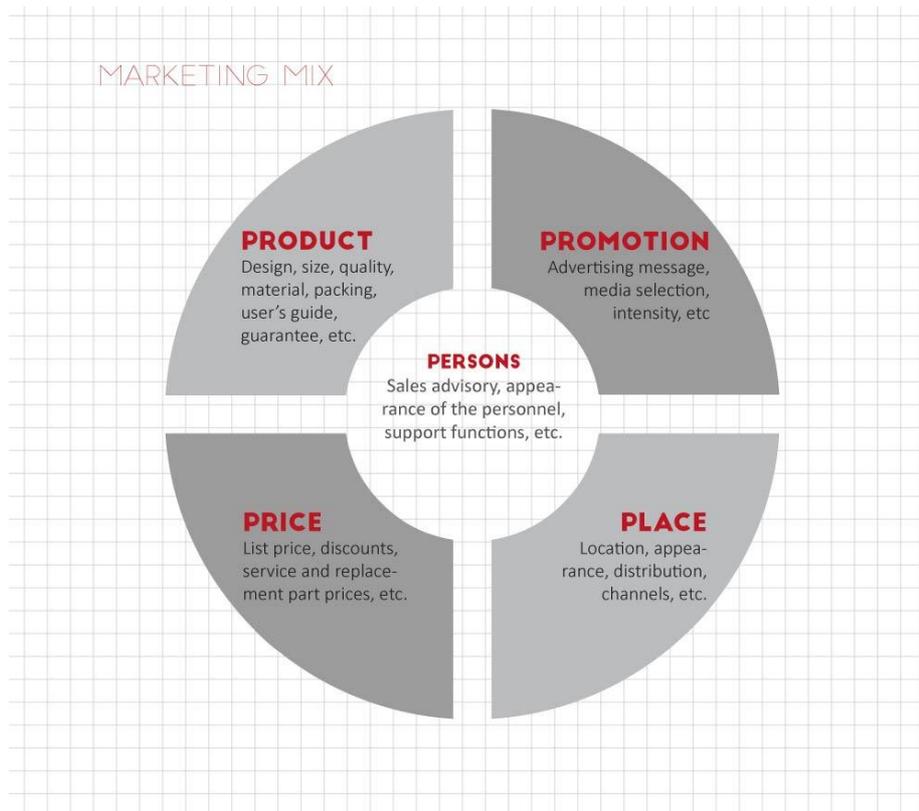


Source: Michael E. Porter, Competitive Strategy, New York, 1980, p. 4

## BUILDING BLOCK 4 – MARKETING AND DISTRIBUTION

Marketing is often equated to advertising. However, advertising is only an individual aspect of marketing. The idea of the marketing mix, which is illustrated below, makes this very clear. Besides the advertising, the marketing mix consists of the product with its attributes, the price of the products, the place where the clients can acquire it, and the people with whom the client will be in contact before, during and after the product-related buying process.

A more specific marketing mix is more successful and consistent. Therefore, please control the consistence of all the linkages (below in the figure) in your planned marketing mix.



For example: If your product has a higher quality value than competing products, why should you launch it to the market at competing prices? When you sell luxury goods, is your service and in-store-environment adequate? Does it make sense to set-up internet distribution for a product whose advantages can only be perceived by client experience (e.g. particular comfortable grip, etc.)?

It is worthy to note some particularities in the case of services. Here, for the success, the direct contact with the clients is more important than for a physical product. In consequence, enhanced attention should be paid to the planning of the service.

However, the most important difference between service and a physical product is the fact that the services cannot be stored. A hotel room that was not leased today cannot be occupied twice tomorrow; an hour, in which today no haircut happened, could not be used twice tomorrow during a rush.

Hence, think how you could gainfully shift a part of the demand from peak times into flexible times. Interesting offers regarding price can make the mentioned times more attractive for your clients. Flexibility and creativity pay off here and

*The most important difference between service and a physical product is the fact that the services cannot be stored.*

provide the decisive advantage over your competitors. It is worth the effort to consider it.

For a successful marketing and distribution concept, you must first define as soon as possible your target group. Then, from the view of your customer try to evaluate the customer benefit precisely. For your product, distribution and communication strategy, you should never lose sight of the target group. If more customer advantages come to your mind, assess them to identify the primary customer benefit. Due to the information overflow in the market, you have at best the chance to place one message. Moreover, your sales success depends on the fact that this message is the decisive one.

#### SALES-PROMOTING/ADVERTISING

Briefly present how you want to attract the customer's attention to your product or service. Depending on the type and price of your product or service, you will choose among different sales-promoting measures, e.g. advertisements, placards and fair stands. The objective of the first advertising actions should be to communicate the singularity of your offered products. Ideally, the advertising manages the link between product and customer benefit so perfectly that your clients perceive only your product as the solution to their specific problems or necessities.

#### DISTRIBUTION CONCEPT

Demonstrate in detail how you want to bring your product to your customers. Present your distribution process and point out the planned distribution channels. Include the respective emerging costs (salaries, commissions or shares of the turnover, etc.) while choosing the distribution channels.

Highlight how you imagine the build-up of your distribution; explain the qualification requirements and the potential number of distribution employees.

Consider the future and think about how to adjust your distribution strategy to respond to changes in the products or customer's needs and preferences.

A complete distribution concept requires a determination of price. When the time comes to establish the price of the product or service, you should orientate yourself to the prices of comparable or currently-in-use products or services. Evaluate how valuable the additional benefit of your product or service for the customers can be and how convincingly you can make the additional benefit for them. If you should operate with dealers, incorporate their commissions into the calculation.

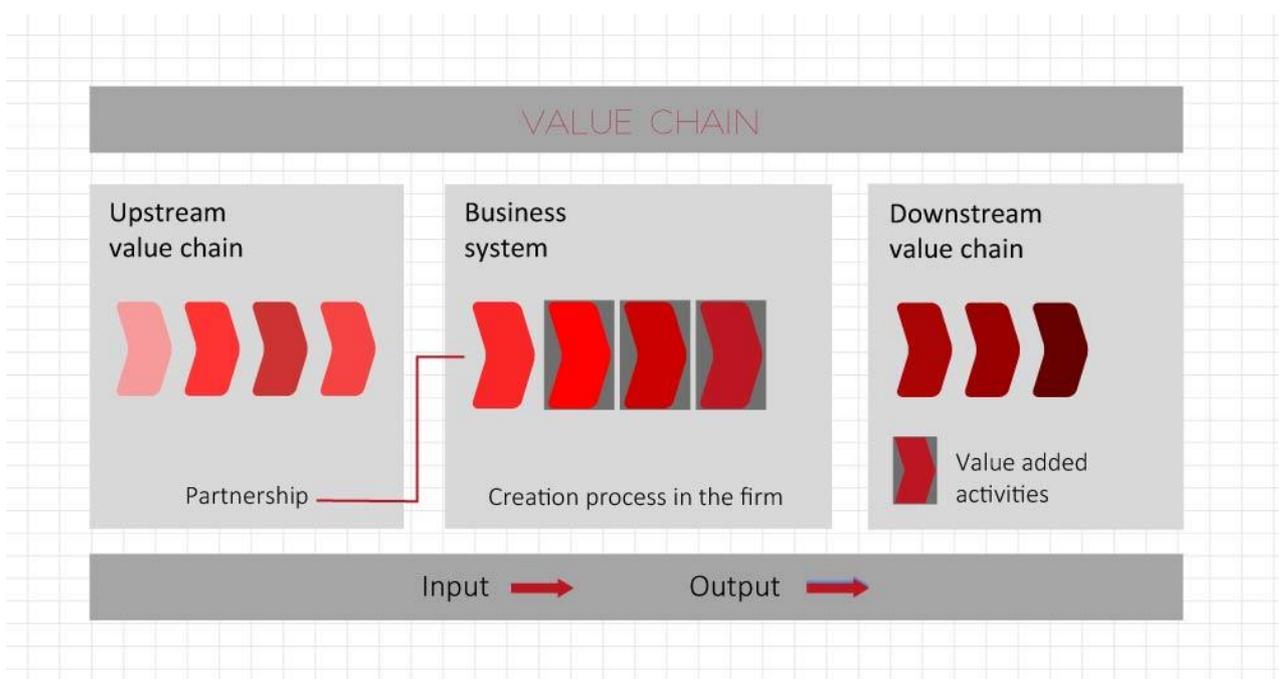
#### Guiding Questions:

- Which steps do you plan for the introduction of your product or service?
- What do the timetable and the milestones look like?
- What should the final (retail) price of your product or service (estimation) be?
- How do you regulate the payment for your product or service, what grace period or discount do you concede to your clients?
- What is the target sales level (estimation)?
- How do you attract customer attention to your product or service?
- Which advertising means do you use for that?
- Which expenditures for advertising and sales promotion come during the product introduction and which later?
- What does the typical distribution process look like?
- Which distribution channels do you use?
- What is the breakdown of sales between the different distribution channels?
- Which target groups can you reach and through which distribution channels?
- What are the distribution requirements? Which expenditures are you budgeting for?

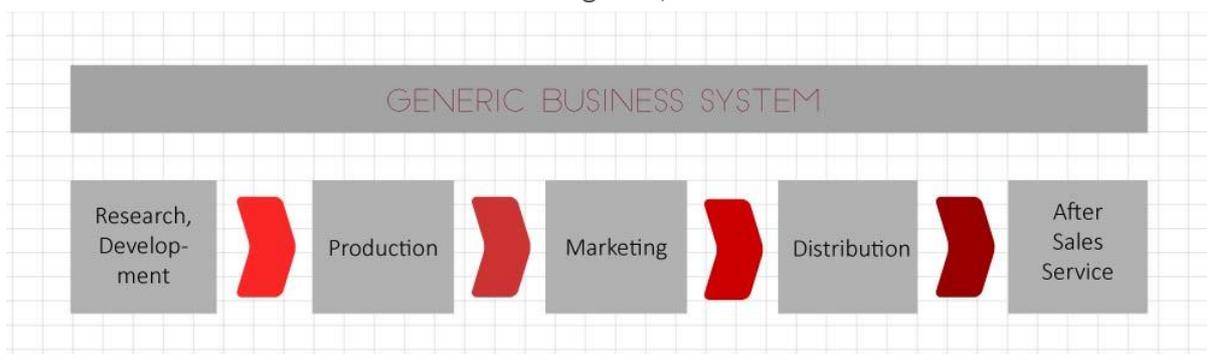
## BUILDING BLOCK 5 - BUSINESS SYSTEM

The company's business system is a part of the business model. Every business activity is composed of a number of individual activities. The systematic illustration of relevant relationships leads to the business system. The system model

describes the business activities of a company that are necessary for the provision and delivery of a final product to a customer— summarized in "functional" blocks. It is a good way to understand and assess the business activities of a firm in a transparent manner. In the following figure we can see a typical generic business system in accordance with the value added chain.



Use the generic model as a starting point for designing your own business system. You have to adapt it to your own specific situation. For a manufacturing company, it is useful, for example to divide the step "production" into components such as purchasing, raw material processing, or sub-systems assembly. In addition, it could be necessary to divide the step "Distribution" into logistics, wholesale and retail.



*There are no general rules or standards. Your own business system should have a logical and clear design.*

What makes most sense depends heavily on the industry sector, and of course on your company itself. The business system of an IT manufacturer differs obviously from that of a fast-food chain. But also the business system of a department store will look significantly different compared to the one of a direct delivery company, although both can sell some of the same products. Avoid a too complex structure.

Focus on the essential parts of your business system. A team of three to five people will not be able to perform all tasks in a way that makes the most sense due to lack of skills, efficiency etc. Think carefully about what activities really create something new and how you want to use your time and the working hours of your employees to create customer benefits and to prevail over competitors. Focus is your key. Select those business system steps that you can perform even better than anyone else.

The development towards specialization is a general trend in the economy. The specialization of start-ups has been considered particularly important: you should concentrate on a few steps of your business system.

#### PRECONDITIONS FOR THE BUSINESS' ESTABLISHMENT/PRODUCTION'S REQUIREMENTS

Define how much material and personnel is required in the point establishment of your project. Determine the estimated production costs per unit and create a unit-cost calculation chart. Define the required space as well as the necessary stock of inventory. Illustrate which capacity and enlargements are required for the intended sales volume.

Please take into consideration that in the start-up phase the production capacities and the volume of service provision are not working to full capacity. Therefore, with the determination of the addition to cover overhead calculation, please assume full capacity utilization costs.

## Guiding Questions:

- What does the business system as a whole look like (services in the value chain, including suppliers and users)?
- What do you make yourself, what do you buy?
- With which partners do you work? What are the benefits for you and your partners?
- What should the production process look like? Which steps provide your services?
- What is the desired amount of produced units or service volume?
- What is the cost of an expansion of capacity?
- What is the required production machinery/equipment?
- How many employees do you need and which qualification should they bring?

*Convince through  
concise presentation  
of your key  
qualifications of your  
enterprise's business  
management*

**BUILDING BLOCK 6 - ENTERPRISE MANAGEMENT**

A good business idea can be implemented successfully only when the necessary know-how exists in the management team. Understandably, the investors would like to know precisely whom they are entrusting their money to. Hence, explain your up to date background and that of your partner, and show clearly to which extent are the acquired qualifications important for the firm start-up.

**SPECIALIZED/TECHNICAL QUALIFICATION**

In the presentation of your qualifications, point out the ones of particular importance for the establishment of your project. Convince through concise presentation of your key qualifications of your enterprise's business management.

**PROFESSIONAL EXPERIENCE**

Successfully practiced specialized/technical know-how gives an important indication of the establishment chances of your start-up project and corroborates the credibility of your predicted market and sector's development. Describe if, and

how long, you have already worked in the sector in which your enterprise will participate.

#### COMMERCIAL KNOW-HOW

Show that you give significance to the commercial management of your business. Present also under this aspect, your specialized knowledge or show to whom you delegate the commercial tasks. Complete your comments with tabulated CVs for you and your partner according to the example shown below. The school and professional education, up to date professional activities, as well as additional qualifications should be in it.

#### Questions

- How do the specialized/technical qualifications and professional background of the enterprise management team and of the key-persons look?
- What kind of commercial knowledge/experience does the business management team have?
- Is there a necessity to strengthen some positions in the management level?
- To which extent do you depend on important employees?

#### ORGANIZATION OF THE ENTERPRISE

A successful enterprise organization requires a clear division of functions and assignment of responsibility areas. Present how the responsibilities are arranged in your enterprise and show an organizational chart, if necessary.

To bear responsibility for the firm does not mean “doing everything and anything”. Do not be afraid to integrate appropriate external advisors, e.g. tax consultants,



*Do not be afraid to  
integrate appropriate  
external advisors*

accountants/auditors, patent agents, public relations agents, start-up or enterprise consultants.

In case experience in an important sub-area is missing, think about forming a team in which, for example, technical and commercial knowledge are combined.

#### THE ENTERPRISE'S LEGAL FORM

Normally, the legal form of the enterprise derives from the composition of the founding team and from the organizational structure. First, describe in this stage if you will be the sole owner of your enterprise or if you want to have partners to materialize the business idea. In the case of the latter, present the functions of the individual shareholders and the company's structure (contribution of capital/responsibility, assumption of functions in the enterprise). Indicate which legal form you chose and why.

#### Guiding Questions:

- How does the organizational structure of your enterprise look?
- Who should manage which groups and firms' departments?
- Which legal form did you chose?
- How are the company's shares distributed?
- Does the legal form follow the interests of the shareholders?
- Is it possible to inject additional capital without problems?

## BUILDING BLOCK 7 - FINANCIAL PLANNING

Normally, after starting it is not possible to implement the planned data 1:1. Therefore, many entrepreneurs ask: what was the whole work for? The following aspects should motivate you to deal with the 3-year- financial plan in detail.

- As soon as your planned data is worked out, you can judge if your project is economically profitable and if it is worth the effort to invest time and money in it. This is an important basis to convince third parties of your project, e.g. capital providers.
- As you bring your calculations onto paper, set assessable objectives and define what you want to achieve.
- The numbers are your first instrument of control. Through comparison of planned numbers and effective (actual) numbers, you can determine and take corrective actions. Moreover, a thoughtful, businesslike-behavior will be expected from you.

*Make sure that all the costs items are estimated realistically*



*Consider that the expansion of the business often requires more investments in the future*

The 3-year-financial plan consists of an investment planning, human resource planning, marketing cost plan, profit and loss statement, and liquidity or cash flow planning.

Please, document in the business plan all of the assumptions used in the compilation of the financial planning. Proceed by going step-by-step through the estimation of the objective's magnitudes. The turnover evolution, for example, derives from the market size defined by your target group, which is defined by the targeted market share, as well as by the planned unit prices. Please, avoid going in reverse to determine the target turnover (counting backwards from the targeted profit).

Make sure that all the costs items are estimated realistically. Mention, in particular, for the advertising costs, which media you want to use and justify your cost estimation with researched prices. Check to see if the target turnover growth corresponds to the advertisement expenditure.



*Outline which employees with the desired qualifications and remuneration you want to hire for the different times.*

#### INVESTMENT PLANNING

The investment planning provides, in conjunction with the human resources planning, the data basis for the profit and loss statement, as well as the liquidity or cash flow planning. In the investment planning all of the goods that you acquire to use them in your business in the long term are included. There are, among other things, buildings, machines, vehicles, computers, software or the initial endowment of your stock. The amounts to be included correspond to the acquisition price without value-added-tax plus additional costs (e.g. for installation) minus discounts. Consider that the expansion of the business often requires more investments in the future.

High investments have costs that can burden the profitability of your business. On the other hand, the unobstructed implementation of your business idea must be guaranteed. Keep the costs as low as possible. Evaluate whether all of the acquisitions are necessary from the very beginning for an efficient and competitive business.

The acquired goods should be depreciated according to their useful life. That means that their reduction in value, from use over time, is to be included in the profitability planning as costs-block under the category of "Depreciation".

#### HUMAN RESOURCES PLANNING

If you need qualified personal for your enterprise, make sure that is possible to get adequately skilled employees. Evaluate if you can work at full capacity with full-time employees or work initially with only part-time or temporary employees.

Outline which employees with the desired qualifications and remuneration you want to hire for the different times.

Consider you have to include the total labor costs. Factor in not only the hourly/monthly wage, but the non-wage labor costs that you have to pay in pension, health, unemployment and nursing insurances. Vacation payment, workers' asset-formation funds, and voluntary social benefits additionally increase your non-wage labor costs.

### MARKETING COST PLANNING

For start-ups it is very important to inform your potential customers about your offer in the market. Therefore a detailed planning of your marketing costs its necessary. In some businesses (e.g. Online business models) the marketing costs can be even higher than the production costs.



### Guiding Questions:

- Which investments do you want to make in the short term?
- Are cost quotations/offers available?
- Have you included reserves for price increments and unforeseen events such as changes in the economic situation?
- Which investments will be necessary in the future?
- How many employees will you need in each area of your enterprise in the next 3 years?
- How high are the calculated annual gross salaries and the computed non-wage costs?
- Are the calculated salaries in-line with the sector standard?
- Are all costs of marketing activities considered?

### PROFIT AND LOSS STATEMENT

It helps you estimate how much remains at the end of an operating year. Basically, this happens through the planning of the turnover and the costs. The annual surplus (profit or earnings) or the annual deficit (loss) is computed by subtracting of all the costs from the annual revenues/incomes. For example, if you sell your product in the current year and the payment will occur not until the next year, you must enter the income of the sale although you have not received the money yet. This principle also counts for the expenditures that you do not have to pay immediately, but the next year.

#### Important notes:

- Notice that when the turnover, increases the costs do as well. Critically approach all of the cost factors and consider that expansion will require further investments.
- Do you execute your enterprise as a capital company, e.g. a limited liability company? And your planned numbers show a loss? Then, consider whether your enterprise has enough of its own capital endowment. Otherwise excessive indebtedness and, therefore, insolvency threaten your enterprise!
- Compare your planned numbers with the actual (real) numbers of other enterprises. If there is a serious difference in the cost structures, this should be explained thoroughly in your business plan. This helps to convince third-parties of your project.

Structure the cost in the areas of human resources costs, marketing costs, material costs, depreciations, other costs and interest expenditures.

Think about how much turnover you have to produce in order to earn your living costs with the enterprise. Include your salary under “personal costs” when your enterprise is a company, e.g. a limited liability company. Stakeholders of a partnership take their private living costs from the annual profit.

## Guiding Questions:

- Which developments do you expect from the turnovers and costs in the next 3 years?
- What does your planned turnover look like? Which sales volume, which prices, which products or services are the basis for your data?
- Are the predicted turnovers realizable according to the demand? Are there convincing arguments for that? Do first orders already exist?
- Is it possible to achieve the planned turnovers with the planned capacity employees/technique? How is the utilization of your capacity within the magnitude of these turnovers?
- How high is your quoted rent? Compare it with the conventional prices in the sector/area. Consider that these are fixed costs; you must pay them even if you cannot achieve the expected turnover! Under which conditions can you terminate the rent contract prematurely?
- What are the estimated advertising costs? Are the amounts enough to finance the foreseen measures?
- Which insurance are you contracting with/considering? Are all the most important risks considered?
- Who assumes the accountancy/advisory in your enterprise and under which conditions?

*What happens when some of your clients do not pay? Consider insuring your receivable against failures*

**LIQUIDITY/CASH FLOW PLANNING**

You take care to keep watch over the income and expenditure payments. Take care not to be suddenly with empty pockets, which finally could be the consequence of not being able to pay and subsequently head to insolvency. The principle of liquidity planning is simple: estimate the timeframe and amount for the cash flows (income and expenditure). Your enterprise remains “liquid” when the amount of incomes is higher than the amount of expenditures at any moment. For periods in which this is not the case, you must add or incorporate capital. The total of all the amounts to be added or incorporated is the capital requirement for the respective

period. The liquidity planning should also include a safety reserve for temporally delayed or cancelled incomes – for example, from clients that do not pay their bills on time (at least 10% of the total capital requirement).

Check to see if you have considered the start-up costs in your planning (fees for notary, lawyer, registrations, leasing/rent costs).

Do you know the payment behavior of your future clients? Compare your estimations with the debt-duration of the corresponding sector reports. What happens when some of your clients do not pay? Consider seasonal factors that can influence both incomes and expenditures. Consider insuring your receivables against failures.

In the starting phase, low incomes will flow. Estimate this period accurately (not too short in the plan). Consider implementing an up-to-the-minute accounting system that gives you information about obligations and receivables all the time.

#### Guiding Questions:

- How will the short-term liquidity evolve in regard to the business activity (detailed planning for the first 12 months)?
- How will the medium-term liquidity evolve (approximate planning for the quarters of the second and third year)?

#### CREATING A SCHEDULE

Investors want to know exactly the development stages of your firm. A realistic 3 year plan gives you credibility among investors and business partners. In addition, it helps you to rethink in detail all activities, processes and dependencies. Incorrect or too optimistic plan targets risk the future of your firm. Focus on important milestones and their relationships.

### Guiding Questions:

- What are the key milestones in the development of your business and when which targets are to be achieved?
- Which tasks and milestones are directly linked?
- Which implementation is used (working packages)?

### CHANCES AND RISKS

In young and fast-growing enterprises, quick decisions about chances and risks that appear suddenly must be made very often. These can have big consequences for the future of the firm. If you do not want to be surprised by such situations, you should hypothetically anticipate possible chances and risks and prepare the respective decisions.

You should also evaluate the liquidity and profit/loss statements in light of external influences. Calculate, for example, in how much your turnover will decrease if a whole customer's group is suddenly not interested in your product anymore. How would this affect your profit?

The "winning-concept" is shown through an appropriate presentation of chances and risks. There is no risk-free start-up, and a too optimistic planning underestimates existing risks. Hence, test your business model with realistic worst-case scenarios. Attach an independent worst-case scenario financial plan to your business plan in the annex. Assume for example lower turnovers and/or higher costs. Choose a scenario that you consider improbable but possible (try to judge how improbable it is). Document all the estimations and test how much the moment of break-even-point is deferred in this situation. Run more scenarios for yourself. With these strategies, you develop the best sense of how sustainable your business model is and which indicators are particularly critical for your success.

## Guiding Questions:

- When do you reach the break-even point (with which amount of units and capacity utilization)?
- Which fundamental risks (market, competition and technologies) exist for the development of your enterprise? How much could the turnover decrease, e.g. because of a worst case scenario?
- How do you plan to limit these risks?
- Which action alternatives will you have when the risks occur? How fast and with which financial costs will you be able to implement these actions?
- When will it be necessary to make important decisions and for which business area?
- Which additional chances do you see for your enterprise?
- To which extent could additional capital make it possible to take advantage of these chances?
- Do you have other assets to access if the implementation phase lasts more than expected, besides the assets that you already included?

**CAPITAL REQUIREMENT**

From the liquidity/cash flow planning, you know how much capital and for which moment you need, but not where it comes from.

Test first which own resources you can introduce and how much external capital is required to cover the remaining gap. Enterprise start-ups are in only few cases realizable without external capital. In any case, own assets should be included in an adequate proportion to the total costs.

When the first version of your business plan is ready, you should establish contact with investors and consult with them about the optimal financing for your project. You can incorporate the results in your business plan. Enquire about advisors who are specialized in start-up projects.



In order that investors can advise you competently and decide on your financial requirement from the very beginning, it is important to make available your business idea for the advisor already in the first conversation. Here it could be a “first version” that you develop further after the conversation. Calculate approximately 2 hours for this conversation and prepare yourself so that you have ready the most important parts of your project, e.g. the planned numbers.

Your chances for a financing agreement can be tested ex-ante. Do you fulfill the mentioned criteria? Incidentally, for a promissory project, insufficient own resources can be compensated through private venture capital, that from the fiscal point of view is considered as own capital.

Venture capital providers are interested, most of times, exclusively in projects that are promising and with a strong growth potential. Some venture capital-organizations restrict themselves to the financing of determined sectors and set a determined minimum capital requirement.

#### Guiding Questions:

- Are your planned numbers realistic and convincing for the profitability of your project?
- How are your private resources?
- Can you include them immediately and document their existence?
- Who assumes external financing responsibility?



# PART 2: CASE STUDIES OF BEST PRACTICES IN ENTREPRENEURSHIP PROMOTION

STRATEGIES AND INSTRUMENTS FOR ENTREPRENEURSHIP  
PROMOTION: SMILE APPROACH

by Utz Dornberger

LIFE COMPETITION – SMILE LEIPZIG

by Kwabena Obiri Yeboah & Christian Hauke

INES BUSINESS INCUBATION CENTER

by Gonzalves Nshimiyimana

ENTREPRENEURSHIP CLINICS: THE CASE OF KWAME  
NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY,  
GHANA

by Ralph Nyadu-Addo

SUSTAINABLE FINANCING MODELS FOR BUSINESS  
INCUBATOR: THE KUMASI BUSINESS INCUBATOR

by Ralph Nyadu-Addo

# **STRATEGIES AND INSTRUMENTS FOR ENTREPRENEURSHIP PROMOTION**

SMILE  
APPROACH



# STRATEGIES AND INSTRUMENTS FOR ENTREPRENEURSHIP PROMOTION: SMILE APPROACH

BY UTZ DORNBERGER

Specific support services especially for students and staff at universities, research institutes and centers guarantee an accelerated transfer of scientific knowledge into economic value.

The processes for transferring research results from research institutions to commercial application are complex and diverse. But it is clearly visible that technology transfer plays an increasingly important role in sustaining and improving the competitiveness of firms.

One and sometimes the most important transfer channel is the creation of a spin-off company.

Our Entrepreneurship Promotion activities have the following goals:

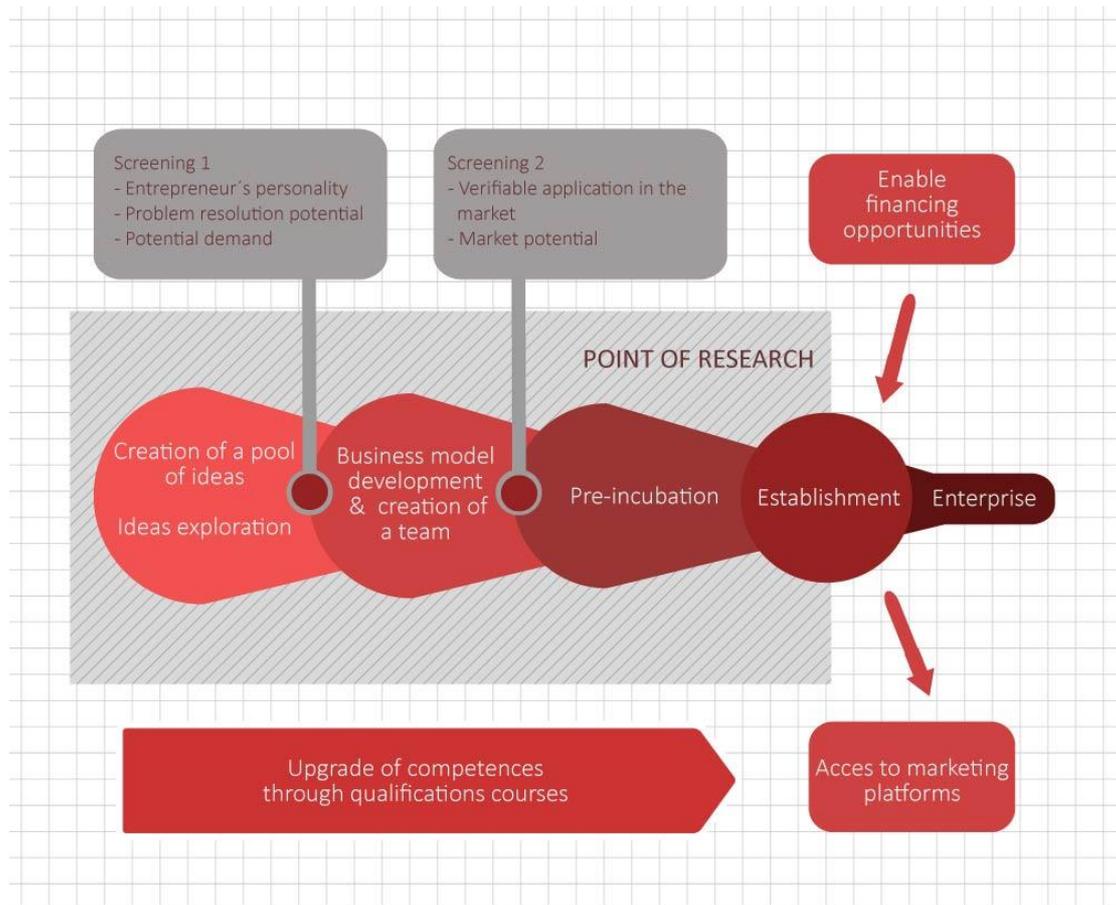
- To find marketable innovative technologies/ideas and develop supporting business models
- To train students and researchers in management of start-ups and stimulate interdisciplinary team building
- To support start-ups with intensive coaching at the „Point of Research“
- To provide access to marketing and financial networks

The main target groups are PhD students, students, alumni and employees at university research institutes.

## APPROACH FOR START-UP COACHING

In order to accelerate the transfer of innovative ideas and technological developments into economic practice, direct implementation and support at the “Point of Research”, i.e. at the respective research institutes and centers, are necessary. With the help of our Idea Scouting and in co-operation with the business and transfer management units the research results and the ideas of high entrepreneurial potential are identified, evaluated and collected in an idea pool.

Next is a detailed screening that evaluates the initiators’ business personalities, the value of their business ideas for customers, and their initial ideas about the marketing of the research results. Panels of external experts, i.e. Venture Capital firms, Business Angels and other specialists help to assess the ideas. Potential founders will get frequent opportunities to present their ideas before these panels and obtain feedback.



If the result is positive, a more detailed start-up coaching can begin. Right after the first screening and throughout the entire coaching process, we bring potential team members together and support the development of interdisciplinary start-up teams. These teams will then develop their business models, supported by experts in special workshops. A further screening evaluates the work's progress. If the outcome is again positive, the pre-incubation of the business at the "point of research" will be discussed with the research institute, and an appropriate action plan will be created. With the support of the coaches, market tests and the preparation of the actual foundation can begin. In addition, access to funding sources and platforms is provided. At this moment, we initiate the planning of the growth phase and all related strategic planning aspects.

## THE COACHING PROCESS

### IDEA POOL DEVELOPMENT

At the points of research, innovative ideas and technological developments with market potential will be identified. Here it is essential to work closely with the administration of the research institutes and centers. The identified ideas will be placed in a central database or platform and further analyzed in regard to their start-up potential.

### SCREENING 1: PRODUCT IDEA & FOUNDER TEAM

The founders' personalities are central to the success of the company. As part of the first screening, a test evaluates the founders' personalities in order to identify their individual strengths, and

- To prepare an optimal task distribution within the founding team as well as
- To determine whether the team can be considered complete, given the skills at hand, or whether other team members are necessary to ensure a successful start.

The coaches will discuss the important elements of customer value and competitive advantage with the potential start-up teams and test them by applying their own market research. The start-up ideas and business models will be evaluated for plausibility through surveys among external experts and through analysis of secondary data.

### FORMATION OF A POWERFUL START-UP TEAM

Normally, scientists and engineers lack the necessary business expertise for founding a business. Therefore it is necessary to bring together people of a technical background interested in founding a business with experts from the commercial sector.

We encourage the formation of complementary start-up teams and actively support the development of personal and professional trust. We invite founder teams to get in contact with experienced managers and entrepreneurs who are

interested to invest into young start-up firms. Based on our moderation support the interested parties are able to make contact with each other and to develop common goals for joint development of the business idea. The moderator stays neutral towards all members of the founding team and helps to overcome challenges of team building

The challenges of team building are:

- To discuss objectively emerging differences in opinion on technical or commercial issues at an early stage;
- To demonstrate through practical examples of established companies the possible priorities and harmony between technical and commercial goals, without showing superficial judgment;
- To motivate the participants in a meaningful way to engage with each other.

The combination of building interdisciplinary teams and the accompanying training is a key factor to a successful support process.

### **BUSINESS MODEL DEVELOPMENT**

For the commercialization of innovative ideas and technological developments, it is necessary to analyze different business models, especially in terms of the market and competitive conditions as well as customer value. This business model development is done in a process of several weeks, in which the founding team will be joined by one of our coaches. In addition, interested business students, who are not part of a founding team, initiate a project to review the business models, realize market research activities and develop appropriate market entry strategies under the guidance of one of our coaches. These projects address specific commercial aspects of the business planning process and bring considerable relief to the founding team.

### **SCREENING: BUSINESS MODEL REVIEW**

The business model will be presented before a small panel of experts, e.g. entrepreneurs, managers and investors. This gives the founder team and the participating research institutes a deep insight into the market and the development potential of the respective technologies.



*One of the main problems of start-up companies is to get a fast and efficient access to the market.*

This phase acts as a filter as well as positive motivation for founder teams with positive feedback from the expert panel.

### PRE-INCUBATION

The basic idea of pre-incubation is to support the founders in the test and transition phase, when they shift from their former position to develop the start-up business. For this, the founding team (already through intensive coaching) is supported at the “point of research”. This allows the necessary proximity to the scientific mentor (or accompanying research professor) on the one hand and the use of special equipment (existent in the research institute) during the start-up phase on the other.

On the basis of the previous business model and planning analysis, the business plan is also established in this phase. Here the founders are able to gain decision making experience in strategic and operational issues, as the coaches begin to stand on the side to enable a gradual learning experience.

### ACCOMPANYING QUALIFICATION

The training focuses on the so-called soft skills of the founders. Through the mediation of specific business skills, the founders are able to understand the important principles of the management of a start-up company. The individual courses address relevant management issues in the various stages of a start-up in a comprehensive manner or specific management tasks that are necessary for proper start-up operation. All courses are offered several times if needed.

### FINANCING OPPORTUNITIES

The start-up support institution needs to build bridges between potential entrepreneurs and financiers. Special events are held so that the potential founders can present their business plan and ideas to a panel of experts and receive professional feedback. Through these panel discussions, contact to Business Angels, Venture Capital firms and private investors is developed. Furthermore an individual support of the founder teams in the negotiation process with potential investors is provided.

### ACCESS TO MARKETING PLATFORMS

One of the main problems of start-up companies is to get a fast and efficient access to the market. Therefore we support the creation of marketing platforms where networks of young and already mature companies join the marketing efforts in order to develop service and product offers for large customers.

## THE COACHING METHODOLOGY

### STEPWISE APPROACH

Our coaching methodology follows a stepwise approach in order to obtain four important results

- Coaching plan
- Business model
- Test-Application in the market
- Business plan

### COACHING PLAN

As part of the requirement analysis, the specific characteristics of the start-up in relation to the business idea and the founders are determined. For this purpose, existing property rights, special legal aspects as well as existing competency gaps must be evaluated. Based on this analysis, a binding

coaching plan is established. The coaching plan contains a concrete working plan (step-wise) as well as training plan for the start-up team.

### **BUSINESS MODEL**

As part of the business model development, strategic analysis of the business environment will be conducted with some of the following tools: market segmentation, benchmarking or SWOT analysis, as well as the use of market research methods. The goal is to focus on the customer value of the product or service being offered and work out the attractiveness of the potential market segments as well as the customer's willingness to buy. Using the market and customer segmentation analysis, the detailed product definition is established. This includes an analysis of the product range with respect to the available competitive offering and the unique differentiation characteristics of the start-up's offer.

### **TEST-APPLICATION IN THE MARKET**

The result of the previous coaching step is that a market-oriented business model is developed. Nevertheless, there is usually uncertainty about the meaning of a whole series of specific design options and the importance of different features for the customer. These questions are either answered with cost-intensive market research before the launch or after the product introduction based on initial experience, however also with substantial costs.

This is where the application test lab, the step that tests the market applicability of the business idea, helps to increase the probability of success. In a separate coaching step, key elements of the business idea are transferred into a test for some pilot customers. For this, the key features of the product or service are combined in an initial offer for some test customers. They will test this offer and provide a feedback evaluating the fulfillment of their specific customer requirements. Doing this errors in product design or non-market oriented investments can be avoided while at the same time ensuring optimal market and customer orientation.

## BUSINESS PLAN

The final step contains the development of the whole business plan. Here the coaching focuses on the remaining important aspects like:

- Marketing & Distribution
- Business organization
- Financial planning

## REFERENCES



### SMILE - SELF MANAGEMENT INITIATIVE LEIPZIG

The Self-Management Initiative Leipzig SMILE is a well-known regional project to support entrepreneurship and start-ups in Leipzig. The associated partners of the Initiative are the International SEPT Program and the Institute for Service and Relationship Management at the University of Leipzig, the Leipzig Graduate School of Management, the Centre for Environmental Research – UFZ in Leipzig, and the Research for the Energy of the Future - DBFZ. The initiative is cooperating closely with further partners throughout Saxony and Germany to help young entrepreneurs, start-ups and existing companies to succeed. SMILE is well versed in the supervision and coaching of start-ups and spin-off companies as well as in the training for key and management qualifications. The interdisciplinary team of 13 employees with diverse entrepreneurial backgrounds, skills and experiences operates in highly professional and flexible fashion to bring the best ideas to the market. SMILE founders have won several business plan competitions. Up to today more than 5,000 persons have participated in the program and as a direct result more than 350 businesses were founded.

Web: [www.smile.uni-leipzig.de](http://www.smile.uni-leipzig.de)



**LIFE**  
**COMPETITION**

SMILE LEIPZIG

# LIFE COMPETITION – SMILE LEIPZIG

BY KWABENA OBIRI YEBOAH & CHRISTIAN HAUKE

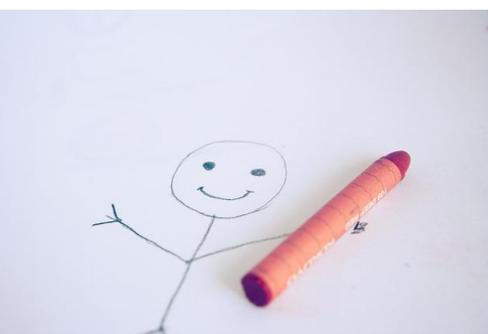


The Leipzig Ideas Competition for Entrepreneurs (LIFE) is organized by the Selbst Management Initiative LEipzig (SMILE) at the Leipzig University. The competition is to encourage and support creative thinking among students, staff and graduates from all Leipzig Universities and research institutes.

It has been observed that while students, staff and graduates of universities and research institutes go through daily routine, business ideas come to mind. However, the ideas are usually ignored because there is no initiative that challenges further development of these ideas. Moreover, tight studies and work, procrastination, search for paying jobs and perceived non-achievable dreams hindered small and big ideas from becoming a reality. Consequently, the SMILE organizes the LIFE competition to bring implementable ideas together and help make it a reality. The LIFE competition is not aimed at competing with other Business Plan competitions which are well known. LIFE competition focuses on the initial stage of the business i.e. the idea generation stage.

## ADVERTISEMENT FOR IDEAS

Students, staff and graduates of all Leipzig universities and research institutes are invited to participate in the competition through advertisement on poster, flyers and on the internet. Only the idea is supposed to be described in a simple online form provided in both German and English language. No business plan is required when submitting the general description of the ideas.





### SELECTION OF IDEAS

When the ideas are presented on the online form, the SMILE team with its diverse background and experiences evaluates the business ideas. Each idea will be evaluated by two SMILE team members. The evaluation is done applying the following criteria: Solving customer's problems, unique selling points (USPs) in comparison to competitor products/services and growth potential. Based on this evaluation a ranking of the ideas is developed and the eight best business ideas a further presented to a jury.

### SELECTION OF BEST IDEAS BY JURY

The jury members are selected based on their professional experience in business and who have no relation or contact with any of the participants in the competition. Typically the jury is managed by the two SMILE directors Prof. Helge Löbler, and Prof. Utz Dornberger. Furthermore representative of the consulting firm EY, the City of Leipzig and from two start-up companies are taking part in the jury process. The jury selects the best three ideas among the ideas presented for the competition. The selection is based on the filled forms sent to SMILE by the participants. Their feedback is later used in the further development of the idea after the competition.

### AWARD CEREMONY

SMILE always organizes a very lively award ceremony. The main element of the ceremony is the so called audience award. Here the eight selected start-up teams presented the business idea in form of an elevator pitch to the audience. Every team has 90 seconds for making a lively presentation their business idea. Afterwards the audience votes for the best idea through a secret ballot. The ballot is counted afterwards and the winner is announced. The winner of the best idea from the audience's secret ballot is given a trophy as well as a cash prize.

The second important element of the ceremony is announcement of the winners of the LIFE awards who are selected by the Jury. The golden, silver and bronze jury award winners are also presented to the audience and cash prizes and trophies are delivered.

### **FURTHER SUPPORT FOR PARTICIPANTS OF THE LIFE COMPETITION**

The SMILE team provides further support to all the participants after the LIFE competition. The SMILE team assists these entrepreneurial teams to work on their start-up project and developing the business model and plan. For further details please see the chapter above.

### **SUPPORT**

The LIFE competition is supported by EY, City of Leipzig, Tax Consulting Jordan & Werrmann, the Sparkasse VC company (S-Beteiligungsgesellschaft), the Technology Founder Fund – Saxony (TGFS), and the GISA GmbH. The project is funded by the European Social Fund (ESF) and by the Saxon State Ministry for Economic Affairs, Labor and Transport (SMWA).



**INES**  
**BUSINESS**  
**INCUBATION**  
**CENTER**



# INES BUSINESS INCUBATOR CENTER, RWANDA

BY GONZALVES NSHIMIYIMANA

*INES-BIC provides practical support to new and existing SMEs, based on ethical excellence.*

The Institut d'Enseignement Supérieur de Ruhengeri (INES-RUHENGERI) is an Institute of Applied Sciences created in 2003 with the vision: **Universality in each individual, Knowledge in order to unite and better serve the world**. According to its mission, INES-Ruhengeri is there to: "Contribute through the interactive conjunction between civil society, private and public sector to the national and regional development, by providing specialized university education enhanced by research, in order to create competitive enterprises and well paid employment." It is within this context that programs have been redesigned, new programs created and centers established. INES-Business Incubation Center (INES-BIC) was created in the same spirit.

INES-BIC, which started in February 2014, provides practical support to new and existing SMEs, based on ethical excellence. This is done through different initiatives for practical business plan development and growth competitions, business skills trainings, entrepreneurship events, business coaching/mentoring and access to finance, information services etc. The INES-BIC incubates Small and Medium Enterprises (SMEs) and helps them to attain growth, thereby creating worthwhile long-term jobs, improving local supply-chains and fostering national economic progress.

## HOW INES-BIC STARTED

The initial phase of INES-BIC activities began with team building where three members of staff from the Institute received trainings on starting and managing an Incubator. Modules covering principles, models, success factors, planning and implementing a mentoring program were covered to help the staff understand clearly what challenges exist in starting an incubator and how they can behave in dealing with management and leadership challenges ahead.

The next activity focused on building a team of trainers/coaches/mentors from university departments and surrounding business community. Based on existing departments of INES-Ruhengeri, a call for manifestation of interest to become a trainer/coach/mentor of the center was made and various experts were selected to become part of the team. Apart from internal staff, practitioners in the real business were selected. Furthermore, where INES-BIC was short of expertise (lecturers who can provide the service), external coaches/trainers/mentors with qualifying attributes were selected to supplement the work done by lecturer-trainers. However, in case of a sector which did not have an expert from the team, the incubatee in collaboration with INES-BIC was allowed to find the right mentor who would always be with him/her during the coaching/mentoring period. Considering that not everyone is an expert in everything, the team received trainings in:

- Adult learning
- Market research and marketing
- Coaching and mentoring, monitoring and evaluation
- Advocacy in business environment and reform (how to advocate for the needy entrepreneurs for favorable business environment (policies, access to finance, market).

## SUCCESS STORIES

### ORGANIZATION OF BUSINESS PLAN COMPETITION

This event brought together about 120 applicants (students, staff and people from the surrounding communities) and observed the following phases of the competition were spelt out.



*Phase 1:* Conducting training for 120 applicants in **Business Idea Generation and Evaluation**

*Phase 2:* Conducting training in **Business Plan Development** for 50 participants with best business ideas selected out of the 120 in the 1<sup>st</sup> phase

*Phase 3:* Selecting best 20 business plans to be incubated and supported for a period of one to two years

In three phases, trainees take in-class training. In each phase, trainees have coaches/mentors who help them understand concepts in practice and fill in the information in accordance to everyone's business idea. In class, trainees receive theoretical lessons and after class they are given forms to fill in basic information related to their business. Between training phases, at least each one spends ten days collecting the market information related to his/her business idea and when they meet for the next phase each one should have a drafted version of the business idea. The entire training is closed with a pitching event that brings together trainers, financial institutions and any other interested persons. The best business plans are awarded and given opportunity to be incubated. During the incubation phase further support are provided which include for instance; access to INES-BIC facilities; coaching/mentoring, networking, access and linkages to financial institutions, technical support in ICT, access to laboratories, trade fairs and field visits to role model entrepreneurs.

Until December 2014, 12 start-ups officially registered at Rwanda Development Board. Currently 6 businesses are

progressing steadily whilst others are still struggling. In order to make sure that incubatees do not operate informally, they were requested to officially register their companies. By doing so they could benefit INES-BIC support. Most of businesses are farm-related (poultry, pig rearing, food processing), food service and car mechanic.

Although connected to financial institutions, incubatees preferred to start with their own money. They started small, expecting to grow bigger.

### PARTNERSHIPS AND NETWORKING

INES-BIC brought together winners of the Business Plan Competition and other players in the field such as local financial institutions (Business Development Fund, Kenya Commercial Bank) and public and private organizations such as Workforce Development Authority (WDA), Private Sector Federation. INES-BIC also linked with Intelligence for Innovation Network (iN4iN Network), Ministry of trade and Industry, etc. These different organizations play an important role in employment creation, capacity building in the field of entrepreneurship and provide financial support to different activities. INES-BIC further supported trainings provided to the target groups and participated in business plan evaluation.

### CONDUCTING MARKET NEEDS ASSESSMENT FOR NEW TARGET GROUPS

After successfully conducting the Business Plan Competition, local population received training on how to become successful entrepreneurs. This category brought small entrepreneurs from four districts surrounding INES-Ruhengeri. As this was a different group, INES-BIC had to conduct a market study.

### DEVELOPING TAILOR-MADE TRAINING MATERIALS IN ENGLISH AND KINYARWANDA

Many local people speak and understand the local language which is Kinyarwanda. However, many training materials are in foreign languages which make it a bit hard to transfer the

*Many local people speak and understand the local language, which is Kinyarwanda. It is for this reason that INES-BIC team developed materials in English and in Kinyarwanda in order to be successful in training designed for English and/or Kinyarwanda speakers.*

knowledge. It is for this reason that INES-BIC team sat down and developed materials in English and in Kinyarwanda in order to be successful in training designed for English and/or Kinyarwanda speakers.

Materials in English were translated into Kinyarwanda for the purpose of standardization. Team members of INES-BIC discussed the material for common understanding. All team members speak both languages. Members recruited from the business community and those who have been dealing and interacting with similar clients in their daily activities, take the lead in skills transfer. Such practitioners understand the client mindset, behavior and expectations than academic staff in the team of trainers/coaches/mentors.

#### LINKAGES WITH SURROUNDING BUSINESS COMMUNITY

Linkages are done through training/coaching/mentoring of existing businesses in the following two ways:

##### (a) Peer-to peer coaching/mentorship

To supplement university teachers, other mentors/coaches are chosen from the professional community based on their experience in a specific business sector (in agriculture or other sectors)

##### (b) Youth enterprise (Learning Business by doing)

A six-month training and coaching to young students who are already in class is provided. During that period, they are introduced to entrepreneurship principles, skills in business creation and management. Students are encouraged to seek funds themselves, start and run business like any other entrepreneur. Participants learn both theory and practice.

As this exercise aims at developing skills of aspiring entrepreneurs, participants in the program put in place ground rules for effective management of business which can result in its continuity after graduating from university or cessation if participants fail to continue together.

The process of training at INES-BIC introduces participants to the basic and advanced steps of entrepreneurship and what it means and takes to start and manage one's business properly. The first module "Introduction to Entrepreneurship" is complemented with other modules that provide start-up entrepreneurs with knowledge and skills to start and manage their business in an efficient and sustainable manner.

Under normal circumstances, the entire business skills training take 15 days, but it is subject to changes depending on experience and requirements of target groups. In some instances, the training supplements participants' knowledge on their already existing information on entrepreneurship. The days are not consecutive, but scheduled such that participants can work on their business plan to match the required number of days.

The training package comprises the following 7 modules delivered in 15 days:

#### **MODULE 1: INTRODUCTION TO ENTREPRENEURSHIP**

This module is the starting point for entrepreneurship awareness. Trainers emphasize and highlight the challenging aspiration of becoming a successful entrepreneur and provide basic ground for identification of potentially creative and fully committed entrepreneurs.

#### **MODULE 2: BUSINESS PLANNING**

The Module "Business planning" comes as a continuity of the previous module. It provides all technical and practical information to entrepreneurs on how to develop or write their business plans, the structure of conventional business plan and how to present their unique personalities in their business plans.

As the roadmap for their businesses, the business planning helps set targets, collates ideas, plans for the future of the enterprise and verifies that the business idea is realistic and feasible. Furthermore, its relevance in attracting finance for starting a business is discussed without missing its dynamism throughout the process. To achieve aims and objectives of the

enterprise, business planning serves as a tool for monitoring and measuring the performance of the entire business.

#### MODULE 3: MARKETING AND SALES

This module addresses one of the most important aspects of the entrepreneur's business i.e. how to market and sell their products/services to target customers at a profit. During training sessions, participants come up with a strategic marketing plan; gain in-depth understanding of the marketing mix; learn to add value to customers' needs and how to sell products and services at the different marketing and sales cycles. Before going to the field, they practice some tools such as Rapid Market Appraisal.

#### MODULE 4: PRODUCT AND SERVICE DEVELOPMENT

The aim of this module is to help trainees in product or service development understand supply and delivery process. They need to demonstrate who their suppliers will be, what terms they offer, what quantities is needed and if required, who will be an alternative supplier or fulfill a large order. Trainees need also to understand and provide details of the premises to be used, its layout, job task assignment in producing/servicing, resources need etc.

#### MODULE 5: HUMAN RESOURCE MANAGEMENT

Human resources management depends on integrating the importance of human resources into the company's strategic policy and planning and ensuring all line managers adopt its principles as part of their everyday work. Under this topic, trainees are introduced to principles and processes of team building, management and evaluation. In short, it reflects the match between employees and the human resource needs of the company and the quality of working life.

### MODULE 6: FINANCE MANAGEMENT

This module introduces start-up entrepreneurs to one of the most important aspects of their business - finance or money management- and what start-up entrepreneurs need to know. It discusses basic concepts useful for entrepreneurs on daily basis. Such issues include access to finance, sources of funding budgeting and setting up basic financial administration among other topics. Trainees are introduced to basic financial management, budgeting, bookkeeping, cash flow, access to finance, profit and loss statement and balance sheet.

### MODULE 7: TAXATION

Module on taxation was developed in order to assist trainees to identify the difference between taxes and tax systems, different categories of tax payers (in national context) based on types of business and annual income, tax calculation and declaration (manual or online), value added tax and penalties associated to tax evasion.

In teaching all modules, different methods are used and supported by series of PowerPoint presentations, exercises, open discussions, case studies, role play<sup>3</sup> and other relevant examples.

Whilst the description of the modules presented above provides an overview of training dynamics at INES BIC, the phases through which these modules are introduced have been outlined in the table below.

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<sup>3</sup> Role play is a technique used in training in order to make the person under training act as though they are performing the real scenario.

PHASE 1: BUSINESS IDEA GENERATION AND SELECTION		
DAY	TOPIC	SUB CONTENT
Day 1	Steps of Business Implementation: <i>Introduction to Entrepreneurship</i>	<p><i>Morning</i></p> <ul style="list-style-type: none"> <li>• Training/Workshop Overview</li> <li>• Saleable/marketable competencies assessment</li> <li>• Personal Entrepreneurship Characteristics (PECs)</li> <li>• "Abilities Window"</li> </ul> <p><i>Afternoon</i></p> <ul style="list-style-type: none"> <li>• Personal Entrepreneurship Characteristics (PECs) checkup</li> <li>• Wheel of PECs</li> <li>• Finance checkup and fund for investment</li> <li>• Entrepreneur's Environment</li> </ul>
Day 2	Steps of Business Implementation: <i>Business Idea generation and selection</i>	<p><i>Morning</i></p> <ul style="list-style-type: none"> <li>• Methods for business idea generation</li> <li>• Screening and selection of best viable business idea                             <ul style="list-style-type: none"> <li>○ Macro screening</li> <li>○ Micro screening</li> </ul> </li> </ul> <p><i>Afternoon</i></p> <ul style="list-style-type: none"> <li>• SWOT analysis of best idea</li> <li>• Final decision</li> </ul>
Day 3	Steps of Business Implementation: <i>Information seeking – Initial assumptions/dreams</i>	<p><i>Morning</i></p> <ul style="list-style-type: none"> <li>• Market</li> <li>• Supply</li> <li>• Infrastructure</li> <li>• Business management</li> </ul> <p><i>Afternoon</i></p> <ul style="list-style-type: none"> <li>• Access to Finance</li> <li>• Legislation</li> <li>• Business support facilities</li> </ul>

### PHASE 2: BUSINESS PLANNING

Part 1 of phase 2 consists of transfer of knowledge and skills that can be obtained, filled in during training process and complemented by market data/information. After Day 6, participants have to go to the field to collect accurate and reliable information with regard to market products/services, competitors, marketing channels that constitute the basis for their business. They have a minimum of 10 days to harmonize the document before entering the 2nd part of phase 2.

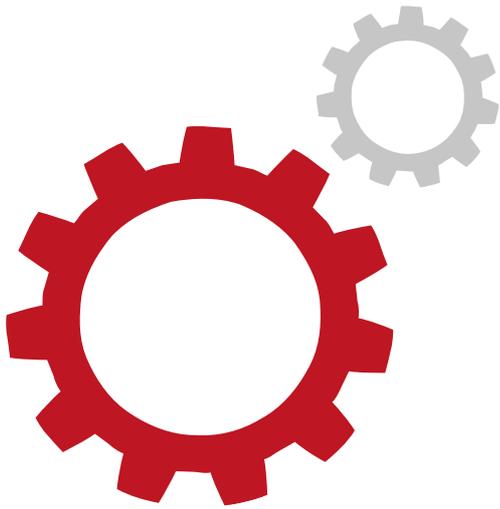
DAY	TOPIC	SUB-CONTENT
Day 1	Introducing business plan writing	<p><i>Morning</i></p> <ul style="list-style-type: none"> <li>• Introduction to business plan writing and its role in business management</li> </ul> <p><i>Afternoon</i></p> <ul style="list-style-type: none"> <li>• Pitching business idea</li> </ul>
Day 2	Legal status of a business	<p><i>Morning</i></p> <ul style="list-style-type: none"> <li>• Different forms of businesses</li> <li>• Cover sheet / business plan structure</li> </ul> <p><i>Afternoon</i></p> <ul style="list-style-type: none"> <li>• Executive summary</li> <li>• Personal information</li> </ul>
Day 3	Structure of a business plan	<p><i>Morning</i></p> <p>Business description and Industry overview (Simulation exercises: 45min)</p> <ul style="list-style-type: none"> <li>• Current situation in industry</li> <li>• Trends and changes</li> <li>• Technological change</li> <li>• Political or legal change (regulations, laws)</li> </ul> <p><i>Afternoon</i></p> <ul style="list-style-type: none"> <li>• Demographic change</li> <li>• Economic change</li> <li>• How will you use mentioned trends</li> <li>• Barriers to entry in relevant industry</li> </ul>
Day 4	Strategic planning	<p><i>Morning</i></p> <ul style="list-style-type: none"> <li>• Vision and Mission statements (Exercise: 30 min)</li> <li>• SWOT analysis (1 hr)</li> </ul> <p><i>Afternoon</i></p> <ul style="list-style-type: none"> <li>• Business goals and strategies (SMART) (Exercise: 30 min)</li> </ul>



In part 2 of phase 2, participants complement the information collected from the field with much focus on calculations and allocation of resources. They have time to revisit their plans with regards to market realities/conditions. After Day 12, participants are given another 10 days to harmonize and finalize the plan before pitching.

<p><b>Day 7</b></p>	<p>Organizational plan</p>	<p><i>Morning</i></p> <ul style="list-style-type: none"> <li>• Human resources             <ul style="list-style-type: none"> <li>○ What human expertise is required for the business? <i>(Developing terms of references: 45 min)</i></li> <li>○ How many people are you planning to employ?</li> <li>○ What will be the structure of your organization?</li> </ul> </li> </ul> <p><i>Afternoon</i></p> <ul style="list-style-type: none"> <li>• Organizational structure             <ul style="list-style-type: none"> <li>○ Who is responsible for what? <i>(Exercise: Developing roles &amp; responsibilities for every position indicated: 45min)</i></li> </ul> </li> </ul>
<p><b>Day 8</b></p>	<p>Management and partnerships</p>	<p><i>Morning</i></p> <ul style="list-style-type: none"> <li>• Who will manage the business?</li> <li>• Will you set up the business yourself or in partnership with others?</li> <li>• What are the legal issues?</li> <li>• Which official registrations and licenses do you need to operate your business?</li> </ul> <p><i>Afternoon</i></p> <ul style="list-style-type: none"> <li>• Social and Corporate responsibility</li> </ul>
<p><b>Day 9</b></p>	<p>Risks and rewards</p>	<p><i>Morning</i></p> <ul style="list-style-type: none"> <li>• SWOT analysis (Exercise)             <ul style="list-style-type: none"> <li>○ What factors are critical for the success of your plan?</li> <li>○ What risk does your plan face? (political, legal, economic, social, environmental, technological)</li> <li>○ What are the sources of the risk, the probability of occurrence and the effects?</li> </ul> </li> </ul> <p><i>Afternoon</i></p> <ul style="list-style-type: none"> <li>• What measures can you take to avoid these risks?</li> <li>• Define operational plan</li> </ul>

<p><b>Day 10</b></p>	<p>Financial plan (After demonstrative exercises, other exercises are based on trainees' projects)</p>	<p><i>Morning</i></p> <ul style="list-style-type: none"> <li>• Access to Finance</li> <li>• Budgeting (Exercise: 1 hour)</li> <li>• Cash-flow (Exercise: 1 hour)</li> </ul> <p><i>Afternoon</i></p> <ul style="list-style-type: none"> <li>• Profit and Loss statement</li> <li>• Balance Sheet (exercise: 45 min.)</li> <li>• Break-Even Analysis (exercise: 45min.)</li> </ul>
<p><b>Day 11</b></p>	<p>Taxation</p>	<p><i>Morning</i></p> <ul style="list-style-type: none"> <li>• Types of taxes and tax systems</li> <li>• Different categories of tax payers (in national context) based on types of business and annual income</li> </ul> <p><i>Afternoon</i></p> <ul style="list-style-type: none"> <li>• Tax calculation and declaration (manual or online),</li> <li>• Value added tax and penalties associated to tax evasion.</li> </ul>
<p><b>Day 12</b></p>	<p>Presentation Skills</p>	<p><i>Morning</i></p> <ul style="list-style-type: none"> <li>• Executive summary</li> <li>• Elevator pitch</li> </ul> <p><i>Afternoon</i></p> <p>Recapitulation of the entire training (Phase 1 and 2)</p>



PROMOTING  
ENTREPRENEURSHIP  
THROUGH A UNIVERSITY  
BASED CENTER:  
PROGRAMS AND TOOLS  
USED BY THE  
UNIVERSITY OF  
DAR ES SALAAM  
ENTREPRENEURSHIP  
CENTER

# PROMOTING ENTREPRENEURSHIP THROUGH A UNIVERSITY BASED CENTER

PROGRAMS AND TOOLS USED BY THE  
UNIVERSITY OF DAR ES SALAAM  
ENTREPRENEURSHIP CENTER  
BY GOODLUCK CHARLES AND DONATH OLOMI

## INTRODUCTION

The 1990s saw an increasing interest in the subject of entrepreneurship and innovation in African Universities, following realization that the original purpose of African Universities, which was to prepare young people for white color jobs was outmoded. The traditional aim of educational began to be questioned with greater realization that the focus should shift to promoting innovation and entrepreneurship. Consequently, an increasing number of Universities in Africa began to embrace entrepreneurship promotion in the late 1990s.

The University of Dar es Salaam (UDSM) adopted a long term (15 years) Institutional Transformation Program (ITP) in 1994 aimed at making the institution more responsive to the needs of society. Among others, the University set a strategic objective of producing job creators rather than just job seekers. At the same time, the then Faculty of Commerce and Management (now Business School) had started engaging, on

sporadic basis, on short term training and research in the area of small business. This interest led to proposal for a project to establish a small business center in 1996 and then an annual international conference on entrepreneurship and small business development in 1997. These efforts culminated eventually to establishment of UDEC in 1999 with technical support from TSM Business School (Netherlands) and funding from the Dutch Government. The University instituted a Policy on Entrepreneurship Development in 2001. The center was staffed with basic administrative support and was to do most of its work through associates.

For the last two decades, University of Dar es Salaam Entrepreneurship Center (UDEC) has been regularly delivering client paid training to SMEs something that other higher learning institutions and even most private providers have not managed. It is therefore interesting to understand the training models and approach used by UDEC to promote entrepreneurship within and outside the University.

This Chapter describes programs and tools used by UDEC to promote entrepreneurship and innovation within and outside the University of Dar es Salaam. The next section presents the framework for entrepreneurship promotion at the UDSM. This is followed by a brief description of core services and offered by UDEC including the models and tools used to offer those services. Thereafter the tools used to deliver two selected programs (Women Entrepreneurship Training Program and the Summer School) are presented in detail. After that, we present the lessons and challenges facing UDEC in applying the approach used to offer its services. The Chapter concludes by recommending strategies that could be used to promote entrepreneurship and innovation Centers in the Higher Learning Institutions in Africa.

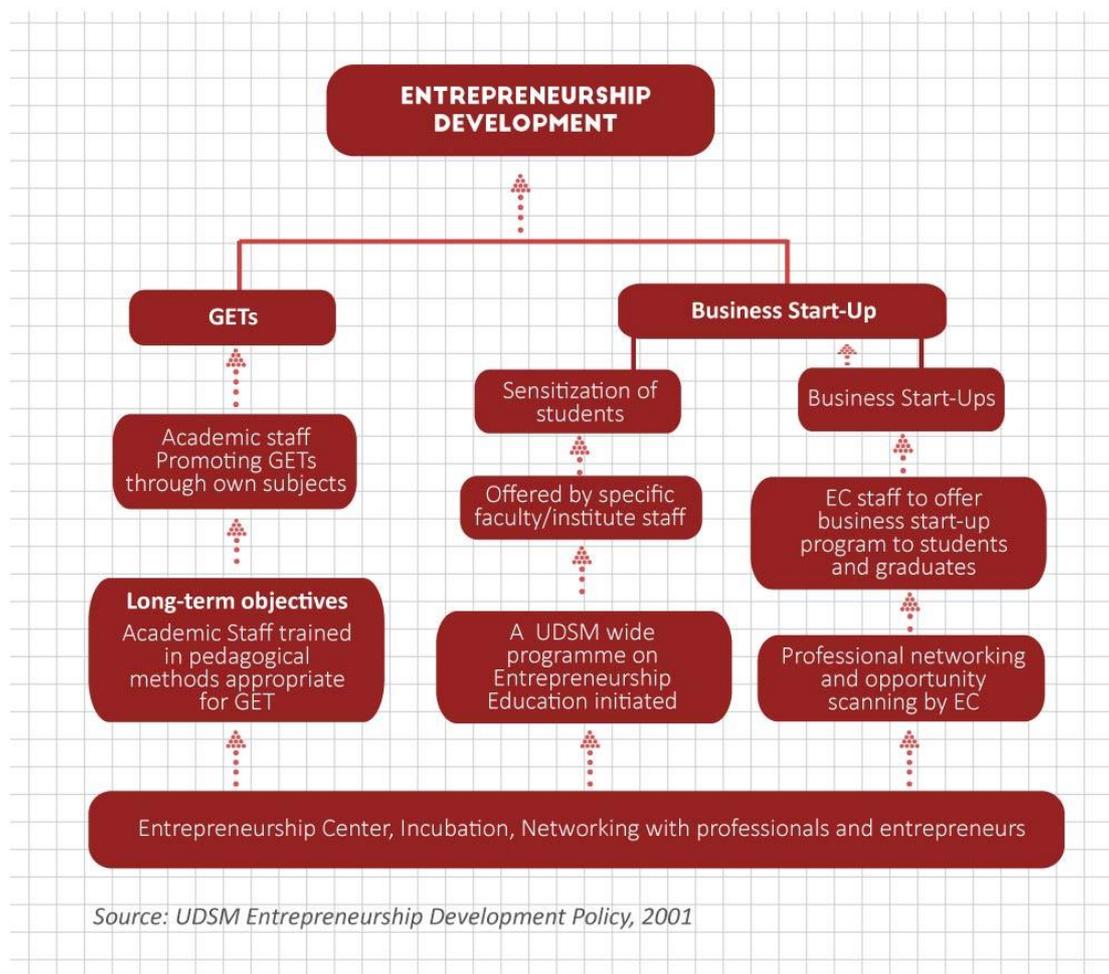
The approach used entailed a review of key program documents and reflection by the authors both of whom had an opportunity to assume the leadership positions at UDEC. The documents consulted include published and unpublished ones, such as a journal papers, project write ups, progress reports,

the proposal for establishing UDEC, policies, training reports, external evaluation reports, databases of tools used to deliver various programs, etc. Project evaluation reports by Nuffic of the Netherlands in 2003 and Goldman Sachs Foundation of the United States between 2010 and 2014 were among the documents reviewed.

## FRAMEWORK FOR ENTREPRENEURSHIP PROMOTION AT THE UDSM

The framework for entrepreneurship promotion at the UDSM emerged from the need for building consensus with university policy makers on entrepreneurship development. A policy on entrepreneurship development was prepared defining the strategies to achieve this to include development of general enterprising tendencies (gets) among all students, promoting interest in doing business and developing business start-up and management skills among those who would express readiness to start own businesses. In order to enhance gets among all students, all academic staff would be required to promote the development of these tendencies among students through their own courses. In turn, faculty would be exposed to pedagogical methods so they can adopt them as they teach their mainstream subject. In addition, awareness courses would be developed and offered to all undergraduate students, either as evening or Saturday courses or part of credit courses. In their final year of study, all students would have the opportunity to participate in an optional business planning course to prepare bankable business proposals. The framework (figure 1) became a key ingredient of the policy on entrepreneurship development approved by senate in December 2001.

Figure 1: Framework for Entrepreneurship Promotion at the UDSM



## SPECIFIC SERVICES OFFERED BY UDEC

*UDEC offers several courses, consultancy, counselling, incubation, business plan competition and match-making services to potential and existing MSMEs.*

Within the University, UDEC supports other units to mainstream entrepreneurship, through training of trainers, support in curriculum development, advising and counseling students interested in enterprise, networking with other service providers, and business incubation outside the University. UDEC contributes to the growth and competitiveness of micro and small businesses in Tanzania, through entrepreneurship training and provision of business development services. In pursuit of this mission, UDEC offers several courses in consultancy, counseling, incubation, business plan competition and match-making services to potential and existing micro, small and medium sized enterprises (MSMEs) as well as staff of institutions supporting

MSMEs. External programs are key to the sustainability of UDEC, as it does not receive any budget from the government or the University. In his evaluation report, Professor Low Murray (2011), the Head of the Entrepreneurship Centre at Columbia Business School, USA remarked that:

*UDEC is a huge success story. ....The center set the ambitious objective of creating an entrepreneurial culture, throughout the university and beyond, both regionally and nationally. In the past 12 years the center has developed and delivered a wide range of programs and activities that have all advanced this core purpose. Through the creative use of grants, partnerships, paid programming, and consulting work, the center has managed to build a core staff and faculty, and a growing group of affiliated consultants and service providers.*

*What has been accomplished is truly impressive.*

The services offered by UDEC to internal and external markets are briefly described below.

## PROGRAMS FOR THE INTERNAL MARKET

UDEC offers a number of programs targeting the staff and students at the University of Dar es Salaam. For staff, the main program delivered by UDEC across the University of Dar es Salaam focuses on building the capacity of academic staff to deliver entrepreneurship training as follows.

### TRAINING OF TRAINERS' WORKSHOPS (TOTs)

Several TOTs were delivered soon after approval of the Centre to disseminate the entrepreneurship promotion framework, train lecturers and develop training materials for both the awareness course and the enterprising teaching learning methods course. The trainees participate first as trainees, then as trainers and finally they provided input on improving the process and in developing the trainers guide and reference materials. Over 300 teaching staff have attended the workshops. In addition, a training of trainer workshop is organized for the business start-up course. For the purpose of this training, business planning reference notes, business

planning work book and teaching cases were developed and tested. The materials developed proved very useful in courses for both students and practicing entrepreneurs.

The challenges in developing University lecturers to be able to facilitate learning include lack of a binding framework which makes such training a requirement, and limited resources. Ideally all teaching staff should be oriented to the teaching practice. The University of Dar es Salaam has a program for this purpose. However, whether lecturers go through it depends on availability of funds. Even when the training is held, it is not combined with, for example, enterprising teaching learning methods. The later has to be organized separately.

For the students, the Centre delivers a number of courses and services including;

#### CAREER TALKS

UDEC offers an inspirational career talk to first year students. The objective is to enable the students to build competencies that matter for their future, rather than just working towards earning certificates. These workshops are running on Saturdays where motivational speakers are invited to inspire the students. However, after realizing that those who did not voluntarily come to the workshop are the ones needing it most, the UDEC decided to integrate the talk in the compulsory development studies first year course. This involves giving about 2 hours of talk to students in different groups.

#### BRIDGING/PARALLEL WEEKEND COURSES

Since not all course facilitators include entrepreneurship in their curricula, UDEC offers Saturday entrepreneurship workshops for students who are not able to access such courses.

#### STUDENTS' ENTREPRENEURSHIP FORUMS

UDEC supported the establishment of UDSM Entrepreneurship Forum, under which members organize training and

*UDEC... exposes students to the value of being enterprising both as individuals as students as well as opportunities available for personal and career growth at the USDM and beyond*

networking events on entrepreneurship and business skills with support from UDEC. The program exposes the students to the value of being enterprising both as individuals and as students as well as opportunities available for personal and career growth at the UDSM and beyond. It enables the students to be aware of the challenges and requirements of the labor market, and consider entrepreneurship as a viable career for graduates.

#### MENTORING AND COACHING

Some students develop interest in actually starting their own business. Some of these come to UDEC for advice and counseling. UDEC introduced Wednesday business clinics for such students. Students who are running businesses or who plan to engage in any entrepreneurial activities (starting NGOs, clubs, etc.) come to UDEC for this service. It links the students with its associates for mentoring and coaching services. The students are guided in terms of the business idea generation, screening of ideas and development of the business plans. Once their ideas are well developed, they are linked with banks and other financial institutions for the additional support.

#### DEGREE AND DIPLOMA PROGRAMMES

In response to needs identified in the external market, UDEC has pioneered three post-experience, post-graduate programs: a Postgraduate Diploma in Entrepreneurship and Enterprise Development (PGDEED), a Postgraduate Diploma in Micro-Finance (PGDMF) and a Masters in Entrepreneurship and Enterprise Development ([udec.udsm.ac.tz/post-graduate](http://udec.udsm.ac.tz/post-graduate)). Since UDEC has neither the mandate nor staff to offer these programs, it has partnered with the University of Dar es Salaam Business School (UDBS) to do so. Following recent relocation of from the Business School to the Directorate of Knowledge Exchange, the programs are fully offered by UDBS.

## PROGRAMS FOR THE EXTERNAL MARKET

UDEC has over the years developed a number of programs, which provide not only recurring income, but continuous contact with clients and other important stakeholders who

participate in them. These programs, their main objectives and years established are as follows:

### SHORT COURSES

When the UDEC took off in 1999, it started by offering a two week entrepreneurship course supported by donors. Participants were charged a token of about \$10 for the entire course. When donor funds dried up, this could not be continued. At the same time, the faculty of commerce was offering a two-week course on project formulation, management, monitoring and evaluation program, to government officials, under sponsorship of UNDP. It was decided to offer the course to employees involved in SME development institutions whose fees could be paid by their employers. However, since a two week cost would be unaffordable to most people in terms of the fee and time it was decided to break it down to three independent courses (project formulation-4 days, project management-3 days and project monitoring and evaluation – 3 days). These courses were positioned as targeting institutions involved in serving SMEs as policy makers, financiers, trainers, consultants, etc. UDEC adopted the training materials and cases to reflect its target market. We have been advertising and selling these courses successfully for a number of years.

*A good number of short courses include: customer care, competitive marketing strategies, entrepreneurial management of schools, time management, business planning, etc.*

A good number of short courses which were are at the same time delivered as tailor made courses to clients in the private and public sectors have been introduced. These courses included: customer care, competitive marketing strategies, entrepreneurial management of schools, time management, business planning, etc. Up to 2006, we did not have a specific focus on small and medium enterprises, as it was felt that very few of them would be willing and able to pay our fees, which averaged \$75 per participant per day. For instance, the 2004 external evaluation (of UDEC) reported that:

*UDEC has found it easier to attract NGOs and business support organizations to its courses rather than SMEs themselves. The courses would appear to be too expensive for owners of small enterprises and NGOs involved with micro enterprises unless they have accessed financial support for their participation*

*(Richardson, 2004).*

Due to the fact that some of the University teaching staff were not willing to invest in developing the experience required to train adults, UDEC took a decision of only allowing experienced trainers into the short courses. If someone wanted to train, he/she had to sit in when experienced trainers were training and would gradually take on the role of facilitator with demonstrated experience. This selective use of facilitators must have played a key role in building popularity of EC and later UDEC programs.

#### **THE WEEKEND ENTREPRENEURSHIP COURSE**

This is a 12 evenings course (2-5 pm) offered on Saturdays and Sundays in Swahili, targeting existing and prospective business entrepreneurs who either have no time to attend training on weekdays or cannot readily follow a course in English. The courses were initially developed in collaboration with fairly wealthy merchants. However, when they were informed that it would cost around \$250 per participant, they complained that it was too expensive. It was agreed that since it was already designed, it would be advertised to others, to enable the UDEC to reduce the cost to \$100 per participant.

Although the course does not actually make money for UDEC, it was seen as a way of building the experience of trainers and credibility of UDEC. If UDEC and its associates were to claim to be experts in SME development, then they should be very close to them. As well, it was also considered very strategic, given that UDEC wanted to establish a Business Development Services (BDS) incubator and incubatees could take turns to sit in with prospective clients to learn from experienced facilitators, and even to start training for a fee while still in the incubator. To make this possible, facilitators who normally handled better paying courses were requested to take

sessions in the weekend course as part of their contribution to SME development and also as investment in learning.

### **CERTIFICATE IN ENTREPRENEURIAL MANAGEMENT (CEM)**

Following the success of the weekend course and demands from those graduating for a higher level course, UDEC decided to develop a four months evening “business growth” course. In 2008, the International Finance Company (IFC) supported a study tours to Nigeria, where a similar course was already running successfully, as well as development of teaching cases. Although the course borrowed some good practices from others in Africa, the design as well as the learning materials (including cases) was wholly done by UDEC associates. The course was launched in 2009.

### **ADVANCED CERTIFICATE IN ENTREPRENEURSHIP AND BUSINESS MANAGEMENT (ACEBM)**

As UDEC was getting ready to launch CEM, Goldman Sachs Foundation had come up with its 10,000 Women Initiative. The aim is to support 10,000 entrepreneurs throughout the developing world to develop competencies that would enable them to upgrade and grow their firms, by addressing the most binding barriers. UDEC and the Business School had been identifies as a potential provider of the training. It was decided that the ACEBM program would be co-branded and run jointly by the two institutions (Columbia Business School and UDDBS). This has been one of the most successful programs and it is presented as a separate case.

### **BUSINESS DEVELOPMENT SERVICES (BDS) INCUBATOR**

The business incubator for business development services aimed at giving young graduates interested in developing a career in training and consulting for SMEs the opportunity to operate from UDEC, where they would have ready access to SMEs (clients), experience from ongoing activities in the center, networks with potential sponsors and the brand already developed. The incubator provides office space, a PC

and access to shared facilities (printing, fax, photocopy, secretarial, meeting rooms, training room and equipment, equipment hire for outside assignments), mentoring, training and networking with clients and other stakeholders. The capacity in the pilot phase was about 10 companies.

The full service incubator was launched in 2010 following completion of the building. UDEC manages the incubator as part of its normal activities.

### **BUSINESS PLAN COMPETITION**

UDEC established a business plan competition in 2007, in partnership with Bid Network Foundation, and financial support from national organizations (business development services providers, banks, government agencies, the stock exchange, etc). The Business Plan Competition was a big success. Subsequently, UDEC collaborated with Techno Serve (an American NGO) to deliver another successful competition in 2008. However, in 2009, Tanzania Private Sector Foundation, with support of the World Bank, started implementing a five year private sector development program incorporating a national wide business plan competition with massive funding. UDEC therefore decided to refocus on activities that complement the competition.

### **INVESTOR MATCHING SCHEME (IMS)**

Following the entry of the Tanzania Private Sector Foundation (TPSF) into business plan competition, it was decided to look for other ways of contributing to SME development. BiD Network developed an online platform for supporting entrepreneurs to submit business plans and for experts to assess and provide feedback on the plan. As the plan developed, it were upgraded in stages to a level where it is considered “BiD Grade”, at which point it is submitted to angel investors interested in that kind of business for consideration. Interested angel investors could then approach the proposer for consultations and possibly would seal an investment deal. Initially the 2008 business plan competition became the main

source of the business plans. However, when it ended, UDEC had to look for business plans from other sources.

### ENTREPRENEURS FORUMS

In 2008, UDEC started organizing a quarterly forum, where entrepreneurs (mostly alumni from its other programs) would come, participate in a one hour presentation on a topic of interest and use the remaining time to network. There would also be some service providers displaying or simply interacting with the entrepreneurs.

### CONSULTANCY ACTIVITIES

UDEC is quite active in the area of consultancy and contract research. The center has worked in: policy analysis, development, review, monitoring and evaluation especially policies related to SME and private sector development; project design, monitoring and evaluation; baseline/inventory studies; development, review, monitoring and evaluation of training programs and materials, including case studies; strategic planning; and business planning. This consultancy work is very important for faculty engagement and the financial health of the center. Revenues from consulting and contract research work are split 80% for the consultants, and 20% for UDEC. Consultants that bring a project to UDEC become the project manager. Some of these projects are with large NGO's or corporations that can afford commercial rates. These commercial activities create goodwill among the consultants who will then accept lower paying engagements targeting an SME population. For UDEC, revenues from these profitable engagements support other activities such as training programs for a variety of smaller colleges and institutes.

## TOOLS, APPROACHES AND MATERIALS USED TO DELIVER ENTREPRENEURSHIP PROGRAMS AT UDEC

Over time, UDEC invested in developing training materials and tools to deliver entrepreneurship training and support innovation for its internal and external markets. In terms of the training materials, the center has developed participants reference notes, PowerPoint presentations and trainers guide for various courses including (i) enterprising teaching-learning methods (ii) entrepreneurship awareness (ii) business planning, (iii) project formulation, management, monitoring and evaluation (iv) entrepreneurial management of schools (v) consultancy skills (vi) maintenance management (vii), corporate governance (viii) customer care, (ix) time management, (x) adult training, (xi) competitive marketing strategies, (xii) advocacy skills, etc. In addition, similar materials have been developed for all long courses.

With respect to tools used to deliver training, UDEC has developed a number of teaching cases of various sizes and complexity, stories, exercises, games, self-assessment instruments and video clips etc.

Regarding the entrepreneurship and innovation training approach, the methodology is largely experiential, participative and practical in nature in order to develop the capacity of the participants to learn and develop relevant attitudes and skills. Trainers use a combination of the adult training approaches and tools to enable participants learn by doing. Some courses are designed in such a way that there is a gap between one module and another to allow participants implement the skills gained from each module and be supported by facilitators in the form of wrap around services. For further demonstration of our approach, we describe the design and delivery of two popular programs offered by UDEC namely i) Advanced Certificate in Entrepreneurship and Business Management (ACEBM) for women entrepreneurs and ii) Summer School for Graduates. The programs are selected

on account of two major reasons. First, while one program (ACEBM) targets the external market, the other program focuses on the internal market, and this reflects the entire UDEC market. Second, both programs apply some similar tools and approaches, although they have some peculiarities that help to exhaust the approaches and tools used by UDEC.

## PROGRAM 1: ADVANCED CERTIFICATE IN ENTREPRENEURSHIP AND BUSINESS MANAGEMENT

### OVERVIEW OF THE PROGRAM

The UDEC in collaboration with the University of Dar es Salaam Business School launched a one-year Certificate Program in Entrepreneurship and Business Management in July 2009. Development of the Program began with the identification of the challenges facing SMEs and women entrepreneurs. This was done through reviewing the existing research on the needs of entrepreneurs in Tanzania, conducting brainstorming sessions with UDEC associates, UDDBS faculty, SME operators and other stakeholders. From the assessment made, it was established that majority of women operators had limited access to; markets, credit, information, business development services, technology, business networks and linkages. They function within male-dominated, patriarchal, and tradition oriented societies where socio-cultural dynamics determine the status of women and their inadequate participation in the public sphere. Women have less access to education and skills training and are restricted in their mobility due to child-care and household responsibilities, as well as the practice of having to gain permission from their husbands to travel.

They are mostly found in the low growth sectors due to lack of growth motivation.

From the challenges observed, the UDEC and UDDBS designed the program with the main objective of developing critical competencies (knowledge, skills, attitudes and habits) for entrepreneurs and in particular, women entrepreneurs to

grow an entrepreneurial business and more specifically SMEs. At the end of the program, scholars are expected to become more entrepreneurial in identifying and exploiting growth opportunities for their businesses and be able to provide effective leadership and strategic direction for a growing business. Specifically, the program aims to enable women entrepreneurs:

- Identify and exploit growth opportunities for the business
- Think and act strategically in their businesses
- Manage transition processes of the business from one stage to another
- Develop coping strategies to gender related challenges in business
- Provide leadership for a growing business
- Market their products competitively
- Develop competitive capabilities in the value chain
- Design and manage systems (structure, control systems, MIS) necessary for growth
- Manage the business environment

In total, the program has trained 197 participants, 85% of whom were women.

## MARKETING AND SELECTION OF PARTICIPANTS

Recruitment of the participants is done through various media and UDEC&UDBS networks. Both the center and the School work with several organizations to promote the program including media houses, the networks of the UDBS and UDEC alumni, scholars in other programs, UDBS partners and clients. Some of the partners supporting us to promote the program include; Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA), Tanzania Women Chamber of Commerce (TWCC), Small Industrial Development Organization (SIDO), Tanzania Private Sector Foundation (TPSF), Confederation of Industry and Trade (CTI) as well BDS and NGOs dealing with SMEs development.

The most critical condition for selecting participants to attend the program is that she must a woman entrepreneur with growth potential which is identified on the basis of:

- Individual entrepreneurial attitude, tendencies and behavior (e.g. growth motivation, innovativeness and evidence of entrepreneurial experience)
- Someone who is running a business as a full time job or is willing to make her business the full time activity
- The business is operating in the growing and creative industries, and has a great potential to contribute to employment e.g. tourism, export, agriculture, manufacturing, professional services, mining, micro-finance etc.
- The business has gone beyond the micro-level or shows a great potential to go beyond that level within a short period.

Selection of participants is done by the committee comprising experienced entrepreneurs, experts and facilitators based on the means testing criteria set under the requirements of the program.

## DELIVERY OF THE PROGRAM

This program is delivered in four stages namely training, wrap-around services, networking and support women to access finance.

## TRAINING

The course has five core modules representing specific competences, which need to be built. It is divided into four major teaching sessions where each session has specific courses to be delivered focusing on specific skill and knowledge gap to be fulfilled. In addition, the business plan sessions is delivered as a special class to prepared scholars for business plan preparation. The class training takes 420 class hours in 110 days. The training sessions are alternatively conducted by twelve (12) UDEC/UDBS resource persons in collaboration with speakers from the industry. At least 6 speakers are invited to participate in teaching the scholar. The organizations and individuals participating in class presentations include two entrepreneurs, Tanzania Food and Drugs Authority (TFDA), Business Registration and Licensing Authority (BRELA), Tanzania Revenues Authority (TRA) and Tanzania Bureau of Standards (TBS) and different banks.

### *Course Modules Delivered in ACEBM*

1. Leading and Entrepreneurial Strategy
  - Entrepreneurial Strategy
  - Building the Business Venture
2. Human Resources and Organizational Management
  - Organizational Behavior
  - Managing People
3. Marketing and Value Chain Management
  - Developing the Marketing Plan
  - Logistics and Value Chain Management
4. Finance for Growth
  - Entrepreneurial Finance
  - Records, Accounts, and Information Management
5. Managing the Business Environment
  - Gender Aspects of Business
  - Business Environment and Compliance

The program schedule is largely based on the conveniences of participants. In total, there are five (5) teaching sessions. Each teaching session has specific courses delivered and focusing on specific skill and knowledge gap to be fulfilled. Classes are run on week days from 3.00 p.m. to 7.30 p.m. Participants are required to complete assignments in between class sessions. Each session lasts for two weeks where two courses are covered in each session. After the class sessions participants are given scholars sufficient time to work on and finish their business plans. This is essential because one of the requirements for the scholars to graduate is a complete business plans.

#### WRAP AROUND SERVICES

Faculty from UDBS offers the wrap-around services to scholars during the implementation of the training program. The main services offered include; mentoring and coaching; consultation and advice; support to develop the business plans; networking opportunities; and support to access capital. The mentorship activities start after completion of course work. Mentorship starts with supporting women to develop the business plans and expose them to linkages and business development support. The business development process is supported by faculty members from UDBS some of whom have taught scholars in class. The business mentorship is provided on continuous basis where the mentor regularly meet scholars at their business sites, (usually ones a week for at least two hour each meeting). The end- product of the exercise is that each scholar must produce a bankable business plan, as a requirement to qualify for graduation. Our interactions with women indicate that the majority of them have used the business plan to improve their businesses and access financial support. However, the main challenge encountered in mentorship is matching of time of entrepreneurs to availability of mentors.

### NETWORKING EVENTS

At least three big networking events are organized which bring the family members, business development service providers, banks, facilitators, regulatory agencies and other pertinent participants. The events introduce the program to the family members, create a networking opportunity for scholars and their spouses, discuss family and business issues and challenges as well as connect participants with financiers and other service providers.

### SUPPORT WOMEN TO ACCESS FINANCE

Through the arrangement made with a local bank (CRDB Bank Ltd) women are supported to submit their business plans to the bank for funding. This arrangement aims at improving women's access to business capital to address the challenge of access to capital for women entrepreneurs. Although the challenges of accessing capital is still there due to banks requirements at least 10% of the women have accessed finance from CRDB and from other banks. The evaluation reports consistently indicate that on average participants are able to increase their annual revenues by 46% and the number of employees by 41%.

### APPROACHES AND TOOLS USED

This program is unique in the sense that it is offered for a long period but subdivided in specific modules and sessions to provide participants who are practicing entrepreneurs enough time to implement the skills gained. Combination of class training, wrap around services and close support to access resources make the program more unique. A number of tools and methodologies are used to promote entrepreneurial spirit, innovation and improve the skills to run businesses.

Participants normally begin with a course on entrepreneurial strategy which aims to create entrepreneurship awareness and instill innovation skills to participants. A course on building the business venture aims to facilitate participants to identify innovative strategies for growth and be able to develop a

bankable business plan. Other courses focus on practical aspects of implementing innovative ideas and running the business.

In order to achieve the program objectives, a number of tools are used to deliver the program some of which are briefly described below;

*Case studies:* Case studies of entrepreneurial and innovative local entrepreneurs are used to inspire women and enable them acquire entrepreneurship and innovation skills. At least four cases are used in every course for the purpose of demonstrating specific skills. Participants are provided with the cases to read, discuss and draw lessons from the evidence provided by the cases. In addition, selected stories and real life examples are used to demonstrate the intended skills.

*GET Test:* This is the self-assessment tool designed to bring together and measure a number of personal 'tendencies' commonly associated with enterprising persons. These include: need for achievement; need for autonomy; creative tendency; risk taking; drive and determination. Both the instructions and the ways of interpreting the scores are provided to enable participants assess their entrepreneurial behavior on their own. The facilitators, discusses the results with participants and guide them on how course of actions to be taken to improve their entrepreneurial culture and innovation. The test has proved to be effective as a training tool and as a motivation for participants to improve their entrepreneurial and innovation ability.

*E-type Test:* This is a tool developed by Rhonda Adams (2008) which is used to identify nine types of specific entrepreneurial-types that cover the range of personality traits and working styles. The test helps entrepreneur find the kind of career or business they can excel and the skills needed to excel in those businesses. It entails self-assessment questions, guidelines for reading the results and indication of the best business one could do. It is normally conducted when participants are selecting ideas for startup and /or growing their businesses.

*Business Idea Feasibility Check:* Before beginning the business planning process, participants are guided to complete the business idea feasibility check. The main aim of this tool is to enable participants embark on a practical assessment of the viability of their ideas. Participants are given at least one week to undertake quick market assessment and fill the form. They share the filled-in form with their colleagues and facilitators and get inputs to improve their ideas. Once the idea passes the feasibility check it moves to the next stage of preparing the business plan.

*Business plan template:* After passing the feasibility check, participants are provided with the business plan template which is used to guide them through the process of developing the business plan. The template includes a section on feasibility fact sheet which may substitute the business idea feasibility check. Much as the template is quite detailed, it is customized by the facilitators and participants to suit a particular business. Participants are therefore given at least four months to produce the filled-in template under the support of the mentors and coaches. Our experience shows that most plans produced from this template are fundable and facilitate entrepreneurs implement their strategies.

Other tools and approaches: In addition to the tools presented in this chapter, the program entails other motivating approaches including for example, Board Room where selected participants act as the Board Members of particular business and give feedback on strategic issues, role plays, simulation, demonstration of business models, pitching of business ideas, visit of successful businesses, participating in ongoing business plan competition and linkage to business clubs. This combination has shown positive results for the participants in this program.

## PROGRAM 2: SUMMER SCHOOL

### OVERVIEW OF THE PROGRAM

In 2012, UDEC in collaboration with UDBS and Business Academy Aarhus, Denmark (BAAA) designed the cross-cultural summer school program for Danish students from BAAA and Tanzanian students from UDBS. The program is jointly funded by BAAA, UDBS, UDEC and DANIDA. For UDEC/UDBS, the program was designed as an extension of weekend programs for students which had largely focused on the class activities. The idea of summer school was motivated by three major factors. First, unlike the weekend programs, the summer school entails the innovation camp which focuses on stimulating innovation. Second, cross-cultural interaction of the students from Denmark and Tanzania increases exposure of the students and opens up avenues for new ideas. Third, the summer school builds teams that encourage collaboration and partnerships in implementing their ideas after graduation. For Danish counterparts, the program targets students who want to gain international and multi-disciplinary exposure by working across borders, cultures and disciplines.

The students apply for the program and submit their initial business concept whereby experts shortlist the proposals from each school based on quality. A total of 100 students have attended the program from 2012 -2014 whereby over 60% are Tanzanian students. Although all Tanzanian students are third year Bachelor of Commerce students, the BAA students come from diverse backgrounds including tourism, information and communication technology, accounting, finance and marketing. The program draws facilitators from both UDE/UDSB and BAAA.

### OBJECTIVES OF THE PROGRAM

The main objective of this program is to enable students come out with innovative and unique business ideas and build meaningful business networks that covers two continents

(Europe and Africa). Specifically, the program intends to enable participants:

- Acquire entrepreneurial attitude and innovation skills
- Develop innovative business ideas that would be implementable in Tanzania and extended to Denmark through the partnership with Danish students.
- Acquire the necessary skills for starting and running new ventures
- Share cross-cultural experiences and access the environment where they can effectively learn from each other.

At the end of the program participants are expected to have cultural exchange, understand the business environment, develop and pitch business ideas and business plans as well as networking and have several team building tasks. Each year the Summer School focuses on a particular sector. In 2012, the focus was on tourism while in 2013, it was on agribusiness and in 2014 on sea side development.

### DELIVERY OF THE PROGRAM

This is a two-week program combining class room sessions and the Innovation Camp in a closed environment where the students develop and sharpen their ideas. It is designed first to build teamwork among individuals from cultural diversity and to bridge the gap between Euro-culture and Afro-culture. So, during the training sessions, participants are facilitated to create the environment which provides learning, entertaining and networking atmosphere.

Delivery of Summer School program covers a number of topics and training activities as follows;

*Culture exchange:* On the first day of the training, students are given opportunity to present their own countries and interesting cultural aspects. Students from both countries

cover a number of aspects such as life styles for both rural and urban people, food and eating habits, natural endowment, business culture, social values etc. This session is facilitated jointly by facilitators from Tanzania and Denmark. The main objective is to enable participants appreciate the culture of each country, key differences and how to get along with each other. A number of techniques are used to promote team building, ice breaking and encourage joint activities.

*Tanzanian night:* The students from Denmark are invited by their counterparts in Tanzania to participate in a cultural gathering known as Tanzanian night. This event offers an opportunity to taste Tanzanian culture by the native cuisine served in typical traditional Tanzanian foods. Tanzanian students and facilitators demonstrate for example Tanzanian traditional dancing and their counterparts Danes also participate in dancing. Professional traditional dancers perform and involve students and facilitators from both Tanzania and Denmark. The main goal of this activity is also to promote team work and further learning of each country's culture.

*Understanding the business environment:* The students are given an opportunity to understand the business environments of both countries. This session involves brief presentations by students and facilitators from both countries on the peculiar features in their business environments. The emphasis is on opportunities and challenges on innovating and investing in the two countries. During the discussion, participants are exposed to possibilities of doing business, available resources and facilities, the possibility for business collaboration between two countries etc.

*Mini-conference:* The mini conference that brings together key stakeholders respective sectors is organized to share experiences and opportunities available for students. Representatives from specific Ministries, Government agencies, private sector, business associations, financial institutions and practicing entrepreneurs are invited. The main goal of conference is to concretize the previous day's session

by exposing the student to real business environment issues, available services, networks and connections. The conference also aims to connect the students with the sources of resources when they decide to implement their ideas.

*Generation of business ideas and preparation for business*

*planning:* This entails a brief class session on entrepreneurship skills, business idea generation and business planning. More importantly, the students are grouped into groups entailing different specializations and nationality to ensure the cultural and academic background diversity from each group. The students are facilitated to come out with several ideas some of which are crazy. As the process intensifies, students are guided using tools like feasibility checks to screen their ideas and focus on more innovative, implementable and competitive ideas. At this stage, they are encouraged to consult and change their ideas as they prepare for the innovation camp.

*Innovation Camp:* After concretizing the initial business ideas, students are provided with the guidelines for the innovation camp. The innovation camp is a unique setting which provides the students with the controlled environment they can develop innovative business ideas and get feedback from facilitators. The student are moved away from University environment to Gezaulole Camp (60 kilometers from the University), located along a beautiful beach with sports ground and accommodation facilities. Facilitators from Denmark and Tanzania stay at the camp for three days working on students' ideas to ensure that creative and innovative ideas are generated.

For the purpose of preparing for the camp, the facilitator gives a quick background to what will happen over the next three days. This is meant to pique interest and get students excited, without overly prescribing how it will go. When coming into a camp/lab for the first time, participants typically have a hard time grasping that it is meant to be fundamentally different from other gatherings they have experienced.

On arrival at the camp, students are given the rules of the camp which basically require them to participate fully in all activities and complete all tasks. They are given one hour to embark on join sports and immediately after sports they start working on their ideas. The teams work fairly independently and pitch their ideas to the entire group often at around 8.00-9.00 in the evening of day 1. Each group is given silent comments by all participants and facilitators in writing and required to present improved ideas on the following day morning. The comments are always many and diverse and this makes the students to think very critically over the whole night and in that way it promotes their innovative capacities. The students pitch their ideas for the second time and get open comments from facilitators. Most comments focus on viability and innovativeness of the idea, ability to implement it, resources needed, marketing and operationalization of the proposed business etc. The students go back to work and later pitch their ideas to invited experts from the sectors they are dealing with. During this time, each team gets sufficient time to interact with facilitators and experts to validate their ideas. All the time, students can consult various people through online communication and they are encouraged to so. Finally, the students pitch their ideas for the whole group of experts, facilitators and other participants, and receive final comments. When the ideas are ready, they close the camp and go back to the University for actual preparation of the detailed business concepts/business plans.

*Business plan competition:* The final stage of the summer school is the business plan competition which happens at the end of the second week. After working on their business plans for 3 days, students are given an opportunity to pitch their business plans before judges, invited guests and other students. The judges select the best project based on the criteria set. The most important criteria are the degree of innovation and practicability of the idea. The group that wins is given an award of about \$2000 which shall be used as seed capital when the start.

A number of lessons have already been learnt from the Summer School Program. First, ideas generated from summer school are more practical and innovative compared to those generated from classroom based training. Second, cross-culture interaction enhances the level of the students' innovativeness and enhances learning. Third, innovation camp component appears to be very effective in terms of providing the controlled environment with tight programs that stimulate students' thinking and innovation. Fourth, although a rigorous assessment of the program has not been done, some of the students who go through the program start their own businesses and/or become quite effective when employed. Our interactions with two companies that emerged from the summer school (a social enterprise and the ICT company) indicates that the school acted as a motivation for students to start and the skills gained from the school are very instrumental in the actual running of the business. Unfortunately, we have not found any company that is run jointly by Tanzania and Danish students. This may be accounted for by the distance between the two countries and the fact most Danish students were still studying during the program. Fifth, besides the innovation camp and the structure of the class sessions, the tools used in this program are quite similar to the one used in other programs run by UDEC (e.g. case studies, e-type test, feasibility checks and business plan templates). In view of this, what makes the program unique is the approach and methodology used.

### LESSONS AND CHALLENGES OF UDEC

The story of UDEC presented in this chapter together with the programs described offer a number of lessons and presents challenges of promoting entrepreneurship through entrepreneurship centers in African Universities.

## LESSONS

Generally, UDEC has been able to establish and deliver ongoing, potentially high impact programs to SMEs, policy makers, trainers and consultants. These programs have been developed and are being delivered using best practices. Collaboration with other institutions and consultants has very much enriched UDEC's offers. Over 4, 000 learners have gone through these programs and some of them are training or advising others. With these programs, UDEC is able to generate recurring revenue at least to sustain operations. In the process, UDEC has built a recognizable brand and contributed to building the profile of the University and the country. UDEC has been able to change curriculum of UDBS and influence the curriculum of the rest of the University by introducing specific programs and to a lesser extent, mainstreaming entrepreneurship in the learning processes. It has demonstrated that it is possible to have a self-sustaining entrepreneurship centers in public higher learning institutions.

*More specifically, the following observations are made:*

Looking at the historical background of the center and its programs, the success of entrepreneurship centers in promotion of entrepreneurship and innovation can be explained by many factors.

- The foundation for establishment and development of the center was laid gradually through the development of entrepreneurship development framework and capacity development building in the outreach market.
- There were a number of people with passion, some degree of exposure and experience in the area of entrepreneurship and small business development.
- The long engagement with the same partner (TSM Business School) enabled incremental learning and building on what was working. Project partners from Netherlands were highly committed to achieving

- results, as they linked success of the project to their own credibility to the project funders (Nuffic).
- UDBS had a fairly focused agenda to develop capacity in the area of entrepreneurship and small business development. Therefore, several initiatives were implemented to build the same capacity. As a result most UDEC associates had the opportunity to do masters or doctoral training, carry out research, attend conferences, workshops and study tours, etc.
  - The dynamism and management style of the University top management, particularly between 1994 and 2008 played a major role. The management was encouraging innovation, change and risk taking as part of the Institutional Transformation Program (ITP) encouraged innovation at the center.
  - The center's approach to attracting people to work with while giving them ownership, flexibility, collegiate relationship was critical for attracting intrapreneurs.
  - Engaging with SMEs helped us understand their context, challenges and strengths and this enabled us to be better consultant, researcher and trainers.
  - Strong and entrepreneurial leadership matters for entrepreneurship centers to become sustainable and able to create the impact in entrepreneurship promotion.

In terms of the programs offered by UDEC and more specially the ones described in this Chapter, a number of lessons are drawn as follows;

- Entrepreneurship centers have a great role to promote entrepreneurship within and outside the university through the programs offered for both internal and external markets.
- The approach, tools and materials used to deliver entrepreneurship training matter in the delivery of the entrepreneurship and innovation programs. Generally, the experiential learning approaches are more

effective in enabling learners to develop entrepreneurial values and skills and in promoting innovation. In view of this, learners should be able to learn by doing and take ownership of what they do.

- The innovation camp proves to be effective in promoting generation of viable and innovative business ideas if students are facilitated to realize their dreams. However, further analysis in terms of implementation of ideas is desirable.
- Combining training with wrap around services indicates a great success in delivering training for practicing entrepreneurs. Experience from the ACEBM program demonstrates how coaching and mentoring facilitate entrepreneurs to implement the skills learnt in class.
- The design of flexible and demand driven programs for entrepreneurs enables entrepreneurship centers to deliver sustainable programs for SMEs.
- Cross-cultural setting improves learning and innovation ability if the environment is created for the learners to learn from each other. However, implementation of the business ideas remains a challenge due to distance and cultural differences.

## CHALLENGES

Despite the many positive achievements that have been realized, mainstreaming entrepreneurship in the University has not been a smooth activity. There have been many challenges, most of which relate to resource constraints. Some of the key challenges include;

- Mainstreaming entrepreneurship in the University curriculum is still a challenge as it has largely depended on donors. Consequently, UDEC engagement in the internal market remained sporadic, using internally

- generated funds, volunteers and guest speakers. This level of engagement is too low for a major impact.
- Limited staffing due to the fact that UDEC staff and associates have to handle UDEC activities on top of their normal teaching, research and consulting and responsibilities. Although the opportunities for UDEC to engage in the external market are immense, the center has very limited stable human resources. UDEC is a virtual unit with immense responsibilities.
  - It takes time to build the credibility to attract entrepreneurs who can pay fees from their own pockets to attend training or get any soft service, such as consulting. Those who were trained, mentored and coached needed to patiently continue investing in building the credibility. However, they were apparently not sufficiently motivated to do so.
  - Due to limited financial resources, UDEC relies on people who are willing to work initially as volunteers, and who can learn from action and demonstrate that learning before they can be paid meaningfully. Very few University staff members are ready to work under this arrangement.
  - Apart of the capacity for development and delivery of services, UDEC needs entrepreneurial and managerial talent and time. There is a coordinator, who has so many roles that they require a highly capable and dedicated person to undertake all of them satisfactorily.
  - Due to cultural differences within the University attempts to collaborate with other Units such as Technology Development Transfer Centre (TDTC) has not been fruitful. In an attempt to achieve this, the University in 2013 attempted to restructure UDEC by moving the center to the Directorate of Research and Knowledge Exchange. The move has not shown positive outcomes and there is a danger of affecting the performance of the center.

- As a virtual unit, UDEC cannot offer long-term degree/diploma courses including those it has pioneered. Although these courses are organized by the UDSB, there is no unit within UDBS which actually owns them.

## CONCLUSION

In view of the story of UDEC presented in this chapter it is clear that entrepreneurship centers at universities are a powerful tool for stimulating entrepreneurship and social change. With this potential comes two fundamental challenges: 1) balancing the objectives of education and academic inquiry with practical assistance to commercial entities, and 2) developing a portfolio of programs such that income-generating, mission-compatible programs can cross subsidize mission-critical but financially draining programs. To successfully manage these two fundamental challenges requires talented leadership that can manage effectively both within the university context and the larger business community. The center must be staffed by leaders, who have passion and empathy with small business, which are ready to take ownership and don't wait to be given all the authority they need. It must have maximum autonomy and flexibility, including some degree of financial autonomy from the University. University should adopt the "hands off, eyes on" relationship with the center, and minimize any bureaucracy above it to give it the freedom to dream and quickly respond to opportunities.

Entrepreneurship centers must be able to attract and retain many intrapreneurs-staff who come to the center out of their passion, without any binding association to bring ideas, take initiative and oversee projects. In addition, it must work with SMEs to have relevant experience and credibility. However difficult, the center must find a way of engaging with small businesses on a continuous basis and as soon as possible. The overall environment should be supportive – promoting experimentation and change, results driven, empowering, trusting, and responsive. Through the creative use of grants, partnerships, paid programming, and consulting work, the center can build a core staff and faculty, and a growing group of affiliated consultants and service providers. Finally, it can be concluded that

- Stimulating entrepreneurship requires building a holistic eco-system that can support and nurture entrepreneurs as they identify, launch and grow their businesses. This eco-system has macro elements such as culture, physical and institutional infrastructure, social elements such as networking and connecting for resources and strategic partners, and individual elements such as training and skill building.
- Universities have a key role to play in building the ecosystem by introducing entrepreneurial themes into the curriculum This also has the important effect of legitimizing entrepreneurship as a career path for future generations
- Entrepreneurship centers must build bridges with the larger entrepreneurial community by connecting faculty, students, entrepreneurs, investors, mentors, service providers, corporations, and policy makers.
- Successful centers require strong leadership that can manage the relationship with the larger university.
- Successful entrepreneurship centers deliver the programs that are market driven using the approach, tools and materials which will attract practicing entrepreneurs to demand the programs and pay for them.

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# ENTREPRENEURSHIP CLINICS

# ENTREPRENEURSHIP CLINICS: THE CASE OF KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, GHANA

BY RALPH NYADU-ADDO

The Kwame Nkrumah University of Science and Technology (KNUST), Kumasi-Ghana ever since its establishment in 1951 have played a pioneering role to promote science and technology education in Ghana and Africa. Entrepreneurship education has been piloted in diverse ways over the years with the hope of producing well balanced graduates since most programs offered can easily be started as a business. As a result, several spin offs and entrepreneurship ventures can be found on campus and the immediate surroundings outside campus operated by staff, students, departments or faculties.

Over the years KNUST has received diverse support in the design and implementation of entrepreneurship development programs from several external institutions. These include the World Bank, European Union, Empretec Ghana, NGOs, Some German and USA universities, Banks and National Board for Small Scale Industries (NBSSI) among others. The establishment of a Business School (KSB) in 2005, Industrial and Professional Relations Office (IPR) in 2005, Centre for Business Development (CBD) in 2009 and Kumasi Business Incubator (KBI) in 2010 as well as the appointment of an Entrepreneurship Coordinator are to further spearhead this agenda.

After piloting with several tools and models, KNUST have since 2012, started an annual Entrepreneurship Clinic (EC) which seek to whip up entrepreneurship support among students and staff with diverse innovative funding mechanisms.

As stated in its vision and mission statements, KNUST recognize the fact that, the quality of a country's human capital is critical to its development, social cohesion and global competitiveness. Therefore, "it presents an environment for teaching, research and entrepreneurship training in science and technology for the industrial and socio-economic development of Ghana and the whole of the African continent and offers service to the community". It further aims at strengthening and expanding entrepreneurship education programs, establishing entrepreneurship support networks and channeling these activities into a greater national network. It is believed that such an action will equip university undergraduates and graduates as well as interested staff with entrepreneurship skills enabling them to combine academic knowledge with future entrepreneurial careers.

The main objectives for the sustained promotion of entrepreneurship in KNUST are the: Design and implementation of innovative curricula for entrepreneurship education programs; Training of professionals in entrepreneurship education in KNUST; Implementation of training programs for economic promotion institutions, business development services, NGOs and financial service provider in order to establish entrepreneurship support networks nation-wide.

With the establishments of the IPR, CBD and KBI, the KNUST further seeks to intensify the training of the staff of economic promotion institutions, business development services, NGOs and financial service providers in courses related to support start-up enterprises. Beneficiary are provided with innovative approaches to tackle problems of newly established enterprises and ultimately encouraged to establish close links to universities' entrepreneurship education programs. This will lead to the development of locally embedded

entrepreneurship promotion networks. Ultimately, the network will help to accelerate the survival rate of newly established businesses and to discover growth potentials and innovative capabilities of already existing small and medium sized enterprises.

## BRIEF HISTORY OF KNUST

The KNUST has grown from an initial handful of students, to a current student population of nearly 50,000. These comprise undergraduate and postgraduate students from all over the world, especially, from the African continent, offering courses ranging from Art, Business, Law, Medicine, Science and Technology. Its core values are: Leadership in Innovation and Technology, Culture of Excellence, Diversity and Equal Opportunity for All and Integrity and Stewardship of Resources.

KNUST has Distance Learning centres in all regions of Ghana. Its staff strength is over 3,500 including, academic (teaching and research) and administrative employees. Its graduates are in all facets of the society and Kofi Annan (former UN Secretary General) and Alhaji Aliu Mahama (former Vice President of Ghana) are some of its famous alumni.

*The KNUST is a world-class academic center of excellence, spearheading West Africa's pursuit of technological advancement. Its campus is located at an ideal place inside Kumasi, the second biggest city in Ghana and approximately 272 kilometres from the capital, Accra. With an estimated eight-mile square of aesthetic beauty, a rising and falling landscape, state of the art buildings, a wide range of trees, long stretches of well-cut lawns and very conspicuous flora prettification, which provides the right atmosphere for the holistic development of students.*

A large, dark red circular graphic with a white border, containing text. A smaller, solid red circular graphic is positioned below it to the right.

Entrepreneurship education has existed in KNUST in different forms and shapes over the years with several approaches to the teaching on campus.

To enhance academic work and productivity, KNUST since 2005 has been zoned into six Colleges namely: Agriculture & Natural Resources, Architecture & Planning, Art & Social Sciences, Engineering, Health Sciences, Science administered by Provosts. The Colleges are further divided into Faculties, Departments and Sections.

KNUST has Undergraduate Programs, Postgraduate Programs, School of Graduate Studies and Institute of Distance Learning (IDL). There are several research institutes and centers, which include: Technology Consultancy Centre, Centre for Business Development, Bureau of Integrated Rural Development, Office for Grants and Research etc. KNUST continues to review its academic and research activities to reflect the socio-economic and technological needs of the country. The establishments of a Law School and the School of Business are key pointers.

To promote and enhance social and economic activities, KNUST currently boasts of a Shopping Mall, printing presses, creative galleries and studios, specialized medical and health centers, banks, bookshops, pharmacies, several auditoriums (for both academic and commercial purposes) and restaurants. Others include public and private hostels and guest houses, recreational facilities, sports & fitness facilities, vibrant religious life, efficient campus security, food joints, business centers, well equipped Information Communication Technology (ICT) facilities among others.

## ENTREPRENEURSHIP EDUCATION DEVELOPMENT IN KNUST

### BACKGROUND

As has been stated earlier, entrepreneurship education has existed in KNUST in different forms and shapes over the years with several approaches to the teaching on campus. It seeks to build a unique bridge between KNUST, public and private business service providers, in an effort to support national



*Graduates are to be fully equipped with entrepreneurial, leadership and management know-how and skills for the effective practices.*

policies of local and regional economic development and employment.

The target groups and focus of this current drive are students, alumni and staff of KNUST, professionals in entrepreneurship education attached to them, and staff of economic promotion institutions and business service providers. The final beneficiaries has been KNUST, on the one hand, and the private sector, on the other hand which gains by the input of well-prepared, entrepreneurial young people with innovative business ideas and the knowledge to carry them out.

Several entrepreneurship courses exist in fragments and uncoordinated in KNUST where resource persons are invited by Departments and Faculties to speak on entrepreneurship and venture creation in general. Church groups and students~ clubs also invite resource persons to enlighten them on similar topics above. Entrepreneurship education is not compulsory and examinable in some Department. This is strange since it is indeed boldly stated in the strategic plan of KNUST as well as its vision and mission statements that students must go through a course in entrepreneurship.

Colleges such as Agriculture and Natural Resources, Art and Social Science and Engineering among others, involve students in some aspects of entrepreneurship training by both internal and external resource persons. It is only Publishing Studies Department that takes final year students through a year-long entrepreneurship course that ends with a graduation and certificate of participation presented after a Business Plan Competition. It is compulsory and an examinable course in semesters seven and eight. A similar thing pertains in the College of Engineering where two well-trained lecturers with Masters in Engineering and Business Administration lectures in Entrepreneurship and venture creation suited for engineers.

The KNUST School of Business (KSB) was established in 2005 to fulfill the vision of KNUST to provide the environment for excellence in teaching, learning, and research in management and entrepreneurship in science and technology for the

industrial and socio-economic development of Ghana and Africa. KSB since its establishment has been offering university-wide management and entrepreneurial development programs to complement the traditional non-management programs offered by other colleges within KNUST. By these its graduates are to be fully equipped with entrepreneurial, leadership and management know-how and skills for the effective practice of their professions in their own businesses, or private and public-sector organizations.

KNUST has gone further by establishing Industrial and Professional Relations (IPR) office, a Centre for Business Development (CBD) and Kumasi Business Incubator (KBI) to spearhead a university-wide standardized entrepreneurship education and promotion agenda among other initiatives. They played key roles in promoting entrepreneurship education in KNUST.

## THE ENTREPRENEURSHIP CLINIC

The Entrepreneurship Clinic (EC) concept was mooted by the Provost of the College of Art and Social Sciences in 2012 together with the Centre for Business Development (CBD). The EC concept followed in the heels of the EMPRETEC Concept (2005/2006) and later Business School Concept (2007-2010) where final year students were assembled for a week at the Great Hall to take them through various aspect of Entrepreneurship education on College basis.

The EC is carefully crafted and executed taking into consideration various suggestions from best practices the world over and having learnt from the challenges and failures of previous mass entrepreneurship education on university campuses. These challenges include lack of industry or private sector involvement, lack of adequate sponsorship, refreshment for students, adequate planning, involvement of student leaders on the Planning and Implementation Committee, Certificate of participation (for those who attend 5

out of 6 sessions), active involvement of central administration, massive publicity in National and local media among others.

### ORGANIZATION AND LOGISTICS

The EC is organized at the beginning of the second semester (February-March) when academic work is not yet intense. It usually last for five or six weeks. It is targeted at mostly final year students, however every student can attend. It is organized by a carefully selected committee chaired by the Head of the Centre for Business Development (CBD). It includes selected lecturers from the Business School (KSB) and representatives of key Colleges as well as leadership of the Students' Council.

The Committee meets often to deliberate on past activities and arrange for resource persons, publicity, sponsorship and general micro and macro organization of the program. To promote students massive participation, refreshments (soft drinks and pastries) are served after each session. These are sponsored by corporate firms who's DAY it is for the presentation. Once the program kicks off, there are weekly meetings to evaluate the previous week's seminar.

Participants who attend five out of six presentations are giving "Certificate of Participation" (upon request) issued by the CBD at the end of the Clinic which they pay a token amount.

### AIM OF COURSE

It also seeks to throw light on professional and business ethics. The main idea is to create awareness and knowledge of opportunities, challenges, characteristics, attitudes and skills needed for a successful entrepreneurship and venture creation.

*The Entrepreneurship Clinic seeks to educate students with general knowledge in all aspects of entrepreneurship and small business management.*

## COURSE OBJECTIVES

The objectives of the Clinic among others are to be able to:

- i. Appreciate the relationship among concepts and principles of entrepreneurship and small business management and its prospects and challenges.
- ii. Apply the basic principles of Total Quality Management (TQM) and Customer Care.
- iii. Manage and sustain a business in Ghana.
- iv. Understand the business environment and opportunity and threats it presents.
- v. Discover and utilize their potential in life and generally cope with life after school.
- vi. Understand the business financing systems of Ghana including micro financing.
- vii. Preparatory grounds for the selection of future Business Incubatees (tenants of KBI)

## LEARNING OUTCOMES

It is expected that some students will go out with an entrepreneurship or intrapreneurship mindset, or orientation. The program is not necessarily going to make it possible for all final year students to begin their careers as entrepreneurs or self-employed immediately after graduation, but at least it will give them the necessary exposure.

## RESOURCE PERSONS

To achieve its target, carefully selected accomplished business practitioners and entrepreneurs as well as CEOs/Managing Directors of financial institutions and management consultants are invited to share their experiences through teaching, coaching and mentoring. This is made easy since the CBD has a pull of over two hundred institutions and corporate firms as well as media houses with well suited resources persons because of its unique role as the main university's link to industry. Some experienced lecturers from the Business School also assist during questions time to link theory with practice.



### METHODOLOGY

Approach to delivery includes power point presentations, interactions, mentoring, coaching, syndicate work, business games, and audio-visuals. Soft copies of presentation can also be found at the website of the CBD for easy access to students.

### LEARNING OUTCOMES

It is expected that most students will go out with an entrepreneurship and intrapreneurship mind-sets, orientation. The program is not necessarily going to make it possible for all final year students to begin their careers as entrepreneurs or self-employed immediately after graduation, but at least it will give them the necessary exposure.

### MENTORS DAY

The program is always crowned with “Mentors Day” at the end of it all. This is mostly a podium discussion where some renowned Ghanaian entrepreneurs and practitioners from industry including consultants share their success stories in an interactive session with students and young entrepreneurs of KNUST.

### COMPANY DAY

An innovative addition is the introduction of ‘Company Day’. With this, the selected companies (who’s CEOs are to present) were allowed to freely advertise their products and services at the venue of the program and at strategic parts of the university during the week of their presentation. They were also allowed to mount a Career Desk and their HR and PR staff interacts with students. This attracted lots of top companies to sponsor the program since they will have the platform to freely advertise and market their products and services on the “DAY”.

### PUBLICITY

A strategic publicity tool used prior to the start of each year’s Clinic, is visits to national and local media houses (print and electronic). These include major newspapers, FM stations and television stations among others with national reach through

interviews and press releases. These media houses are tagged as major sponsors during the entire duration of the Clinic. These media houses are sensitized to give massive publicity to the program to attract sponsorship and active participation. This is because entrepreneurship education is a national topic with discussing and encouraging.

The Planning and Organizing Committee of the program uses the best ways to publicize the program for students' awareness and full participation. The most popular methods used for the publicity includes bulk text messaging to all students, attractive banners, fliers, brochure, campus radio advert and online advertisements. Student leaders also do personal publicity and hype the program on the campus FM station.

Apart from these methods, announcements were made at departments and campus church services, and adverts were posted on the websites of the University, CBD and CASS. Some of the headlines of news stories on the Entrepreneurship Clinic program were published in newspapers and online after every presentation. Major media houses were invited to cover program weekly not only to report on it but also to give publicity to the sponsoring companies.



## TOPICS TREATED SO FAR

- Prospects and challenges of entrepreneurship
- Business opportunities in Ghana
- Understanding the business environment in Ghana
- Starting a business in Ghana, legal framework and institutional support.
- Managing and sustaining businesses in Ghana
- Making use of ICT and state-of-the art technology in modern day business
- Venturing into international markets
- Overview of business plan
- The secret of success in business: Lessons of aspiring businessmen
- Managing prospects and challenges of entrepreneurship in Ghana
- Starting and sustaining a private business: Means and Strategies
- Developing positive problem solving attitude in business
- Business/self-employment opportunities for young graduates
- The business school of life: from apprenticeship to kingship
- The current job market in Ghana: Implication for new graduates
- Unlocking your career potential
- Financing a business in Ghana
- Lessons from Ghanaian entrepreneurs
- Entrepreneurship and legal consideration

## FINANCIAL MODALITIES AND SPONSORSHIP

The Centre for Business Development (CBD) together with the Planning and Organizing Committee is mandated to raise funds by way of sponsorship for the successful implementation of the EC. Some of the cost centers are the following:

- Publicity (banners, fliers, bulk text messages, adverts) and learning materials
- Accommodation for resource persons
- Water and refreshments
- Transportation and honorarium for resource persons
- Media and video expenditure
- Miscellaneous

#### THE ENTREPRENEURSHIP CLINIC SOURCED FUNDING OVER THE YEARS FROM THE FOLLOWING:

The six Colleges as well as the Business School in the first year supported the EC with direct monetary support ranging from \$1500-\$3000 USD each.

Individual corporate institutions are given a day to advertise and market their products and services. This is when Chief Executive Officers make presentations about a given topic. Their sponsorship ranges from \$3000 to \$5000 USD per Company.

The EC now uses a FLAGSHIP sponsor since 2014. HFC Bank Ltd. now sponsors the entire program with an amount of almost \$40,000 USD for a five year period. The first installment has been paid under the KNUST Entrepreneurship Development Fund (KED-Fund) established in 2014 by the CBD.

## RECOMMENDATIONS

- Higher Education Institutions (HEI) should review their curricular to accommodate entrepreneurial programs and adapt them to the needs of the countries;
- Curricula should be designed in a way that will equip students with critical entrepreneurial thinking, analyzing and problem solving skills;
- HEI should seek out and create synergies with industry, the private sector and the civil society during the development and monitoring of their curricula. This will promote innovation and technology transfer, and making sure that graduates have the skills and knowledge needed to respond to the developmental aspirations of their countries;
- Adequate funds and facilities should be provided for effective teaching of entrepreneurship programs;
- Government should be consistent and committed towards the policy;

- HEI top administrators should take active and pragmatic role in the promotion of entrepreneurship;
- Entrepreneurship education should not only be for selected few and only final year students but the Babson University method of “Entrepreneurship Across Disciplines” should be encouraged and applied right from first year of enrolment;
- The campuses of HEI should be entrepreneurship friendly;
- The mass media (national and local) should be involved to provide adequate publicity and dissemination of creative ideas for venture creation;
- Students groups should also be involved at the planning & implementation phase while Entrepreneurship & Business Clubs should be promoted and encouraged;
- Where possible Business Incubators could be established to further nurture budding businesses to thrive and blossom with minimum start-up shocks and failures;
- To make it effective, there should be close collaboration between academia and industry/business world to have easy access to the right resource persons;
- Again mentoring and coaching from successful entrepreneurs should be provided for these budding entrepreneurs to give them competitive head-start;
- HEI should have a special budget for Entrepreneurship Education and expand its sponsorship drive.

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**SUSTAINABLE**  
FINANCING  
**MODEL FOR**  
**BUSINESS**  
INCUBATOR

THE KUMASI BUSINESS INCUBATOR

# SUSTAINABLE FINANCING MODELS FOR BUSINESS INCUBATOR: THE KUMASI BUSINESS INCUBATOR

BY RALPH NYADU-ADDO

## INTRODUCTION



The Kwame Nkrumah University of Science and Technology (KNUST), Kumasi-Ghana has been pioneering and promoting not only science and technology education in Ghana and Africa, but also innovative entrepreneurship education drive over the years. The promotion of entrepreneurship has moved a step forward by establishing the Kumasi Business Incubator (KBI) to assist start-ups of young entrepreneurs. This is a one of the initiatives that has been piloted and experimented since 2010 with sustainable funding models using world best practices. It is hoped that the initiative will further result in the establishment of several spin- offs and entrepreneurship ventures on and off campus.

The idea for the establishment of the KBI was mooted after a Memorandum of Understanding (MoU) was signed with the National Board for Small Scale Industries (NBSSI) in 2006. A multi-sectorial Planning and Implementation Committee with membership from both public and private sector was formed to establish a formidable and self-sustaining business incubator. It worked from 2007 till 2014 when the KBI was formally commissioned. With the establishment of the Centre for Business Development (CBD) in 2009, it was giving the mandate to team-up with the KBI Committee to help establish

the KBI putting governance structures in place and look for sustainable funding to enhance its smooth running as a department under CBD.

As stated in its vision and mission statements, KNUST “presents an environment for teaching, research and entrepreneurship training in science and technology for the industrial and socio-economic development of Ghana and the whole of the African continent and offers service to the community”. It is believed that such an action will equip university undergraduates and graduates as well as interested staff with entrepreneurship skills enabling them to combine academic knowledge with future entrepreneurial careers.

The main objective for the sustainable financial model for the KBI in particular and the promotion of entrepreneurship education in KNUST is to free itself from unfulfilled promises from public and private sources. Furthermore when success is chalked, it will lead to the development of locally embedded entrepreneurship promotion networks. Ultimately, it will further help to accelerate the survival rate of newly established businesses and to discover growth potentials and innovative capabilities of already existing small and medium sized enterprises.

With the establishments of the IPR, CBD and KBI, the KNUST further seeks to intensify the training of the staff of economic promotion institutions, business development services, NGOs and financial service providers in courses related to support start-up enterprises. Beneficiary are provided with innovative approaches to tackle problems of newly established enterprises and ultimately encouraged to establish close links to universities' entrepreneurship education programs.



## BUSINESS INCUBATORS (BI)

*The National Business Incubation Association (NBIA), USA, defines a Business Incubator, as an “organisation designed to accelerate the growth and success of entrepreneurial companies through an array of business support resources and services that could include physical space, capital, coaching, common services, and networking connections”.*

Typically, Business Incubator (BI) programs are often sponsored or owned by private companies or municipal entities and public institutions, such as Universities, Business Associations, R&D organizations, NGOs, Private businesses, Foundations, and combinations of the above. Their goal is to help create and grow young businesses by providing them with necessary support and financial and technical services.

According to NBIA, there are over 7000 BIs worldwide and around 1250 BIs in the USA (reported in October, 2012). According to UKBI, there are around 300 business incubators in the UK. Wikipedia estimated that there were 900 business incubators in Europe. Currently there are more than 400 Incubators in Germany. Approximately 6000 start-up companies with more than 40.000 employees resided in these incubators. In East Germany more than 100 incubators were constructed after 1990. China has over 500 BIs and in South Africa it is over 30.

Basic services delivered by BIs include basic infrastructure, e.g. offices, meeting rooms, workshops, equipment, network & connectivity. Others include administrative & managerial support, training & mentoring, regular monitoring & evaluation of clients, network & cluster development as well as pre-incubation services. Usually tenants are offered these services at below-market rates or fully sponsored.

The officials of BIs offers advice and much-needed expertise in developing business and marketing plans as well as helping to fund fledgling businesses. Start-up companies

(tenants/incubatees) typically spend an average of two years in a business incubator, during which time they often share telephone, secretarial office, security, procurement & sales and production equipment expenses with other startup companies, in an effort to reduce everyone's overhead and operational costs. Not all BIs are alike. While some are specialized, others are general in nature. BIs reduce mistakes in start-ups through business mentoring and technical coaching. These are achieved by networking through mentors & experts, suppliers, marketing, financing agencies.

The coaching and mentoring process in BI usually addresses common competence gaps like market understanding, marketing & sales technique, product design, production process, supply chain management, value chain analysis, general management, understanding of industry structure and industry standards & practices.

Culled from *National Business Incubation Association's website* and <http://www.entrepreneur.com/encyclopedia/business-incubator>

#### IMPORTANCE OF BUSINESS INCUBATORS

Business incubators the world over are established for different reasons and perspectives. However we will briefly look at the Entrepreneurial perspectives and also the government's angle. From the *Entrepreneurial perspective* a professional presence is important since it assists to establish companies in the shortest of time as well as with a minimum capital. It also helps in the Immersion in a supportive environment of the company of other entrepreneurs, mentoring by experts and business boot camp.

Other areas include its ability to access easy networks, funding sources, professional services Under BI no positive credit history is required in assessing loans. There is also flexibilities in obtaining small leases, month-to-month leases, ability to flex up and down

From *Governments' Perspective (OECD)* business incubators are important for several reasons. These include job creation for the teaming youth and reducing graduate unemployment. The government can obtain taxes from profits and also income taxes from employees. Furthermore when new technologies are brought unto the market, it positively affects society and the general well-being of the country. It is for this reasons that government provides support for innovation, encouragement of entrepreneurial culture, attracting & creating service industries, increasing property values and strengthening cooperation between public/private.

BI promotion programs also help to diversify the economy, grow new sectors, boost economic performance. It further makes small business vibrant, support steady flow of new businesses, promotes strong job & wealth creation potential.

## THE KUMASI BUSINESS INCUBATOR (KBI)



The goal of KBI is to contribute to the sustainable overall industrial and business development of Ghana



As indicated earlier the idea for the establishment of the Kumasi Business Incubator (KBI) was mooted after a Memorandum of Understanding (MoU) was signed with the National Board for Small Scale Industries (NBSSI) in 2006. It is run by the Centre for Business Development (CBD which is under the Vice Chancellor's office. Currently, it has twenty-five (25) ICT incubatees (tenants) on a special one-year BI program funded with support from the eGhana Project from the Ministry on Communication/World Bank.

**THE KBI CONCEPT:** It is a Kwame Nkrumah University of Science and Technology (KNUST), Kumasi-Ghana initiative with close collaboration with several public and private partners. It is assisting to 25 carefully selected businesses to realize their entrepreneurial dreams. They are mostly students or alumni who have innovative business ideas and wish to perfect these ideas into real businesses.

The Centre though multi-disciplinary puts premium on businesses that have the national development agenda in focus. To this end, ICT enabled processes and engineering solutions as well as applied sciences will be encouraged.

**GOAL AND PURPOSE:** The goal of KBI is to contribute to the sustainable overall industrial and business development of Ghana by exposing and equipping selected students and alumni of KNUST and its catchment areas to entrepreneurship.

**VISION:** KBI is set up to actively promote, nurture and sustain innovative and competitive start-up businesses that emanated from research and innovative works of students.

**MISSION:** To assist in the development of innovative micro, small and medium-sized blue-chip companies through the provision of business premises, training, coaching, and mentoring of students and researchers with innovative ideas.

**OBJECTIVES:** It seeks to provide support through the provision of premises, training, coaching and mentoring towards selected projects of students. Again to offer assistance to student start-up productive enterprises through the adoption of risk management practices etc. Finally, to provide facilities that will promote a conducive environment for the development of student enterprises

**OWNERSHIP:** KNUST owns KBI. It is a non-profit venture with the National Board for Small Scale Industry (NBSSI) as the major collaborating partner, with major funding from eGhana Project of the Ministry of Communications and the World Bank among others.

**LOCATION:** The KBI is located in the new Museum Complex-KNUST, Kumasi-Ghana and may later move to the proposed Technology Park at Kwamo, near Kumasi.

**TARGET:** The project targets final year undergraduate and graduate students of KNUST who are committed to the setting up of innovative and creative businesses.

**TARGET SECTORS:** KBI is a general multi-purpose BI. Key areas are Information and Communication Technology, especially software development and application in the various sectors of the economy such as:

- Development and production of Agro-based products
- Design and manufacture of Value-added Wood products
- Aluminium and other precious metal-based products
- Design and manufacture of Clay-based products
- Renewable and Sustainable Energy sources
- Development and manufacture of Petro-Chemical based products.
- Eco-Tourism
- Medical and laboratory products
- Textiles & Garments, Fashion & Design
- Innovative Financial Management interventions and investments
- Relevant machinery and equipment for the above mentioned sectors.

**DURATION AND STAGES OF INCUBATION:** The incubation period in KBI is at most one year. During this period, the tenants will enjoy a range of privileges which include free accommodation, secretarial facilities and utilities (electricity and water) at the center.

**ENTREPRENEURIAL TRAINING:** KBI grooms tenants through the preparation of business plans, other business tools that will help start-ups. This will undoubtedly create a strong platform on which to build their dream business.

Internship: Tenants will be on industrial and business internships under the supervision of a management team/mentor.

**MENTORING AND COACHING:** KBI provides this continuous professional assistance to all its tenants both internal and virtual. These rich pool of coaches and mentors are provided by the by the Centre for Business Development and KNUST's large pool of alumni worldwide.

***PARTNERS:***

- National Board for Small Scale Industries (NBSSI)
- ITES (Ministry of Communications), Ghana
- International-SEPT Program, Leipzig University, Germany
- Bonn-Rhein-Sieg University of Applied Sciences, Germany
- New Jersey City University Business Development Incubator, USA
- National Business Incubator Association (NBIA), USA.

***Funding and logistical support:*** From the current arrangement under the eGhana Project of the Ministry of Communications and the World Bank the KBI was given \$500,000 USD as seed money for infrastructure development, equipment, re-tooling and operational expenditure out of a budget of 1,693,090.00 USD. The financial support from the eGhana Project was arranged through a competitive bidding won by the KNUST-NBSSI team.

KNUST is contributing the remaining 1.2 million US dollars by way of rent subsidies, utilities and allowances of managers and other employees. Prior to that eGhana sponsorship, KNUST through the Centre for Business Development and NBSSI together with friends of the university has been supporting the KBI by way of financial, logistics and free consultancy services. In the next section, we will discuss in details some of these innovative sustainable financial models.

## SUSTAINABLE FINANCIAL MODEL AT THE KBI

One of major reasons why many BIs fail is lack of a sustainable financial support. KNUST prior to the commencement of the KBI put up a committee of experts to identify some innovative and sustainable funding sources using best world practices. These models are to be localized to fit the realities on the ground. The funding sources are from both external and internal sources.

## THE CENTRE FOR BUSINESS DEVELOPMENT (CBD)

The CBD was strategically established directly under the Vice Chancellor's office in 2009. It is to champion the drive towards the promotion of entrepreneurship and business development on KNUST campus and to harmonise all such centres under one umbrella. Its motto is "Pioneering Innovation for Sustainable Development".

A nine-member board comprising the President of the Ghana Association of Bankers (GAB), Executive Chairman of a private multi-media house (GMA) with international presence and a woman CEO of a successful awarding winning company (representing private sector). The others are: the Head of the Business School (KSB), the University Finance Officer, University Lawyer, Provost (College Engineering), Provost (College Art & Social Sciences) and the Pro-Vice Chancellor serving as Board Chairman. The mandates of the CBD among others are the following:

- Kumasi Business Incubator (KBI)
- Industry-Academia Relations
- Internship for Staff & Students
- Entrepreneurship Development
- SME Research, Promotion and Development
- Business Consulting, Networking and Innovations
- Resource Raising
- Branding (Corporate and Personal)

It can be realized that the solid team of both private and public sector board members have the tract record to use their professional and other networks to raise enough resources for the sustenance of the KBI among other duties. The following are some funding activities employed by the CBD over the years.

## KNUST ENTREPRENEURSHIP DEVELOPMENT FUND (KED-FUND)

The CBD established the KED-Fund in 2014 to raise funds from external and internal sources to beef up the financial base of entrepreneurship promotion in general and KBI sustainability in particular. The KED-Fund seeks to promote entrepreneurship drive in KNUST and also support the newly established Kumasi Business Incubator (KBI). The KED-Fund further seeks to mobilize a minimum of one million US dollars towards entrepreneurship promotion and education, venture creations, SME development, sustainability of the KBI and the establishment of seed capital for these budding entrepreneurs (incubates).



In this era of Public Private Partnership and strategic alliance, KNUST is using this platform to partner companies to achieve its aim of enhanced visibility and academic excellence, through the promotion of entrepreneurship and venture creation out of its numerous research works of staff and students.

These laudable goals are to help curb the tide of graduate unemployment and further expand the establishment of high end venture creation. Companies who contribute over fifty thousand US dollars become official flagship sponsor. HFC Bank became the first company to contribute hence they are the official Bankers of KBI & CBD. Other telecommunication companies are now on board.

### BRANDING OFFICES AND FACILITIES BY CORPORATE FIRMS AFTER SPONSORSHIP

Another way of seeking corporate sponsorship and attracting support is the branding of offices and facilities at CBD and KBI. Under this Airtel Telecommunications company renovated the CBD block with sixty thousand US dollars and provided furniture, four routers and monthly internet and telephone subsidies amounting to almost forty thousand US dollars as at December 2014. They were allowed to brand the building with

their name and paint the structure with their colors (Red and white).

TECHNIP Ghana (an international oil and gas company) also provided sponsorship by way of providing furniture and audio-visual equipment for the conference room of CBD/KBI which was also named after them. A year later they provided ten computers and networked it for the Computer lab & Resource Centre of both CBD/KBI. What is left to complete the offer is the provision of a modern teleconference facility.

Huawei Technologies Company has established the data communications laboratory estimated at 400,000 US dollars and the outfit has been branded as such.

A Ghanaian telecommunications company, Vodafone Ghana, has partnered the KNUST and mFriday to launch the first-ever Technology Hub in Ghana that provides an invaluable opportunity for developers of web-based mobile content to introduce commercially viable mobile products. The 'Tech Hub' allow mobile application developers to share ideas, activate their web applications, and build solutions for Ghana. The innovative initiative is based on the Digital Hub and iHub based in Ireland and Kenya respectfully. It's a joint venture with KNUST and profits are shared.

CBD/KBI currently enjoys full insurance cover for the building and al equipment in the Centre. This sponsorship is provided by NSIA Insurance. As a reward, a crown embossed with their logo is to be strategically hosted at the entrance of the CBD.

### **INCOME FROM TRAINING PROGRAMS AND CONSULTANCY SERVICES**

CBD also runs several training programs and also collaborate with other Departments and Faculties as well as clubs and associations which is all paid for by clients. Short certificate courses for SMEs, MDAs and Corporate agencies are also featured on request. Consultancy Services are provided for corporate firms and individuals. There are also joint ventures with private companies (PPP) to generate income.

*The 'Tech Hub' allow mobile application developers to share ideas, activate their web applications, and build solutions for Ghana.*

### RENT CHARGES PAID BY TENANTS (NON-STUDENTS INCUBATES)

The KBI concepts for now offer rent-free facilities for student tenants. However non-students and alumni companies as well as virtual incubates pay for rent and all services provided under the umbrella of CBD/KBI.

### MEDIA SPONSORSHIPS

CBD/KBI enjoys lots of media support and most of its programs and activities are sponsored by both the print and electronic media. These are both financial sponsorships and free publicity in their newspapers, TV stations and Radio programs. The main media partners are, Graphic Communications Group, Multi Media Group, Global Media Alliance, Ghana Broadcasting Corporation, other local and national Print and Electronic Media.

### DIRECT SPONSORSHIP FROM FINANCIAL INSTITUTIONS

CBD seeks sponsorship from other corporate firms to sponsor particular event or activities including Business Plan competitions. Companies that have so helped in cash or in kind are HFC Bank, GCB Bank, UT Bank, Ecobank, Cal Merchant Bank, The Royal Bank, Zoomlion Group, Kingdom Furniture, Micro-Finance institutions, Antartic Construction, EPP Book Services, UNILEVER Ghana, GLICO Insurance, NSIA Insurance, Nestle.

Type Printing Press, Buck Press and KNUST Press over the years have sponsored all brochures, letterheads, posters and printing items of CBD and KBI since its establishment.

### THE COMPANY DAY CONCEPT

An innovative addition is the introduction of 'Company Day' as a way to sponsor the weekly "Entrepreneurship Clinic". With this, the selected companies (who's CEOs are to present a paper to motivate and coach young entrepreneurs) were allowed to freely advertise their products and services at the venue of the programs and at strategic parts of the university during the week of their presentation. They were also allowed to mount a Career Desk and their HR and PR staff interacts

An innovative addition is the introduction of 'Company Day' as a way to sponsor the weekly "Entrepreneurship Clinic".

with students. This attracted lots of top companies to sponsor the programs since they will have the platform to freely advertise and market their products and services on the “DAY”.

#### **DIRECT SPONSORSHIP FROM GOVERNMENT AGENCIES**

The Ministry of Communication through its eGhana Project provided 500,000 US dollars with the assistance of the World Bank.

The University initiated a sponsorship drive from a public institution called the Export Development and Investment Fund (EDIF). Under this the KNUST Jewellery Design & Technology Centre was established to serve as a training workshop for the Department of Industrial Art and to offer technical advice on jewellery design and production for stakeholders in and around the Kumasi metropolis.

Development Dimensions Limited (DDL) contributed 256,000 GH¢ in technical support. EDIF provided financial support in respect to the acquisition of equipment and materials for the Center at an amount of 255,000 GH¢. Rand Refinery Limited of South Africa also donated silver and gold to support the project through the Ghana Chamber of Mines.

Other EDIF investments in KNUST are Departments of Chemical Engineering and Crop Science, both at a total cost of 417,888 GH¢. This therefore brings the cumulative funding of EDIF to the University to 642,888 GH¢.

#### **THE NATIONAL SERVICE CONCEPT**

Through an arrangement with the various Colleges and the National Service Secretariat (Youth Service), graduates are allowed to do their yearly service at either at their College or CBD and also serve as tenants of the KBI. Through that, they receive their monthly allowance with the Service Secretariat.

### **DIRECT FINANCIAL SUPPORT FROM COLLEGES AND BUSINESS SCHOOL**

One of the strategies used by CBD to generate seed capital for the running of KBI was soliciting direct sponsorship from the six Colleges of KNUST and the Business School. As a future plan, Colleges are encouraged to provide annual sponsorship for their students who are tenants in the KBI.

## **OTHER PLANNED SOURCES OF FUNDING**



### **ALUMNI SUPPORT**

KNUST through its Alumni Association can be used for direct and indirect support for KBI. With its establishment in 1951 and having graduated thousands of alumni spread throughout the world programs could be organized to seek direct and indirect support from them. Their rich networks could also be harnessed.

### **SUPPORT FROM LOCAL GOVERNMENT**

Business Incubators exist in communities or cities. When BIs are assisted to grow, the local authorities will benefit by way of job creation and payment of various taxes. It is only fair and prudent that the local government provides key services to help BIs to be financially sustainable. The KBI intends exploring this avenue.

### **ESTABLISHING CAMPUS BUSINESS SERVICES**

The CBD has plans to either establish directly or partner other corporate firms to established key services which are needed by the over fifty thousand (50,000) staff and students on KNUST campus. KNUST is empowered by status to provide these services among others already in the system like printing presses and agro-product services.

These include revenue from services such as Campus Advertising, Campus Travel & Tourism, KNUST branded basic consumables and other franchise etc.

### STUDENT REPRESENTATIVE COUNCIL DUES ON ENTREPRENEURSHIP SUPPORT

Plans are far advance with negotiation with the leadership of the Students leaders to include a special levy on “Entrepreneurship and Venture Creation Fund” in their annual dues. This will generate a huge amount of money annually since KNUST now boast of almost 50,000 students.

### SALES OF SHARES FROM SPIN OFF COMPANIES

This method is used by some academic based BIs in the world. Since most tenants enjoy rent-free facilities and pay nothing for all services provided by KBI, it is only fair that they relieve some shares in their companies when successful.

### CROWD-FUNDING & CROWD-INVESTING

KBI is also looking at the possibilities of using crowd funding and crowd investing as innovative tools to generate funds to sustain its activities and directly invest in individual businesses in the BI.

### INCOME GENERATING EVENTS LIKE SHOW BIZ (FILMS, THEATRE, MUSIC, COMEDY)

Students and the youth are the ones who patronize the creative industry mostly. In line with this, KBI wants to explore events such as film shows, theatre shows, comedy and life music programs on campus to raise funds. KNUST has several studios, over 1000-seater conference halls (that is under-utilized) which could be used for such services to raise income.



## CONCLUSION

Many models exist in adopting the most effective sustainable financing of business incubators. Just as entrepreneurship education, there is no one right program or set of activities that can be applied. Rather, it is a matter of identifying what works for each BI looking at its socio-economic situation and environment it operates in.

The most important thing is for HEI to seek out and create synergies with industry, the private sector and the civil society during the development stages of the BI. This will promote innovation and technology transfer, and making sure that tenants have the skills and knowledge needed to respond to the developmental aspirations of their countries. This close collaboration between academia and industry/business world will give BIs easy access to a large pool of coaches and mentors and adequate funds.

Government should be consistent and committed towards the policy of growing BIs by creating enabling environment for its growth and sustainability. HEI top administrators should take active and pragmatic role in the promotion of BIs. Active partnership with the mass media should be involved to provide adequate publicity and dissemination of creative ideas for venture creation and fund raising.

