Huru Consult

Coaching SMES on business development and financial management

Caroline Mwazi, Director, Huru Consult,

By Allan Muturi

Global research indicates that two-thirds of new businesses survive for at least two years, and only 44 percent survive at least four years. Although different enterprises operate in different economic environments, there are common mistakes that entrepreneurs often make, which may bring their businesses down.

According to Caroline Mwazi, Director and Managing Consultant of Huru Consult, a management and training consulting company, lack of proper business planning is the mother of all misfortunes. " 85 per cent of companies that survive beyond five years had a well laid-out business plan at the outset. The best time to have developed your business plan was when you started your business; the next best time is now," she says.

But what leads to business failure? Or why would an investor start a business and close after just three or five years? "People do not plan to fail, they fail to plan. With a well laid out plan, business owners will be forced to examine all aspects of their business, including possible risks, and come up with strategies based on the specified business objectives," she advises.

"Business success does not just happen. For a business to grow into a large enterprise, one needs to have a clear vision of what they want to achieve – and the steps they will take to get there," she says, adding that lack of management capacity to move from one stage to another could derail the process.

While the business environment as well as policy and legal factors play a major role in determining business success, access to finance (for operations and expansion) and access to markets (for sale of the business's products and services) and limited management capacity are major factors.

According to Ms Mwazi, there are many solutions to the challenge of access to finance, from personal savings and grants to angel or venture capital. The International Finance Corporation (IFC), the private sector arm of the World Bank, partners with banks and non-banking financial institutions to offer loans for start-ups and existing businesses. Saccos, banks and micro-finance institutions are also playing a key role in financing viable businesses. Additionally, many organizations are active in building the capacity of local entrepreneurs, and this is an area that growth-oriented businesses should tap into.

Poor leadership, Mwazi says, is another major contributor to business failure. “This concerns strategic leadership and the day to day management of business operations and finances. Building a business requires a lot of focus and discipline and the leaders need to walk the talk, since the people working in the firm look to management for guidance,” she points out. She advises business owners to be a source of inspiration to people they are working with and ensure that the company’s vision, mission and strategies are well communicated to the staff.

Genuine focus on customers and their needs is crucial to the success of any business. “Some entrepreneurs fail to promptly or effectively address customer needs, yet they expect loyalty from them. Customers expect no hiccups especially when it comes to quality of services or goods offered, and will seek options if their needs are not met,” she states. This, coupled with empowerment of employees and seamless communication at all levels of the company, greatly contribute to extended survival of the business.

Drawing examples from Virgin Atlantic’s CEO Richard Branson and other established business magnates, Ms Mwazi says clear vision, able leadership and sheer hard work motivates the team to work towards achieving the goals set by the company. She adds that innovativeness also plays a pivotal role in business success.

“Recognition of talents and creativity of the team is important,” Ms Mwazi says. To ensure the business maintains relevance in the market, she encourages business owners to constantly seek new ways of improving existing products – and invent new ones in line with customer changing needs and demands.

With her rich background in corporate banking and business consulting, Mwazi’s advice to entrepreneurs is to seek business advisory services from reputable consultants, and shed the notion that consultancy services are expensive and beyond reach.

“I am certified by the ILO, IFC and World Bank to offer various SME business development and growth programmes; these include the ILO’s “Expand your Business” programme for growth-oriented entrepreneurs and the World Bank’s “How do I become Bankable?” programme targeted at assisting micro and small entrepreneurs to access finance for business growth,” she says.

Mwazi also reveals that her company is a franchisee of the IFC’s Business EdgeTM programme that offers pre-developed training and practical solutions for growing a business. There are 37 Business EdgeTM modules in Financial Management and Accounting, Marketing Management, Human Resources Management, Operations and General Management and Personal Productivity Skills. Huru Consult will this January launch their ‘Get the Edge’ open training programme, which will cover 27 of the 37 modules.

“The training targets small and medium-sized business owners and managers and will be conducted for two days a month,” says Ms Mwazi, adding that it will cost trainees Ksh. 190,000/= to complete the program. This price includes V.A.T and besides the training includes 7 business reviews over 2 years, and the development of a business plan for participating companies.

Why do Small Businesses Fail?

1.You start your business for the wrong reasons.

Would the sole reason you would be starting your own business be that you would want to make a lot of money? Do you think that if you had your own business that you’d have more time with your family? Or maybe that you wouldn’t have to answer to anyone else? If so, you’d better think again.

2. Poor Management

Many a report on business failures cite poor management as the number one reason for failure. New business owners frequently lack relevant business and management expertise in areas such as finance, purchasing, selling, production, and hiring and managing employees.

3. Insufficient Capital

A common fatal mistake is having insufficient operating funds. Business owners underestimate how much money is needed and they are forced to close before they even have had a fair chance to succeed. They also may have an unrealistic expectation of incoming revenues from sales.

4. Location, Location, Location

Your college professor was right - location is critical to the success of your business. Whereas a good location may enable a struggling business to ultimately survive and thrive, a bad location could spell disaster to even the best-managed enterprise.

5. Lack of Planning

Anyone who has ever been in charge of a successful major event knows that were it not for their careful, methodical, strategic planning -- and hard work -- success would not have followed. The same could be said of most business successes.

6. Overexpansion

A leading cause of business failure, overexpansion often happens when business owners confuse success with how fast they can expand their business. A focus on slow and steady growth is optimum. Many a bankruptcy has been caused by rapidly expanding companies

7. No Website

Simply put, if you have a business today, you need a website. Period.