



# Mastering Private Enterprise



*with*

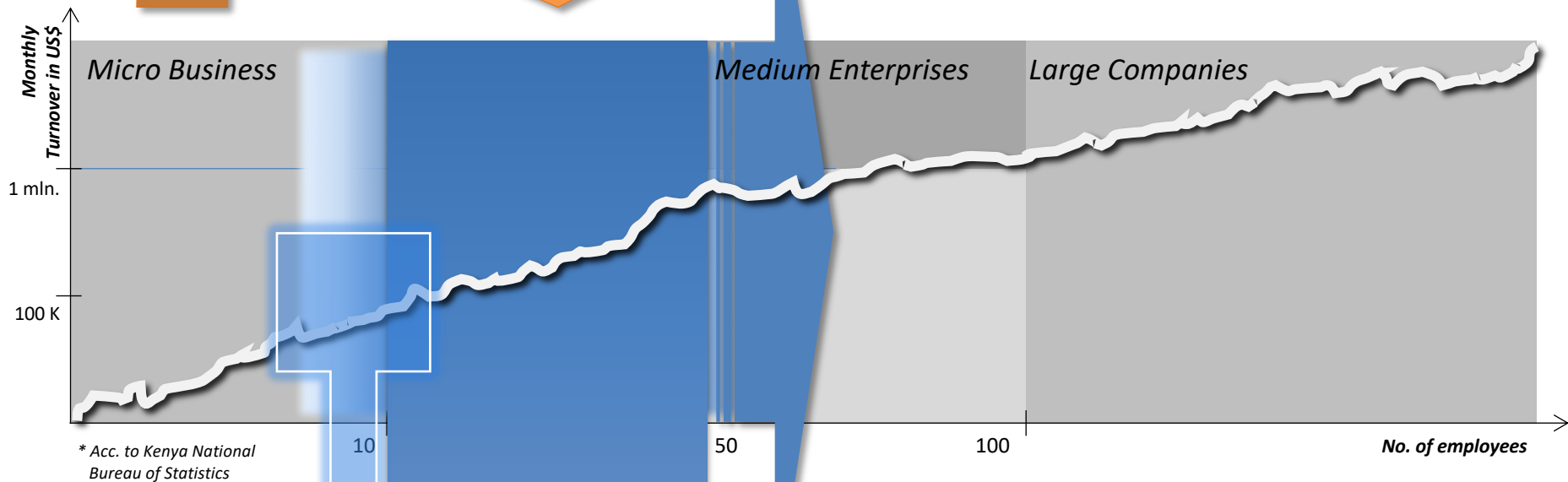


**ISBI Institute @ Strathmore Business School**

# ISBI focuses on "S" in SMEs

## Because:

1. SB owners proved the talent and right attitude by managing the leap into the real business world!



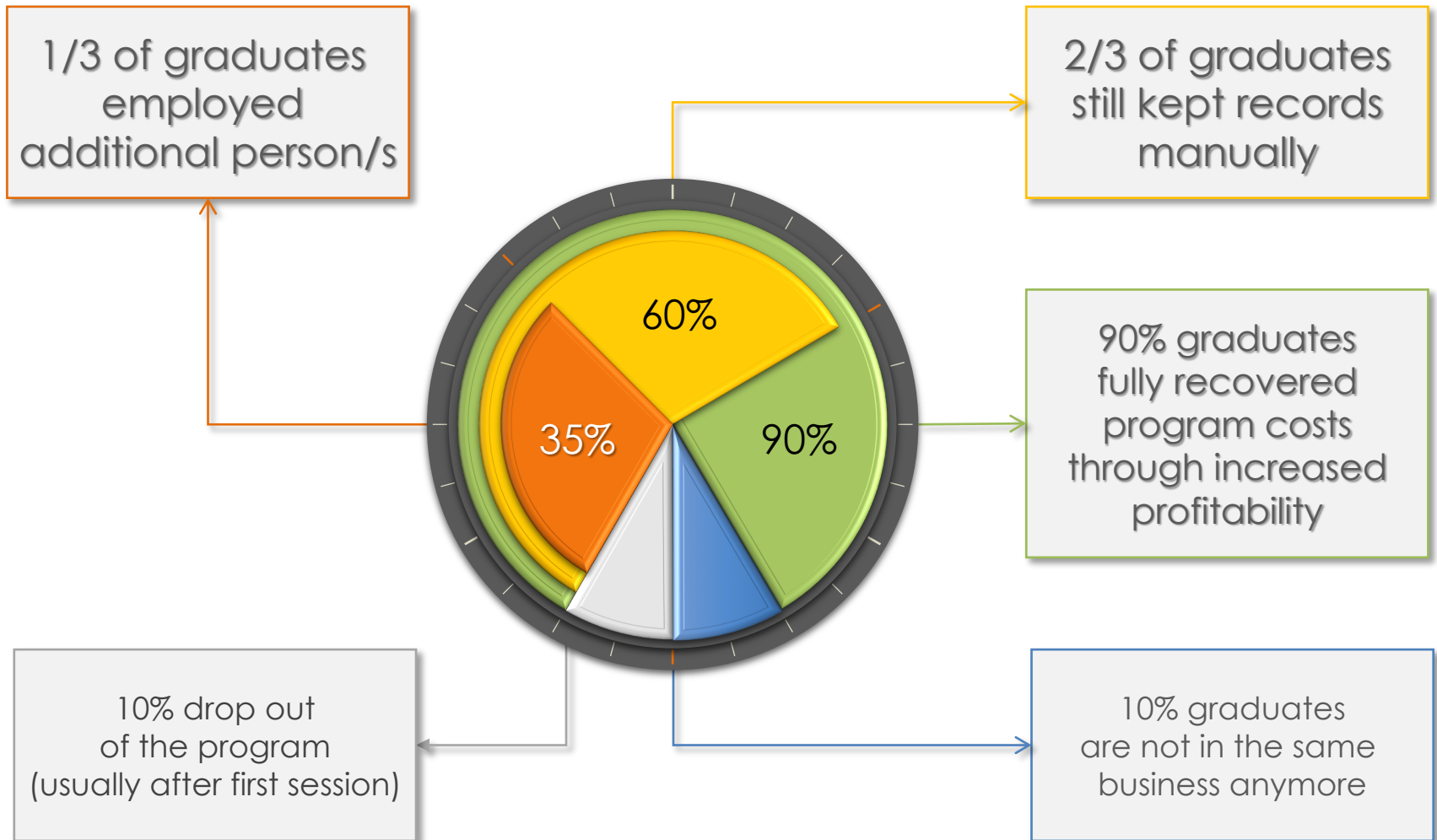
2. If we provide them with the right management tools & help them streamline their business

3. Their sustainable growth will inevitably create employment

ONE-SHOP-OWNERS WITH A MONTHLY TURNOVER OF USD 5 TO 50 K

# After First Two Years We Were Very Proud

Impact Measurement: Three Months After Graduation



# What We Were Not So Proud Of

Impact Measurement: Six Months After Graduation

Only 1/2 of the Business Plans  
fulfilled expectations!

*Most common reason:*

**COMPLETELY WRONG ASSUMPTIONS**

**Revenue:** Overestimated 2X – on average!

**Profit:** Overestimated 3X – on average!

*Most common issues:*

1. NO DIFFERENTIATION BETWEEN CASH AND PROFIT
2. UNKNOWN CONCEPT OF COST OF CAPITAL
3. DIVERTING (PART OF) EXPENSIVE CREDIT TO PERSONAL NEEDS

# What About Those 2/3 Who Keep Records

There is a challenge:

**MANUAL RECORD KEEPING**

**1. It is inconvenient to collect all relevant information manually**

*Too much information to collect, too many calculations to do manually, and too many mistakes are possible.*

COLLECTING  
DATA ✓

**2. It is hard to analyze collected information without software**

*It requires much longer training in order to internalize relevant accounting and quantitative methods.*

PROCESSING  
DATA ✗

**3. Without tangible gain, most lose patience earlier or later**

*Without clear insights entrepreneurs are not able to draw their own conclusions about crucial improvement potential.*

ANALYZING  
DATA

**4. Constant mentoring and impact measurement is expensive**

**WE NEED AN IT-SOLUTION**

TO TEACH ENTREPRENEURS HOW TO MAKE BETTER BUSINESS DECISIONS



# Where Is The Innovation

1. App that combines:

## **SIMPLIFIED FINANCIAL ACCOUNTING**

(sacrifice 10% accuracy to win 10 x on simplicity)

## **BASIC COST MANAGEMENT TOOLS**

and gadgets such as M-Pesa payment and bar-code reader integrated

## **REKA APP**

- with very intuitive interface, and without information overload
- able to provide insight into financial & operational practices of SMEs
- with purpose of identifying critical improvement potential
- resulting in increased profit and entrepreneurs' motivation for continuous record keeping

2. Training:

## **EXTENSIVE CHANGE OF HABIT**

Motivational factor through simplicity, time saving and immediate insight in critical parameters

3. Teaching:




## **FINANCIAL DECISION MAKING**

Tangible gain by profit increase and better cash flow management based on app insights


# Surprising (Preliminary) Results

AFTER SIX MONTHS AND TWO PILOT GROUPS





## Common Opinion

-  Lack of cheap financing
-  Diversification is good
-  Mix business & personal

## Evidence

- Inefficient use of available capital 
- At least 1 out of 3 activities generates losses
- Much more money than perceived is taken out of business for personal use

## Cost structure

- Interest costs: usually above 60% EAR, often above 100% 
- Most common capital issue: inventory overstocking 
- Most common loss: pilferage by employees 
- Among biggest operating costs: mobile phone expenses 



# Distribution Model

FOCUS ON TRAINING THE TRAINERS



- ❖ Reka App is free of charge
- ❖ Training is outsourced to NGOs through franchising model
- ❖ ISBI provides methodology, materials and trains the trainers
  - Trainers should pass three training cycles to get certified
    - App functionality
    - Financial analysis
    - Teaching methodology
  - Recommended operations model
    - Entrepreneurs should pay something
    - E. g. direct teaching & mentoring costs
    - Definitely, not less than tablet value, if provided by NGO

