

MWANGI WANJUMBI

## Having cash to start a business is not enough

**RECENTLY**, I bumped into an old acquaintance. I have known Ngumo for many years although we had lost contact for several years. I however knew that he was a successful auctioneer. I asked him how the business was doing. “I have diversified,” he told me matter-of-factly. He explained that he had realized that his services could be complimented by insurance investigations. He even had a competitive edge in that he could investigate motor accidents and, as an auctioneer, legally confiscate vehicles on the run after causing accidents.

His entry into insurance investigations could not have come at a better time. Since 2003, demand for auctioneering services had slackened. The strong economic growth recorded in the last couple of years meant that more people were borrowing money and promptly repaying. In the absence of defaulters, Ngumo told me, the auctioneer’s hammer had lost its shine. The downturn in the business had almost caught him flatfooted and he seemed eager to evenly spread his sources of income.

“I am also involved in dairy farming in my three-acre rural farm.” He had built sheds and bought a “few” cows. Napier grass had been planted on every available space and he had bought a pick up through an asset financier. He used the truck to ferry cattle feed to the farm on weekends or whenever he visited.

Are there lessons from Ngumo’s experience? Insurance investigations was a masterstroke, no doubt. It perfectly fitted with his existing business and he could offer it to his existing clients as a value added or a stand-alone service. Either way, it had cushioned him from the decline in his mainline business. Dairy farming was a completely different kettle of fish. It is hard to say he had made the wrong decision: there are many absentee dairy farmers.

The key point of concern is whether it can be done sustainably at a small scale and if he can dedicate the necessary resources, without risking his other ventures. Most of our farming is still labour intensive and extremely demanding in terms of supervisory resources. Casual and manual workers are not easy to manage or trust. Without proper management, the quality and volume of work is low. Good dairy cows today cost as much as KSh150,000 per

head and you can imagine the loss if such an animal is not properly maintained.

Ngumo deserves credit for overcoming self-doubt that prevents many of us from charting into unfamiliar territories. Entrepreneurship is dynamic and often leads one to new territories. Some discover new things to do or services to offer while others just pass through, occasionally muttering to themselves, “I think this can done”, without ever doing it.

Are there services that you can offer and are not? Is there a venture you have always wanted to launch but haven’t?

Diversifying one’s products or service lines is fraught with risks. It is especially dangerous when a new venture lacks novelty and merely backs a trend. Setting a small and informal business in Kenya is fairly simple, so long as you have the money. What this means is that many people, including the most unqualified, can engage in one form of entrepreneurship or another.

For instance, you will find medical doctors operating *matatus*, teachers who are retailers, civil servants who are also importers of new clothes and accountants who make a living importing second hand cars. And if you travel to the countryside, you will see large tracts of land planted with eucalyptus trees. I can bet professionals in urban areas own most of those plantations.

The point I am making is that any form of entrepreneurial venture requires due diligence. Simply having the cash is not enough. You can set up a classy bar or the most exotic pub, but that does not mean customers will turn up. You can import the latest car model but not be able to sell it at a profit. It thus helps to venture into a business that you understand or that adds value to your existing services. Simply because your colleague has been successfully operating a *matatu* for the last five years should not prompt you to invest in one. But if you have a dairy farm, it may be advisable to invest in a yoghurt-making machine.

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