



KA Innovate Series

The Mechanics of Start-ups: Getting It Right the First Time

Webinar Report 04 July 2020



Simi Olusola
Aspilos Foundation



Miho Tanaka
Startupjapan



Wafeeqah Lagerdien
Entrihub

In our third webinar in the KA Innovate Series, we welcomed three amazing Founders and CEOs who all have a unique distinction, in that they assist others start their own businesses. Simi Olusola from Nigeria, founder of Aspilos Foundation, looks to extinguish poverty in Nigeria through Business Development and Policy Influence. Miho Tanaka from Japan, founder of Startup Japan, assists foreigners with starting businesses in Japan. Wafeeqah Lagerdien, from Cape Town, South Africa, founder of Entrihub, looks to assist entrepreneurs with connecting to potential supporters and organizations that can help.

Ashley Chaplin, Kakehashi Marketing Manager, kicked off the webinar by reiterating the Kakehashi mandate and introduced the speakers.

Olusola-san was asked to start her presentation. Olusola-san is highly experienced, who besides the work that she is doing in her non-profit organization, she also runs a consulting firm where she assists SMEs in Nigeria and is active in politics.

Olusola-san focus would be on the Business Model Canvas (BMC), specifically the Lean BMC.

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Then you must speak to people and understand who the customer is. Their demographics, their persona and find out whether you are solving their problem or not. Therefore, you need to know your customer segments, describing who your ideal customer would be, fully understanding the customer profile, irrespective if they are B2B or B2C.

Creating the right solution only comes from interacting with your customer. You have identified the pain point and you are giving the customer exactly what they need to solve the problem.



Lean Business Model Canvas

Then you need to understand what your unique value proposition is. What do you offer that your competitors do not? Therefore, you need to research what your competitors are offering, by doing competitor and market analysis and where you can differentiate your offering.

Channels how are you delivering your service to your customer and how are you communicating with your customer. Will you be using a delivery service or delivering the products yourself? For communication, will you be using social media or another communication channel, where you can interact with your customer. Find which channels are the best to service and hear from your customer.

Cost structure. What is the cost of running your business? What are your operational and human resource costs that must be considered? As a founder you need to understand what the costs would be to deliver your product or service. You need to understand the difference between accounting and economic profit. This requires you to understand what opportunity cost is. You may be profitable in an accounting sense, but you could have made more money doing something else. Then you must consider whether it is worth it to continue with the business. This needs to be considered when doing your cost analysis.

You need to consider what revenue model you will be using too. How are you going to monetize your product or service? Will you monetize your customer service or another function? When building your business plan, you need to understand what you are going to charge your customer for your product or service. The value you give the customer needs to outweigh what they are willing to pay for it. Match the price to people's pain.

What are the Key metrics you will use to analyze customer interaction with your products? Qualitative analysis will look at how customers are feeling about your product or service and this information will allow you to address any problems they may have and to capitalize on where you are succeeding. Quantitative looks at the numbers and

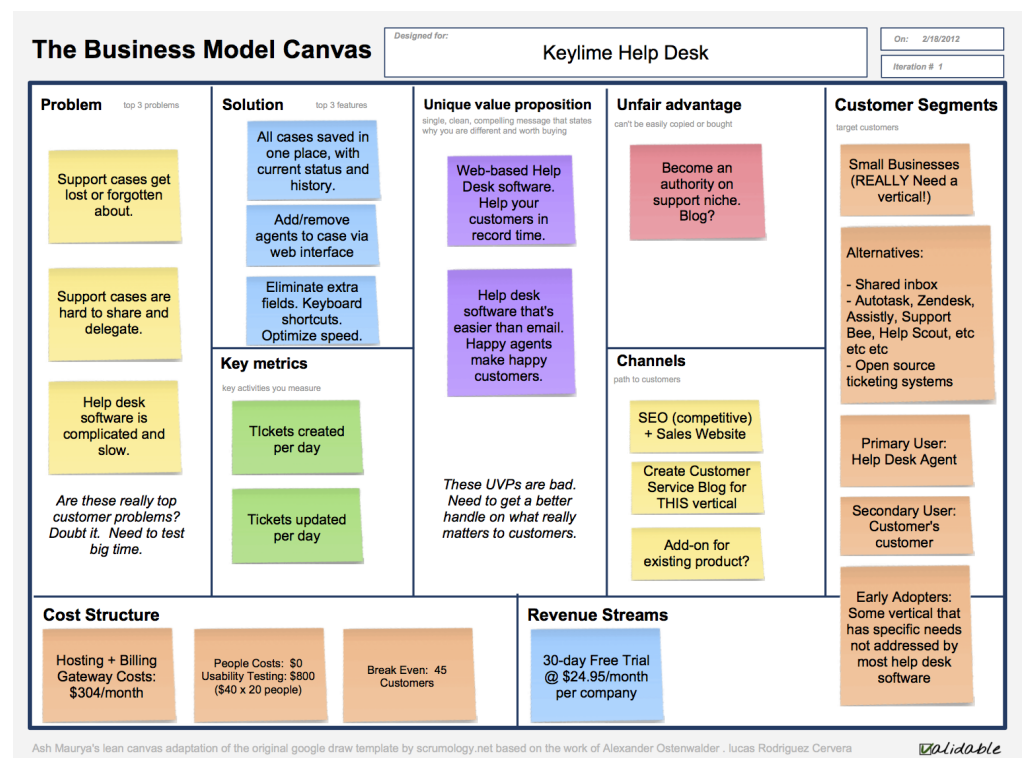


Lean Business Model Canvas

how many products you are selling per day or how many people are using your service. Comparative analysis will look at how different customers are using your product or service, which allows you to tweak your product or service depending on customer segment. Competitive analysis provides you with insight in how your product or service is performing compared to your competitors. Gaining a competitive edge is required for continued growth and success.

Every service or product will always be copied. You need to find out what cannot be copied by your competitors, what is your unfair advantage. Only you as the business owner can understand that by looking internally at your team and what you offer.

Look at examples done by other entrepreneurs that can be found on the internet to assist you in constructing your business model canvas.





Registering your business in Japan

Following Olusola-san, Miho Tanaka-san walked us through starting a business in Japan and the legalities related to that.

Tanaka-san assists with understanding how to obtain a visa related to starting a business, as well as financing their businesses and gaining knowledge of loan programs and subsidy programs provided by the government. Tanaka-san explained that in order to be able to start a business in Japan, it is, of course, necessary to obtain a visa to enter the country, specifically a certain type of start-up visa that is for business owners looking to start a business. France, Spain and Chile currently have similar programs in place as well. To launch a start-up, a business plan must be provided as well as a financial projection for the next 2 years and a housing contract, where to be residing. A resume, passport, and bankbook are also necessary. We also need to register the company. There are two types of companies in Japan; one is “incorporation”, called Kabushiki Kaisha, and the other is an “LLC”, called Godo Kaisha. Kabushiki Kaisha is an incorporation in which anyone can invest into it, while a Godo Kaisha, or LLC, is mainly for a partnership company. Many of Tanaka-san’s clients look to start a business as a freelancer without starting a company. In Japan, minimum wage is about \$2000 or ¥200,000 monthly, so if you want to start freelancing and sponsor your own visa, you require a contract with a company that provides over ¥200,000 monthly for your salary.

Immigration services and visa providers care about what kind of organization you work for, so the organization must file some papers for you and provide financial records, including how much capital, sales, and tax they are responsible for. As per Japanese tradition, a stamp is required from the organization you are working with. As for a more technical issue related to opening a business in Japan and visas, you must have a visa that directly shows what activity you do in Japan, and if the visa you hold doesn’t correspond to your current activity, you are required to submit documents to the Japanese government to show that you are also engaging in activity other than what is permitted through your visa. It is also important to submit



Registering your business in Japan

all the tax filing records every year.

There are mainly 3 types of visas in Japan, namely

- “Engineering/Humanities/International Services” visa,
- “Highly skilled Professional” visa, and
- “Short-Term Period of Stay” visa.

The “Engineering/Humanities/International Services” visa is offered also for specifically Marketing jobs, Management, etc., but if you want to start a company or business in job, it is required to switch to a Business visa. Some municipalities allow the visa holders to switch to a Business visa in order to start a business. The “Highly Skilled Professional” visa is for professionals, which means you can manage a company without having a business manager visa. This visa is quite flexible in the activities it allows. The “Short-term Period of Stay” visa is also considered as a tourist visa. Usually a visa is for duration of 1 year, though the tourist visa is only for 3 months. Once the visa is approved, we can begin business management activity.

Tanaka-san mentions that many clients ask her if it is possible to start a side business with a normal working visa, but it is best to ask the company that sponsors your visa if it is possible to do a side business or not. There are some tax benefits that are available if you have a legally registered business, in addition to being registered as a sole proprietor. So, we can also get some tax benefits from government. Many clients also become worried about personal liability, for example if there is some lawsuit or litigation. So, if it were a registered company, the responsibility would only be within the capital already invested in the company. However, a sole proprietor wouldn't have any capital invested, so it is better to have a registered company in order to be protected.

Taxation in Japan is quite high, and corporate tax is usually at 23%. Including local tax, residential tax, and others, tax will actually be closer to around 30%. A company with revenue will need to pay tax, and there are some technical tax procedures that are necessary to be done, which Tanaka-san is very familiar with. It is actually good to have a company or a sole proprietorship, because of the trust factor, and there are more tax benefits, such as deducting house rent. It is



Registering your business in Japan

easier to start a sole proprietorship, because registering a company actually requires a lot of paperwork and is a longer process. Also, with a sole proprietorship, it is not necessary to hire a tax accountant, which saves money on cost. A sole proprietorship is more economical and saves on some unnecessary expenses, and if the income is less than 8 million yen, it is better to be a sole proprietor. However, a sole proprietorship works on a progress tax rate system, so if the revenue goes up, the tax rate goes up. So if the revenue increases, it is best to consider switching the company to an entity.

Many of Tanaka-san's clients are also engineers, so a common question is whether or not it is possible to work as a software engineer without a Computer Science degree. It is certainly possible but it is definitely advantageous to have an engineering background.



Financing your business, Pitching and Pitch Decks

Finally, Wafeeqah Lagerdien-san began her presentation with a brief background, specifically her experience as a qualified Accountant and

her extended experience working with investments. She is also the founder of Entrihub, as an entrepreneur but also as an investor. Entrihub is an online interactive platform connecting entrepreneurs with organizations looking to support small businesses, which includes funders, incubators, mentors or mentorship programs, or competitions, etc.

Lagerdien-san then transitioned to give a brief background about debt and equity. When raising funding for your startup, it is important to know the difference between the two. Debt is essentially like a loan, such as home loan or a car loan. Equity is giving up a shareholding to another person, such as giving up control depending on the percentage you give up, but you also pay back dividends to your shareholders. Specifically to South Africa, the interest you pay on the loan can be deducted as a tax expense, which helps with cash flow and taxes at the end of the year. However, with equity, you would need to pay tax on the



Financing your business, Pitching and Pitch Decks

dividends you receive as a shareholder. With debt, the bank does not control your business, but with equity, the shareholders could possibly take control of the business.

Lagerdien-san mentions that there are a variety of ways to raise money for your business, though, that does depend on the type of business and the life cycle of your business. So, for startup, you are looking for seed capital. One point to start is using your own funds, such as your own savings. You may also have what is called “friends, family, or fools”, which means you attempt to get funding through your close acquaintances or those who also believe in your business. You can also apply for government or education grants or from charitable organizations, which means they provide you the capital without expecting you to repay them. There are also angel investors who are looking to invest in the next best thing, who might take a minority share in your business in order to provide you with funding. Venture capital, however, is sort of pooled capital to invest in the very early stages of startups. Crowd funding is also a very innovative way to ask a group of people for a donation in your business idea, which sometimes has a goal of how much funding you are looking for. There are also some competitions you can win if you have a great idea and the prize money can go into your business. There are also alternative development funders, such as the government or SME-focused financiers, also known as niche financiers, though they usually only invest into business with a bit more growth or a track record in order to have some progress to show them. Another way to finance a business is through working capital tools. Essentially, this is the company’s stock, accounts receivable, account payable, etc. These are financial products that help you manage your working capital better. Also, private equity firms are available and are similar to venture capitalists but they are more geared for a mature business and usually target companies that are proven.

In the beginning of the startup phase, you may put a lot of money into the business and inquire many losses. Although you may start making a profit, you may still find yourself in the negative as you dig yourself out of the initial losses you



Financing your business, Pitching and Pitch Decks

incurred. In the growth phase, you can be growing at an increasing rate. In the mature phase, your growth will slow down and the business becomes more stable but there is less room for growth. However, Lagerdien-san mentions that this is more of a theoretical process as the actual progress can be much more volatile. In the mature phase, usually banks want to see more capital and assets that they can claim.

One thing that Lagerdien-san mentions is related to managing your own finances. It is very important to manage your own finances when utilizing funds from outside sources, such as different types of investors, because often these investors will also take into consideration how you manage your own finances to determine whether they will invest in your business. There is also a softer side that is taken into consideration, such as the entrepreneur's leadership skills, their ability to take critique, their passion for their business, and their ethical behavior. It is important to understand that aspect of your business, because essentially, the entrepreneur is the face of the business.

Investors also look at additional factors, including the potential growth of the business in the future. Of course it is important to monitor how the business has done in the past, but the potential growth in the future is also a major factor. There are also important industry-specific KPIs and how you compare to your competitors. The resources you have in place are also taken into consideration, which means that both tangible and intangible resources are extremely valuable.

In order to help you with your pitch for your business, there are free tools available. Lagerdien-san mentioned one tool, Canva.com, which are usually used for graphic designs and social marketing templates.



Following Lagerdien-san presentation, Farid took over the discussion to delegate the questions presented from the Kakehashi members. It was also noted that since KA Innovate started, this was the largest event with the largest number of viewers, which has been a great success.

The first question was for Olusola-san, “tell us more about what inspired you to take the initiative for such an important and innovative startup?”



Olusola-san explained that poverty is a manmade issue, which can be taken away with manmade efforts. This is accomplished through access to the necessary skills, the necessary education, and such. So, Olusola-san strives to put the important tools into people’s hands so they can build better businesses. Olusola-san also works with young women who receive training with computers and to bring them to proficiency with computer skills. She also focuses on policy advocacy in order to get the government to work for the people and to engage constructively with the people.



The second question was for Tanaka-san, “what motivated you to start your own company and to work with the Japanese government?”

Tanaka-san explained that the Tokyo metropolitan government is the biggest local government in Japan, which makes is completely different from the government in other cities. The project with the government takes a bit of time and moves quite slowly because of the size of the organization, so Tanaka-san noticed that many entrepreneurs from abroad would ask her questions personally but there weren’t any consultants, specifically for questions related to taxes and visas. She organized more than 100 events with the government in order to share more information. By doing that, Tanaka-san believes she is easing the regulations little by little.



The third question was for Lagerdien-san, “please elaborate on the idea you had to connect the entrepreneur with the enabler with the supporter. Please explain more about this ecosystem.”

Lagerdien-san was doing research on the entrepreneurial ecosystem and she discovered that there were quite a few new initiatives to help small businesses that were popping up, both from the government and from private institutions. However, the problem was that most entrepreneurs didn’t even know that these organizations and initiatives were around or available to help them. This was, essentially, an information gap. Enablers could come in many different forms, such as mentorship or training, while supporters can be journalists or researchers or politicians, who can help entrepreneurs. So, Lagerdien-san aspired to make these relationships more collaborative. She also elaborated that this is solely focused in South Africa but that as they grow, they are looking to get a footprint into other African countries as well.



The fourth question was for Olusola-san, “what challenges do you face as a leader of an NGO?”

Olusola-san admitted that there were many challenges and moments of doubt. She also shared that although you may be doing something noble and charitable, she found that it doesn’t always mean that people will support you. It is hard to count on people to give donations, so she strived to position the organization as something that was truly valuable. To begin an NGO, we must consider it as a proper business so that others can also take it seriously. There were a few moments that Olusola-san confessed she wanted to stop the organization, especially because a lot of her own finances and resources were being used for the organization without much fruit. However, while there have been struggles, it has also been fulfilling for herself to know that she is making efforts to create change. Farid agreed with her and also admitted that it can be like riding a rollercoaster, sometimes you are up and sometimes you are down. When looking at other successful entrepreneurs, we can feel that





we will never accomplish anything, but we must remember that it may have taken them many weeks, or even months or years to reach where they are now.

The fifth question was for Tanaka-san, “is there a type of common problem that most foreign entrepreneurs face? Is there a solution?”



Tanaka-san explained that a big problem that foreign entrepreneurs face is the legal procedures of starting a business, related to visas. A common problem is creating credibility, so that the foreign entrepreneur can open bank accounts or apply for a credit card. Some municipalities are very collaborative and are pushing banks to be more lenient towards foreign entrepreneurs.



Farid also mentioned that while he was in Fukuoka a few months ago, he saw that there were some important assistant related to the “start-up visa”, and wanted to know more about this process because of the challenges related to obtaining other types of visas.

Tanaka-san reaffirmed that in order to obtain a business manager visa, foreign entrepreneurs require ¥5 million capital, as well as an office, which can be difficult to obtain. However, the “start-up visa” doesn’t require ¥5 million instantly, and there is some grace period to prepare, such as 6 months or 1 year’s time. Also, they are also more lenient relating to the office space, so even an AIRB&B space could be suitable, once the business plan and the financial projections are accepted from the government. Many cities are looking to award a 1-year visa, while some are looking to award a 6-month visa, but many cities are now hoping to award a 1-year visa. At the time of the webinar, Tanaka-san mentions that Fukuoka, Kyoto and Sendai, to name a few, are now awarding 1-year visas.

Farid also mentioned that the great advantage of obtaining a visa while you are starting a business is that there are many government programs you can utilize while you stay in Japan legally and be part of many programs that support start-ups in Japan. It is actually, in fact, difficult for foreigners to obtain a



high-paying job in Japan unless your Japanese skill is very advanced, so it has become more and more common for foreigners in Japan to start their own company because they couldn't really find a great job in Japan because of the language barrier. Many of these success companies have a Japanese partner who is able to assist them.

The sixth question was for Lagerdien-san, "can you please explain more about how to obtain a convertible loan?"



Lagerdien-san explained that a convertible loan would start in the beginning as a loan structure, where you would agree on an interest rate and a term, but then instead of repaying the full amount at the end of the term, it would convert to equity. The advantage of the convertible loan is that when it is drawn up, the price is set for the value of the shares the entity giving the loan will receive. If the share price exceeds the amount in the loan agreement, then the investor can take shares in the business. If it goes below the agreed amount, the investor can exercise their right not to take a shareholding in the business. This makes this type of loan flexible, that you may not have to repay everything in the beginning, as it depends on how your business does and it provides comfort that you may not have to repay the amount in a set time period.



Farid-san pointed out that this is good as you do not know the valuation of your business before it has gained traction, you can have a convertible loan set, that can allow you to raise capital during the seed stage. The last question before moving to the audience questions, Farid-san asked Lagerdien-san, based on her work in Finance and running the Entrihub platform, what investors look for in a start-up for them to invest?

Lagerdien-san explained that the entity she works with, looks not only on the economic impact of the business but what impact the business will have in society. There is a natural affiliation for companies that make a difference socially. Coupled with this, the business must make sense economically. The company has a fiduciary responsibility to its shareholders. While barriers to entry are easier to break



now, what makes the company competitive, while decide whether the company will receive the desired investment.

Farid-san concurred that the barrier of entry is important as the investor will want to know if the start-up can be easily copied, especially with a competitor with greater resources. So, the message to attendees is to try and start a business that is not easily copied, or the business idea cannot be easily stolen. Therefore, have a unique pattern or algorithm or business model that is not easily replicated.

The questions from the audience were first directed to Simi Olusola, where an audience member asked further explanation on the statement made during Olusola-san's presentation that prices should match with the people's pain.



Olusola-san was asked explained that how much people are willing to pay matches people's pain point. So, people are willing to pay the amount that alleviate that pain. However, there is a distinction between willingness and ability to pay. The offer needs to be affordable to your customer. Speaking to your customer will allow you to be able to set a reasonable price for the product according to your customer's income level. You can also set-up a pricing structure according to the feedback received.



Tanaka-san was then asked a technical question on how a student can transfer from a student visa to a freelance visa.

Tanaka-san explained that you complete the Change of Visa Status document, which is not complicated. The student must get a contract from a few companies that shows they would earn a minimum of \$2000.00 per month which matches the minimum wage in Japan. Once they can prove this then they can complete the required documents. Farid-san then asked how long this process typically takes. Tanaka-san explained it takes approximately three-months to complete currently.

Lagerdien-san was then asked how Entrihub can assist in starting a business.



Lagerdien-san explained that Entrihub, although currently focused on South Africa, they provide tutorials and advise on how to start a business, from the fundamentals of registering to opening a bank account and setting up the business plan. They have what they refer to as the “Start-up startup Kit”. They also connect you with organization’s that assist you with financing or access to markets or services that Entrihub may not offer.

Olusola-san was asked how a company determines whether they have a competitive advantage or a high barrier of entry. How do you identify this?



Olusola-san explained that its difficult to say as it depends on the organization. The organization must look within and then speak to its customers, which is extremely important and analyze its competitors for them to be able to identify the key strengths their organization has.



Tanaka-san was asked about the Freelance visa, whether there is a time limit, as with other Visas that have a one-year, three- or five-year visa.

Tanaka-san explained that there is no visa called a Freelance visa but its is referred to as the Highly Skilled Professional Visa. The easiest way is to have a contract with an exceptionally large and recognized company, that will ensure you receive at least a five-year visa. However, if you have a contract with small companies or start-ups the Visa period is usually one year.

Lagerdien-san was then asked what mindset or strategy a start-up founder should have to overcome the difficulties of starting their own business.

Lagerdien-san said perseverance is a key attribute any founder should have. They will receive a great deal of rejection but eventually they will find success if they are able to persevere. Lagerdien-san also explained from a practical standpoint, the Start-up should have information that investors would require easily accessible and easily shared. Attendees were also advised to first try and self-fund their



venture before looking for external investors. Investors, however, also provide feedback and questions that allow the Start-up to learn more, highlighting issues that the company founder did not realize they had. It does take time to find the correct match for an investor.

Olusola-san was asked from an audience member how she finds the motivation to do all the work she does in Nigeria and how she goes about achieving what she wants to achieve.



Olusola-san explained that doing a self-audit is imperative. You need to be honest with yourself on why you are not achieving what you trying to achieve. Consider whether you need to change your strategy, or whether you have the required skills to achieve your goal. Identify the gaps that are preventing you from achieving your goal or whether you should even continue. Olusola-san has a passion for what she does, which is what keeps her motivated. She also does different projects which keeps her from burning out.



Tanaka-san was asked about registering a GK (Gōdō-kaisha) company in Japan. Whether having a spouse visa in Japan can allow you to register a GK.

Tanaka-san explained that you do not require a spouse visa to start a company in Japan. Anybody can start a company in Japan, even from abroad. Someone with a spouse-visa is treated the same as a Japanese citizen, meaning they do not need the ¥5 million capital to start the company. Under Japanese corporate law, you can start a company with ¥1, but usually people need at least ¥1 million to open a bank account.

Farid-san confirmed that you do require a certain amount of capital for the banks to take you seriously. Another question directed to Tanaka-san, from an attendee who was registering the own startup was whether they can use their residential address when registering and how long does it take.



Tanaka-san, explains that registering takes two weeks, with a trained professional able to complete the required documents in a day. Usually, people start to struggle with this process. Using a residential address, depends on your housing contract, whether its allowed or not. Usually with rental properties, it is difficult as you need permission from the landlord.

Farid-san explained that besides getting permission from the landlord, it is also possible to use a Shared workspace to register a business in Japan, at a negligible cost.



Tanaka-san explained that those who can register with a shared space or office must have the appropriate visa or residence status to be able to do so. If not, to get a business visa from the immigration authority a dedicated, lockable space will be required for the business.

Lagerdien-san was then asked what sector is currently preferred by investors.



Lagerdien-san explained that tech sector is currently the most popular, whether Fintech, Agritech or Biotech. Sectors that are embracing the advances in technology, making it more scalable and accessible, through mobile devices or online platforms.

Farid-san explained that Data Science sector is also becoming increasing popular. With Japanese Venture Capital firms looking at these sectors for investment.

This concluded the third webinar in the KA Innovate Series. There was great interest from attendees and thus we have posted the presentations by our speakers on our website. Follow this link:

<https://www.kakehashiafrica.com/ka-innovate-series-the-mechanics-of-start-ups-getting-it-right-the-first-time-presentations/>