

Opinion Article

CHALLENGES IN THE BUSINESS RESCUE INDUSTRY IN UGANDA

Business Rescue is a philosophy, the philosophy asserts that “continuous existence of the business first.”

My interest in this opinion article is to convey someone a few cheerful hours of suggestive thought in the simplest and most intelligible form in the interest of clearness; and eventually to propose the model of entrepreneurial performance.

The linkage between entrepreneurship and business rescue is increasingly important. In order for enterprises to grow and thrive, government plays a great role in enabling entrepreneurship through encouraging the use of business development services (BDS). But the evidence is clear that this progress is accompanied by some problematic challenges. We believe that there's a great deal we can do to improve prospects for everyone. This is fundamental to initiatives whose objectives are to encourage the creation of viable enterprises.

Governments habitually seek to support entrepreneurs all the way through the use of successful entrepreneurs or professionals willing to give their time. There has been a considerable effort to support small businesses owners and entrepreneurs through training in entrepreneurship development; despite the efforts, the failure rate of businesses in Uganda is high. How does a business stop from becoming part of statistics?

Entrepreneurship is the courses of action of creating worth by bring together a unique package of resources to make for the most part of an opportunity. In addition, entrepreneurship involves the emergence and growth of new entrepreneurial enterprises (Sebikari, 2014a). This is supported by President Kagame's quote “*Entrepreneurship is the most sure way of development.*” as a consequence entrepreneurship is the technique of the upcoming.

Uganda's high level of unemployment is a structural problem. Monetary policy is ill-suited to solve structural problems; as in several other countries, the national tactic for the development and promotion of small business identifies small business development and the empowerment of entrepreneurs as engines for economic development. Entrepreneurship ought to not be a job substitute. Small business is an end result of entrepreneurship. Therefore, the development of the small business sector is critical to economic development in view of the fact that small businesses have a proliferate effect on the economy.

38 In Uganda, the official definition of micro, small and medium enterprises (MSMEs) is offered
 39 by Uganda Bureau of Statistics (UBOS); Uganda Investment Authority: small enterprise as
 40 one employing a minimum of 5 people, a maximum of 50 people and an annual turnover of a
 41 maximum of 360 shillings while medium enterprises employees between 50 and 100 people
 42 and annual turnover of more than 360 million; There is no single or common definition for
 43 SMEs in both developed and developing countries, however, do encompass features and
 44 attributes that echo how they are organized and managed.

45 In Uganda, entrepreneurial support is provided through government and private institutions.
 46 Organizations like National Planning Authority (NPA), Enterprise Uganda, Uganda
 47 Investment Authority (UIA), National Planning Authority (NPA), Uganda Investment
 48 Authority, Economic Policy Research Centre (EPRC), the Ministry in charge of trade,
 49 industry and Cooperatives, the department in charge of investment and private sector
 50 development in the Ministry of Finance, planning and Economic Development.

51 For Uganda's small and medium enterprise sector have been full of excitements, challenges,
 52 disappointments and transformations. The obstacles facing small enterprises in Uganda:
 53 deficiency of entrepreneurial education or sensitizing young people in a way that could
 54 encourage them to enter business and acquire a culture of entrepreneurship; need of a
 55 dynamic business environment. It is therefore no surprise that there are divergent views on
 56 the success or failure of small enterprise policies; and framework of small enterprise support.
 57 At hand is always a need for valuable support mechanisms for all stages of the
 58 entrepreneurial process; towering levels of uncertainty surrounding entrepreneurship
 59 stipulate the need for multiple and regular support.

60 Small and medium enterprises are the vertebrae of the Ugandan prosperity in view of the
 61 fact that they contribute to poverty curtail, job creation and hold up entrepreneurship
 62 (Sebikari, 2015). Small and medium enterprises (SMEs) are characterized mostly by scare
 63 resources, more flexible in consequence quick to react to customer demand, and promote
 64 entrepreneurial spirit (Sebikari, 2015). Enterprises today must operate in an entrepreneurial
 65 manner in order to create a competitive setting. Conversely, most of Uganda's SMEs fail
 66 since they work under financial distress; this is credited to be deficient in knowledge and
 67 business training, insufficient financing, poor pricing, overextension of credit, lack of
 68 contingency planning, misunderstanding market niche, lack of frankness, genuineness and
 69 honest; lack of entrepreneurial mindset, entrepreneurial spirit and entrepreneurial skills.

70 Entrepreneurship literature has acknowledged that enterprises fail most often because they
 71 lack access to funds, low productivity and profitability, lack of market competitiveness, and
 72 anti-entrepreneurial culture. The failure rate of businesses in Uganda is high: according to
 73 Enterprise Uganda 2015, sixty percent of the starts-up fail in the first year of their

74 existence. Further, Uganda Bureau of Statistics 2011 findings, the survival rate stood at
75 46%; what's more, the Word Bank Group ease of doing business 2015 ranks Uganda at
76 150 out of 189 economies, academic literature suggests that no single cause for the
77 failure of an enterprise but an amalgamation of factors, this calls for advising distressed
78 enterprises. The answer is Business Rescue.

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80 **What is business rescue?**

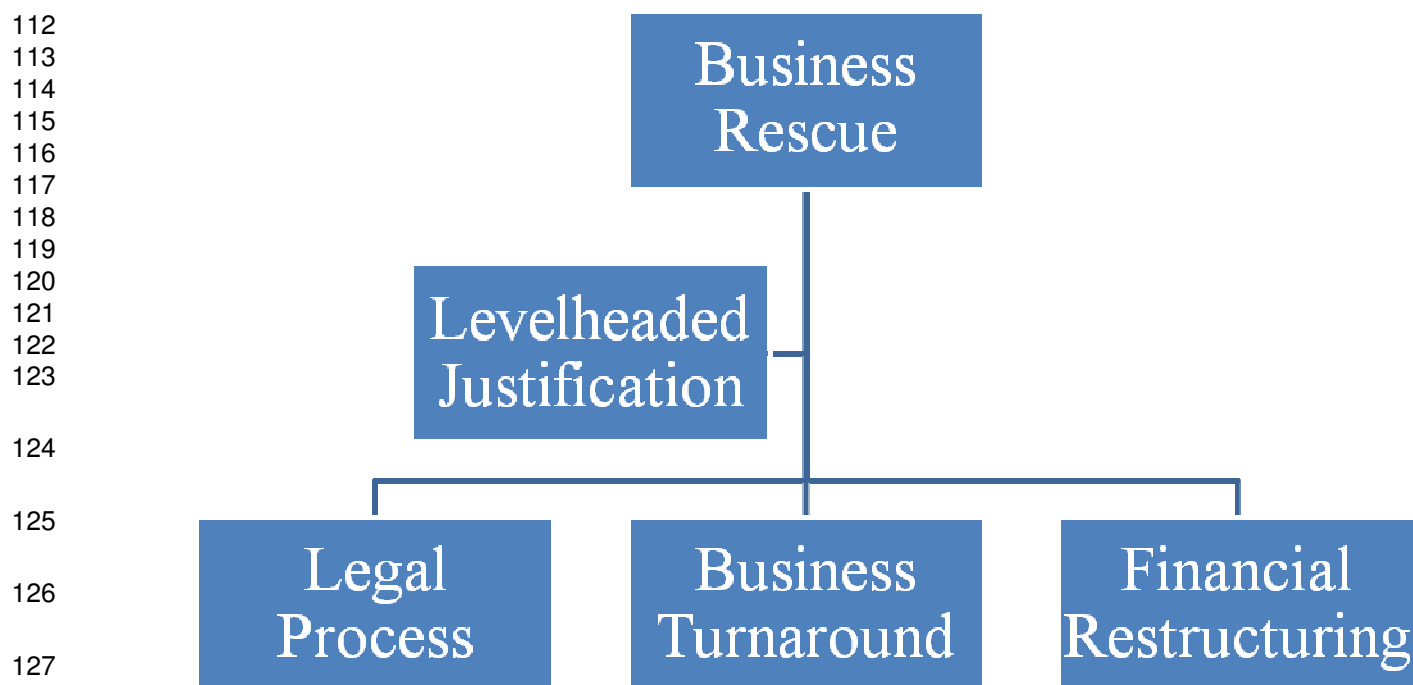
81 The notion of business rescue remains rather debatable. According to the company's act
82 2012, Uganda has no clear definition of business rescue. Nevertheless, Business rescue
83 involves procedures to facilitate enterprises which are monetarily distressed or on the
84 brink of failure to change around/restructure. Monetary distress is the set off, the gauge
85 and the consequence of an enterprise in need of rescue. It has been argued as the option
86 to liquidation. An enterprise may enter business rescue voluntarily or court order. When the
87 enterprise foresees possible monetary distress may apply for rescue, also shareholders may
88 approach the court for rescue (Sebikari, 2015a).

89 Various scholars suggest that the drive for business rescue is circumvent misuse and
90 abuse of enterprise funds; job protection for employees (Kunkel, Peterson, Mitchell,
91 2009). An enterprise is monetarily distressed if: unable to pay all its debts for example
92 experiencing negative cash flow or likely to become insolvent; drop in market share; and
93 change in management may affect sales. Once this happens, Business Rescue Practitioner
94 (BRP) is appointed to smooth the progress of the continued existence of the enterprise.
95 The practitioner strength of character has full management control of the enterprise in
96 substitution of existing management. Furthermore, the practitioner will probe the affairs of
97 the enterprise and then put forward a rescue plan.

98 The business rescue process culminates in the development and implementation of a plan to
99 rescue the enterprise by shake-up the business and other responsibilities. Business rescue
100 plan helps to converse aspects of the process, act as an enabler of intelligibility, outlines the
101 spin strategy of the enterprise, compose a binding contractual agreement among affected
102 parties and also place of duty instigation funding. Adding point further, an enterprise is
103 protected against legal proceedings when under business rescue. When the supervision is
104 imposed on the enterprise then management has to corporate with BRP thus giving the
105 opportunity to evaluate the circumstances.

106 In order for business rescue to come to pass, there must be "levelheaded justification" to
107 rescue the enterprise (Sebikari, 2014a). The question that arises is: what can make up such
108 Levelheaded Justification? Is there an enterprise? How under the weather is the

109 enterprise? Is the enterprise value saving? Levelheaded justifications provide supporting
 110 evidence to the business owner or court that the enterprise will be able to continue to exist
 111 by streamlining the affairs or assets as illustrated in figure 1:



128 **Figure 1:** General Principles of Business Rescue

129 Levelheaded Justification: According to the companies act 2012 not defined; however, it
 130 means justifications based on logical foundation. Further, it is from such justifications that
 131 rescue will accomplish the principal entity of business rescue. The principal entity of
 132 business rescue is to smooth the progress of the continued existence of the enterprise
 133 and in the event that the principal entity is not viable, then to superior return for
 134 shareholders.

135 According to Sebikari (2015) Business rescue brings about principles of legal process,
 136 business turnaround and financial restructuring. During the legal process, the enterprise's
 137 affairs of operation are investigated; this enables to establish the procedure, processes and
 138 structure; Business turnaround entails an enterprise recovering from decline in performance.
 139 Performance decline may come from issues of lack of competent management or
 140 environment in which the enterprise is operating, for example the business owner loses
 141 interest in the business, change in customers, suppliers and competitors. It is possible to put
 142 businesses back to performance by addressing signs of failure for example cost cutting,
 143 changing markets and business restructuring. Therefore, it is the business owner's
 144 responsibility to meet demands of customers and suppliers. Beyond what has been said,

145 turning the business around will greatly depend on the failure levels thus one or more
146 strategies may be applied to resolve the crisis: such as strategic analysis, management
147 analysis and the numbers.

148 Financial restructuring will ensure continuous assessment of cash flow, asset restructuring
149 and reduce unnecessary expenses. Most of the small business owners don't understand
150 cash flow, for example they lack skills to keep proper books of account since they cannot
151 afford the service of full time book keepers or accountants. Without a record of their
152 business operations, small businesses operate in ignorance of their financial positions which
153 makes it hard to plan and make them prone to financial shortages for example the firm's
154 investment capital is not met (Sebikari, 2014b). For that reason to achieve revival, proper
155 management structure or alternative leadership is needed to get involved in decision making
156 of the business (Besant, 2013).

157 Business rescue and turnaround is about information collection, scrutiny, assessment
158 judgment, choice, decision, execution and turnaround scorecard. This has been highlighted
159 in other countries as well like USA, Canada, South Africa and Australia. These necessities
160 the BRP to demonstrated high level skills and competencies, such may include: excellent
161 communication skills, problem solving skills, innovative thinking, financial skills, analytical
162 skills, an eye for details, entrepreneurial thinking, interpersonal skills, ability to create a new
163 business culture and ability to implement, ability to influence key stakeholders.

164 Uganda lacks a formal and modern business rehabilitation framework, on hand research
165 also appear problematic. Through the years, analysts have divided business rescue
166 principles into several categories to identify and assess industry best practices and to
167 evaluate outcomes. Each categorization option has strengths and weaknesses in terms of
168 bearing and the availability of reliable data.

169 In Uganda, the business rescue industry is complex, unstructured, uncertain and no
170 regulatory body. The business rescue industry possesses an integer of processes,
171 resources and course that are unique. This industry is motivated by the desire to bring
172 financial distressed enterprises back to normality and give them rehabilitation. Key principles
173 to the success of the industry are the individuals (practitioners) that provide the adeptness,
174 attain the tools and resources, and have the skills of organizational rekindling. For that
175 reason, business rescue implies sophisticated monetary and management know-how,
176 understanding of legal and human relations skills. Therefore, aim is to provide direction and
177 guidelines for expertise, skills and competencies required. Competencies are connected
178 with experience, learning and practice that boost the level of performance.

179 The business rescue industry has shown that knowledge in the areas of legal, finance, and
180 business good judgment, together with experience are too characteristics of successful

practitioner's: Business rescue practitioners (BRP's) are troupe driving decision making; after being appointed, a practitioner must investigate the firm's dealings, business property and financial situation to establish "levelheaded justification" to rescue the enterprise. BRP's have high specialized skills, knowledge underpinning and practice levels. As a result, skills, education, experience and knowledge define the distinctiveness of BRP's: skills like entrepreneurial, negotiation and leadership; level of formal education that enhances innovative thinking and problem solving; and know-how to make informed decisions. The business rescue practitioner is most recent and young-looking line of work in Uganda.

Challenges in the business rescue industry in Uganda: The lack of perceptiveness of the concept is partly due to lack of an adequate explanation of business rescue; understanding business rescue presents a mammoth theoretical challenge that still essentially remains to be met, at present there is no understandable given set of nuts and bolts for practitioners; inability to access new technology; inability of the justice system to enforce commercial contracts; limited access to finance since the banking sector has been mortgaged; fragmented information; there are no accepted gears, systems or processes to foretell the success of a practitioner. The question that moves up is: *Are there a set of characteristics that uniquely define a successful and high performing practitioner?*

At present, the obtainable writing on business rescue is unsymmetrical. Educators need guidelines to teach BRP skills and regulatory framework put in place to quantify competencies. To provide a foundation and common language from which to examine the rescue, there is need for research to develop a thoughtful of processes during the special stages of business rescue. Appropriate business rescue initiatives ought to be full of two components: an entrepreneurship component and an enterprise facilitation component consequently encourage businesses to see the big picture and make an impact.

To synthesizing the theory of business rescue is to introduce the theory of entrepreneurship, the theory emphasizes power of the individual to make judgmental decisions about coordination of scarce resource. Also theory of entrepreneurship highlights the subjectivity of risk perceptions. This calls on policy makers to outline appropriate entrepreneurial policies. With millions of Ugandans unemployed and underemployed, the government has no option but to give its full attention to generating sustainable and entrepreneurial enterprises.

The feat of business rescue is never guaranteed; to achieve a successful business rescue, enterprise decline must be acted upon. Decline does not shoot from a buzz cause. Problems must be analysed, turnaround plan developed and implemented. The distinctive nature of the business will determine the strategies to be used; altering business environments modify the way enterprises vitally perform commerce.

216 Proper business rescue initiatives ought to be full of two components: an entrepreneurship
217 component and an enterprise facilitation component consequently give confidence to
218 businesses to notice the big picture and create an impact. Business rescue is highly
219 complex. Hence, How to implement business rescue:

220  Identify trouble;

221  Determine the root causes; and

222  Develop the solution.

223 It's imperative that before problems can be fixed, they must be acknowledged. Globally, this
224 has been supported by numerous authors have argued that to know the problem, you have
225 to see the problem. All in all, business rescue is of the essence.

226 Differentiating between failure and decline gives bearing to East Africa entrepreneurs on the
227 subject of strategies to ensure firm recovery. Thus Ugandan educators need guidelines to
228 teach business rescue skills and regulatory framework put in place to quantify competencies.
229 This calls on policy makers to outline proper entrepreneurial policies.

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