

MANAGEMENT ACCOUNTANT

EXCLUSIVE INTERVIEW



Mr. Humayun Mazhar
CEO

'We are proud of these leading Pakistani Startups'
FEATURE INTERVIEWS



Mr. Monis Rahman
Founder & CEO



zameen.com



Mr. Zeeshan Ali Khan
Co-Founder & CEO



PAKWHEELS.COM
PAKISTAN'S #1 AUTOMOBILE WEBSITE



Mr. Suneel Sarfraz Munj
Co-Founder & Chairman

IDEA

PLAN

TEAM

BUSINESS

SUCCESS

ALSO INSIDE...

Eight Focus Articles, including six articles by members of ICMA Pakistan **13**

Survey Report on 'Inclination of CMAs towards Startups' **40**

CAPA Paper on 'Challenges facing the Profession in Asia Pacific' **43**

SPECIAL ARTICLE

by Mr. Gary Cokins
Lean Accounting and Activity-Based Costing – Choice or Blend?



Business Startup and Professionals

Volume : 28.4



Jul-Aug 2019



ICMA
Pakistan

Institute of Cost and Management
Accountants of Pakistan

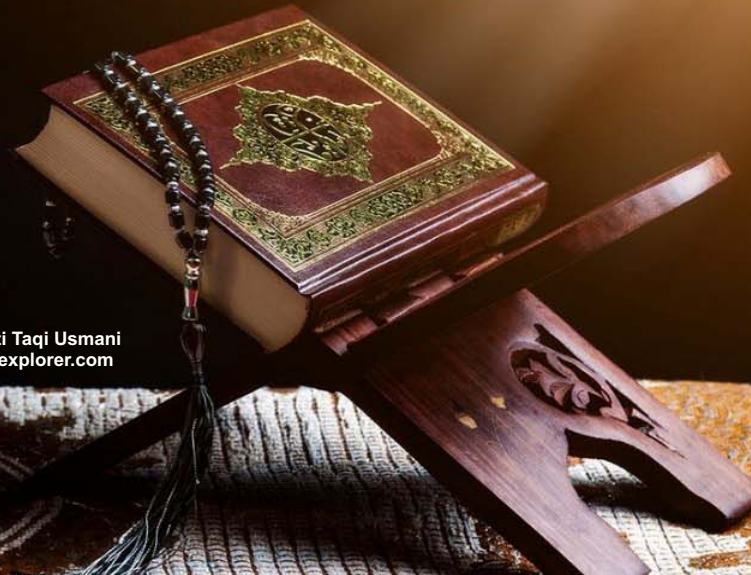
From the Holy Quran

In the name of ALLAH, the Most Magnificent, the Most Merciful

All praise belongs to Allah who created the heavens and the earth, and made darkness and light; yet those who disbelieve equate (others) with their Lord. (1) He is the One who created you from clay, then destined a term. The fixed term lies with Him, yet you are in doubt. (2) He is the true God in the heavens and the earth. He knows what you conceal and what you reveal, and He knows what you earn. (3)

(Surah 6: Al-Anaam, verses 1 to 3)

Translation : Mufti Taqi Usmani
<http://www.quranexplorer.com>



Respecting the sanctity of the Qur'anic verses is the duty of all of us

قرآنی آیات کا احترام ہم سب پر فرض ہے۔

Vision

To be the Preference in Value Optimization for Business

Mission

To develop Business Leaders through imparting quality education and training in financial and non-financial areas to bring value-addition in the economy

Core Values



Competence



Innovation



Ethics



Transparency



Professionalism



ICMA
Pakistan

Expression of Solidarity with the Kashmiri People



ICMA Pakistan is deeply concerned with the worst kind of human rights violation in Indian-occupied Kashmir and expresses solidarity with our Kashmiri brothers and sisters in this hour of trial and turbulence. ICMA Pakistan stands united with the Pakistani nation, Pakistan Army, the Government, and the people of Kashmir in their resolve to fight till our last breath for the freedom of Kashmir from India.

This Journal is also available on ICMA Pakistan's Website : www.icmap.com.pk/management_accountant.aspx

MANAGEMENT ACCOUNTANT

Official Journal of Institute of Cost and Management Accountants of Pakistan



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Our Next Issues

Sep-Oct 2019

**Trade, Tariffs
and Taxation**

Nov-Dec 2019

**Foreign Aid:
Blessing or Curse**

Research & Publications Committee would welcome articles on the above-mentioned themes for Journal's forthcoming issues.

DISCLAIMER: The Management Accountant is published bi-monthly. Views or opinions expressed by the authors of the articles published in this Journal do not necessarily reflect the views of the publisher and/or the Editor.

Inside this Issue

Volume : 28.4 | Jul-Aug, 2019

2 President's Message

3 From the Desk of Chief Editor

EXCLUSIVE INTERVIEW

4 **Mr. Humayun Mazhar**
President, The Indus Entrepreneurs (TiE), Lahore and
CEO, CresVentures – An Angle Capital Firm of Crescent Group

FEATURE INTERVIEWS

Interviews of Founder/Co-Founders of Prominent Pakistani Startups

6 **Mr. Monis Rahman**
Founder and CEO, Rozee.pk

8 **Mr. Zeeshan Ali Khan**
Co-Founder and CEO, Zameen.pk

11 **Mr. Suneel Sarfraz Munj**
Co-Founder and Chairman, PakWheels.com

FOCUS ARTICLES

13 **Financial Capital vs. Entrepreneurs**
By Dr. Omar Javaid

16 **Come Rescue Me: Call of
Entrepreneurs to Accountants**
By Dr. Muhammad Asif Jaffer, FCMA

18 **Professional Business Startups**
By Jalal Ahmad Khan, FCMA

21 **Business Plan for Startups**
By Muhammad Faisal Maqsood, FCMA

25 **Business Startup Motivators**
By Mazhar Mahmood, FCMA

32 **Innovation Start-ups**
By Syed Shamim Ahmed, FCMA

35 **Entrepreneurial Passion
- A Startup Trap**
By Sheraz Sarwar, ACMA

38 **Diversified Professionals Required
for Business Startups**
By Prof. Saeed Ahmad Siddiqui

SURVEY REPORT

40 **Inclination of CMAs towards Startups**
By Research and Publications Directorate, ICMA Pakistan

ARTICLES SECTION

43 **Challenges facing the profession
in Asia Pacific**
By Confederation of Asian and
Pacific Accountants (CAPA)

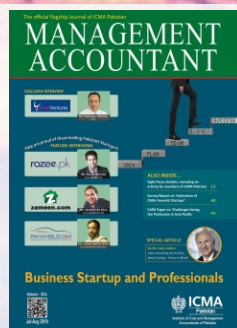
46 **Lean Accounting and Activity-
Based Costing – Choice or Blend?**
By Gary Cokins, CPIM

50 **Belief: A critical constituent in
harnessing Work Behaviors?**
By Sohailuddin Alavi

OTHER FEATURES

52 **Economy & Regulatory Watch**

54 **Glossary of Management Accounting Terms**





President's *Message*

The World Entrepreneurs' Day (WED) is celebrated on August 21 every year with the objective to create awareness for entrepreneurs, innovation and leadership throughout the world. I am glad to know that a very pertinent theme of 'Business Startups and Professionals' have been selected for the July-Aug 2019 issue of MA Journal by the Research and Publications Committee in order to align the theme with this important day. I think that this would definitely send a message to the world community that ICMA Pakistan is well aligned to the emerging economic developments and realities, and playing a proactive role in expanding the horizon of its members and other professionals. I hope this issue would provide useful information on startup initiatives taken in our country and the success stories of leading Pakistani startups. Our members, especially the young CMAs, need to have a good understanding of the startup ecosystem so that they could explore the possibility of their potential role not only as an entrepreneur but also as advisor to startup companies.

The startup industry and entrepreneurial ecosystem in Pakistan have shown remarkable growth and improvement during the last couple of years which indicates that Pakistan is emerging as Asia's new startup hotspot. In fact, startups have become more critical for Pakistan today than ever before, in the context of narrowing down trade deficit, increasing foreign exchange reserves and creating more employment opportunities, especially for the young graduates. The growth of startups would certainly spur the overall economic growth of Pakistan.

It is satisfying to note that Prime Minister Imran Khan is himself very much keen to promote entrepreneurship culture in Pakistan, especially in the youth. Under his vision and leadership, a 'Kamyab Jawan Program' would soon be launched having six flagship initiatives; including the 'Youth Entrepreneurship Scheme' under which subsidized business loans would be provided to young aspiring entrepreneurs for promotion of SME Sector; and the 'Startup Pakistan Program' under which potential young entrepreneurs would be trained to help them conceive, incubate and mature their business plans through access to digital incubation platforms. ICMA Pakistan believes that such initiatives would pave the way for improving Pakistan's ranking in the 'Global Entrepreneurship Index' which last year stood at 120 out of 137 countries. The Government can take benefit of the technical expertise of Management Accountants by engaging them as Advisors and Consultants in startups to be established under the above initiative.

In the end, I would like to say that ICMA Pakistan is deeply concerned with the worst kind of human rights violation in Indian-occupied Kashmir and expresses solidarity with our Kashmiri brothers and sisters in this hour of trial and turbulence. ICMA Pakistan stands united with the Pakistani nation, Pakistan Army, the Government, and the people of Kashmir in their resolve to fight till our last breath for the freedom of Kashmir from India.

Zia ul Mustafa, FCMA
President, ICMA Pakistan



from the Desk of **Chief Editor**



SMEs are the backbone of any economy and contributes significantly towards employment generation; supporting the large-scale industries and nurturing a culture of entrepreneurship. In Pakistan, they have a crucial role in the development of economy which can be gauged from the fact that SMEs contributed US\$312 billion or 40% of GDP during 2018 [SMEDA]. SMEs also caters to 80% job opportunities for the Pakistani youth. Of late, we are witnessing growth momentum in SME sector and Startup culture in Pakistan. With the encouraging policies of the present Government, the ranking of Pakistan on the Global Entrepreneurship Index has also improved from 126 in 2018 to 120 in 2019.

Visualizing the emerging entrepreneurship opportunities, the Research and Publications Committee decided to bring out the July-Aug 2019 issue on the theme of 'Business Startups and Professionals'. I hope our members and other readers would greatly benefit from the insightful write-ups and other relevant information about startups provided in this issue.

At the very outset, I would like to convey deep gratitude to the leading figures from the startup business in Pakistan for sparing precious time from busy schedule to provide their interviews for publication in this issue. I want to especially thank Mr. Monis Rahman, Founder & CEO, Rozee.pk; Mr. Zeeshan Ali Khan, Co-Founder & CEO, Zameen.pk; Mr. Suneel Sarfraz Munj, Co-Founder & Chairman, PakWheels.com; and Mr. Humayun Mazhar, President, The Indus Entrepreneurs (TiE), Lahore and CEO, Cres Ventures an Angel Capital Firm of Crescent Group. We look forward to building strong relationship with them to promote startup culture in Pakistan, especially in young professionals.

The Focus section is enriched with insightful articles contributed by eight authors, including six members of the Institute viz. Dr. Muhammad Asif Jaffer, FCMA; Mr. Jalal Ahmad Khan, FCMA; Mr. Muhammad Faisal Maqsood, FCMA; Mr. Mazhar Mahmood, FCMA; Mr. Shamim Ahmed, FCMA and Mr. Sheraz Sarwar, ACMA. One focus article has been shared by Mr. Saeed Ahmad Siddiqui, a senior faculty member of the Institute. One key article in the focus section has been specially requested from Dr. Omar Javaid who is the Head of Entrepreneurship Department at Institute of Business Management (IoBM). In this article, Dr. Omar has shared his ideas and experience on financial capital vs. entrepreneurs. I am highly indebted to all these authors for providing us a great source of learning and reference about startups for our readers.

In the articles section, we are pleased to receive a very interesting and knowledgeable article on Lean Accounting and Activity-based Costing from Mr. Gary Cokins who is an international expert. Mr. Gary Cokins had also contributed one article in one of the previous issues of the Journal. A paper of CAPA on Challenges facing the profession in Asia Pacific is also included which would be helpful to our members in updating them about the emerging challenges in profession.

Please enjoy reading and do share your valuable comments on this issue on email rp@icmap.com.pk

Muhammad Yasin, FCMA

Chairman, Research and Publications Committee



[Back to Contents Page](#)



“CresVentures is an Angel Capital firm. Simply put, we connect tech entrepreneurs with resources, at an early stage, to kick-start the next big idea”

Mr. Humayun Mazhar

President, The Indus Entrepreneurs (TiE)- Lahore and
CEO, CresVentures – An Angel Capital Firm of the Crescent Group



Most of the Investors want the founder equity to be vested and there are various mechanism used for the same. I think this is an area where collaboration with ICMA Pakistan will be very beneficial to the startup ecosystem

ICMA Pakistan: First of all, please tell us about the vision, role and core area of activity of CresVentures?

HM: CresVentures is an Angel Capital firm. Simply put, we connect tech entrepreneurs with resources, at an early stage, to kick-start the next big idea. We are focused on investment in tech startups in Pakistan who are focused disrupting the Pakistan market with innovative tech solutions for a large addressable market.

ICMA Pakistan: Can you mention few prominent startups in which CresVentures has invested funds? What are preferred sectors?

HM: The prominent startups in which CresVentures have invested include Sukoon- a startup for home-based services, and Shahi Sawari - a door-to-door pickup and drop service for regular commute. Our preferred sectors are Travel and logistics, Home and office space, healthcare and Artificial Intelligence (AI).

ICMA Pakistan: How do you see the growth potential of startup business in Pakistan?

HM: The startup ecosystem in Pakistan is in early stage, however the potential of growth looks very promising. The number of startups coming out each year have significantly increased and so has the number of investors. However, we need to be focused and try to direct growth in certain verticals i.e. verticals which are not only pertinent to Pakistan but are also attracting significant portion of global Angel/VC funds.

“Just an increase in number of startups coming into the system is not the answer. We need to be focused on Verticals attracting hot money across the globe”

ICMA Pakistan: What are main challenges for an emerging startup in Pakistan and how these could be overcome?

HM: Tech startup is not defined in Pakistan i.e. it is radically different from a traditional startup. Therefore, I think that the regulators like SECP, FBR and Punjab Regulatory Authority (PRA) need to acknowledge this fact and provide a conducive environment for its enablement. Similar is the status of Angel Investment/investor.

The best Angel Investor/ Tech Startup growth incentive package in the world is being offered by the Australian Government, closely followed by the UK and India. We need to learn from these enabling environments and incorporate the necessary changes in regulation of Tech Startups and Angel Investment. A proposal in this regard is pending for consideration with the Securities and Exchange Commission of Pakistan.

ICMA Pakistan: Do you think the Government is doing enough to encourage entrepreneurship culture in Pakistan?

HM: I think setting up of the National Incubation Centers (NICs) by the GOP/Ignite is the right step in this regard. However, just an increase in number of startups coming into the system is not the answer. We need to be focused on Verticals attracting hot money across the globe. Once again enabling regulatory environment i.e. for tech startups and Angel Investment is the need of the hour and the Government of Pakistan is found wanting here.

ICMA Pakistan: How you relate startups growth with the overall economic growth of the country? Are our policy makers aware?

HM: I fully endorse that SME /Startup growth is essential for the overall economic growth of the country. I don't think that the policy makers are aware of how to make Pakistan a significant player in the tech startup arena.

ICMA Pakistan: How do you compare our IT exports with competing countries like India?

HM: This is not an area of my expertise; however, I think that lack of sufficient trained skills and geo-political situation of Pakistan is restricting our potential in this regard.

ICMA Pakistan: Do you think professional accountants can become a good entrepreneur?

HM: An entrepreneur by definition is someone who takes risk by setting up a business entity to gain profit. A professional

accountant on the other hand is someone who by definition is risk averse. However, there are examples of successful entrepreneurs who were professional accountants in traditional business due to their attention to detail and systemic approach. If we are talking about tech entrepreneurship that is a totally different ball game i.e. the global mortality ratio in this sector at best is 20%, perhaps not suitable for the skill set of a professional accountant.

ICMA Pakistan: How can our both organizations promote startups and develop entrepreneurship in Pakistan? Please suggest few areas of mutual cooperation.

HM: A tech startup is funded in a radically different way as compared to a traditional startup i.e. a promising tech startup in Pakistan at idea stage is typically valued at US\$ 200 thousand; it may be valued anywhere from US\$ 500 thousand to a million if it has a MVP or traction. These startups are looking at an investment of anywhere from US\$50 thousand to US\$500 thousand whereas their capital base is nominal.

In the absence of any hard assets the investment and evaluations decisions are typically based on the promise of their idea and the quality of founders. Most of these startups raise money through offering equity, at premium, or through CDN. Similarly, an Angel investor typically does not cross the threshold of taking the more than 30% stake in these startups. This results in high premium paid for equity, which may require 3rd party evaluation. Similarly, most of the Investors want the founder equity to be vested and there are various mechanism used for the same. I think this is an area where collaboration with ICMA Pakistan will be very beneficial to the startup ecosystem.

“I think there is a large potential for accounting-based tech startups and we see very few of them coming out of the current startup eco system in Pakistan. The valuation and investment side of the startups is another area for your students and members to consider getting involved in”

ICMA Pakistan: What are your views on proposal of jointly organizing sessions on startups for our members and students?

HM: I think this is a good idea, we can do it either in collaboration with CresVentures or The Indus Entrepreneurs (TIE), Lahore Chapter i.e. <https://hub.tie.org/c/tielahore>.

ICMA Pakistan: What is your message to students and members of ICMA Pakistan for jointing startup community?

HM: I think there is a large potential for accounting-based tech startups and we see very few of them coming out of the current startup eco system in Pakistan. The valuation and investment side of the startups is another area for your students and members to consider getting involved in.

The Editorial Board thanks Mr. Humayun Mazhar, President, The Indus Entrepreneurs (TIE)- Lahore and CEO, CresVentures - An Angel Capital Firm of The Crescent Group for giving his exclusive interview for Management Accountant Journal.



Startup Success Story



“Over 1 million people have found jobs through ROZEE.PK. The platform is currently used by over 65,000 employers and 9.5 million professionals”

Mr. Monis Rahman

Founder and CEO, Rozee.pk

rozee.pk™

I think one of the biggest issues for professionals and SMEs is obtaining loans. ICMA members are employed in finance and accounting positions at great organizations. We can certainly offer these benefits through our SimSim platform to companies that employ ICMA members to help them grow, process salaries and vendor payments and obtain working capital loans

ICMA Pakistan: What was the motive behind founding Rozee.pk - the first and the largest job portals in Pakistan?

MR: ROZEE.PK was founded with the aim of using technology to get more people in to jobs. While many jobs remained unfilled, many professionals also remained unemployed. The aim of ROZEE.PK was to efficiently match talent with opportunity. By offering a convenient web and mobile platform for companies to advertise positions, we were able to amplify job openings and connect them with qualified professionals. Over 1 million people have found jobs through ROZEE.PK. The platform is currently used by over 65,000 employers and 9.5 million professionals. We process over 40,000 job application a day on ROZEE.PK.

ICMA Pakistan: How would you briefly narrate the success story of Rozee.pk?

MR: ROZEE.PK was started from a small room in my house with only 4 employees. Today, it is Pakistan's largest jobs platform and has attracted several venture capital funds to invest in Pakistan. We have raised over \$9 Million USD in venture funding since we started and in fact were the first Pakistani startup to raise venture capital for a Pakistan based online venture. We measure our success by the number of people who have successfully found jobs on our platform - over 1 Million Pakistanis.

ICMA Pakistan: Can you share few of the milestones achieved by Rozee.pk during the last five years?

MR: 65,000 employers use ROZEE.PK to hire including most banks, telcos and FMCGs. In addition, thousands of SMEs have benefited from ROZEE.PK.

- o 1 Million+ professionals have found jobs through ROZEE.PK.
- o We have raised \$9 Million USD in venture capital funding over 3 rounds of funding.
- o After our success in Pakistan, we are expanding to Saudi Arabia by buying Mihnati.com from the Nesma Group. We are now having operating offices in Lahore, Karachi, Islamabad, Riyadh and Jeddah.

“We have raised over \$9 Million USD in venture funding since we started and infact were the first Pakistani startup to raise venture capital for a Pakistan based online venture”

- o This year, we have started giving loans to salaried professionals. Over 5,000 professionals have received unsecured loans through ROZEE.PK and its affiliated company Finja (SimSim).

ICMA Pakistan: You are also Co-Founder of FINJA a Fin tech startup. Can you tell us about its objective, vision and milestones?

MR: Finja is a venture capital backed fintech that operates the SimSim mobile wallet. Finja's mission is to enable SMEs and salaried professionals to achieve greater financial wellness by giving them loans, saving products and digitizing payments. Companies can partner with SimSim to process their payroll, vendor payments and get a free HR management system with leave management, employee records, attendance tracking, etc. Once companies onboard with SimSim, we give them productive loans based on their salary payment history and supply chain loans to help them procure merchandise through working capital. We also give their employees instant loans through the SimSim mobile wallet secured against their future earnings with the company.

Finja pioneered the one-minute bank account completely opened remotely through a mobile phone. It was also the first fintech to ever do a retail QR code payment. Finja has also pioneered instant loans disbursed completely and instant through a mobile wallet. SimSim was the first mobile wallet to integrate food ordering, movie tickets, e-commerce marketplace, bill payments, topups, insurance products and much more.

ICMA Pakistan: What makes a successful startup?

MR: First of all, a great management team that can execute and deliver results. A startup must have a compelling value proposition valued by the market and must be able to build scale (sales) to prove its utility. Ultimately, that startup must make money or have a very good path to revenue by exploiting scale.

ICMA Pakistan: What hurdles startups normally face in Pakistan and how these could be surmounted?

MR: The biggest hurdle is coming up with a viable and scalable business model. The next hurdle is achieving traction through real customers on its business model. Finally, startups are starved for capital but I believe this can be overcome if they are able to do the first two items mentioned. The space that a startup operates in must be a real and sizeable market. I'm not a

believer of startups going after niche markets at this early stage of the country's online ecosystem.

ICMA Pakistan: How do you see the size of unemployment in Pakistan? How Rozee.pk can play a part in this scenario?

MR: Unemployment continues to be a challenge for Pakistan, particularly with the slowing economy and the youth bulge where 2 million new people enter the job market every year. ROZEE.PK is focusing more on easy to use mobile technology to allow grey and blue-collar workers to benefit through not just full-time employment opportunities but also freelance and gig-based engagements. We plan to open physical employment offices to facilitate the less tech savvy. Over 70 million people in Pakistan now have Internet connected smartphones. This opens up many possibilities to get more people into jobs and more businesses powered with qualified human capital.

ICMA Pakistan: What attributes are required in a person to run a successful business startup?

MR: I think resourcefulness and resilience have to be at the top of the list. Also the ability to weather very tough times when nothing goes right. Running a startup is a roller coaster ride with extremes. Great days and terrible days. It's a marathon, not a sprint.

ICMA Pakistan: ICMA Pakistan and Rozee.pk launched a 'Campus Career Portal in February this year. How this could be further improved?

MR: We would like to create more awareness for this wonderful initiative with ICMA among the employer community. Perhaps more physical on the ground events with employers and advertising would be helpful.

ICMA Pakistan: Rozee.pk and Lahore Chamber have recently launched an 'Employment Portal'. How ICMA Pakistan can be a partner in this collaboration to provide finance professionals to the business and industry?

MR: We should expose Lahore Chamber member companies to ICMA candidates. We are happy to explore ideas. We are big supporters and fans of ICMA.

“Unemployment continues to be a challenge for Pakistan, particularly with the slowing economy and the youth bulge where 2 million new people enter the job market every year”

ICMA Pakistan: In what other areas ICMA Pakistan and Rozee.pk can join hands for mutual benefit?

MR: I think one of the biggest issues for professionals and SMEs is obtaining loans. ICMA members are employed in finance and accounting positions at great organizations. We can certainly offer these benefits through our SimSim platform to companies that employ ICMA members to help them grow, process salaries and vendor payments and obtain working capital loans.

ICMA Pakistan: What advice you would like to give to ICMA members and students who intend to come into startup business?

MR: First work in industry and gain expertise in the vertical you are interested for launching your startup. Nothing trumps industry insight and experience.

The Editorial Board thanks Mr. Monis Rahman Founder & CEO, Rozee.pk for giving his exclusive interview for Management Accountant Journal.



Startup Success Story

“ We launched Pakistan’s first Real Estate Index which provides a clear picture of the price trends documented for the major cities in the country ”



Mr. Zeeshan Ali Khan

Co-Founder and CEO, Zameen.com



zameen.com

I believe that conducting incisive research into Pakistan's real estate sector can constitute a possible avenue for coordinating our efforts in the future



ICMA Pakistan: What was the motive behind founding Zameen.com the first and largest property portal in Pakistan?

ZAK: When we started out, there was no single real estate marketplace in Pakistan. Everyone would go to the agents located in their vicinity, whose quoted prices for a common piece of property could vary significantly. In addition, many people were neither aware of how to properly go through with real estate transactions, nor of the research that necessarily needs to be conducted prior to the execution of these proceedings.

It was a specialized market, where lay people only had partial access to the information required to determine the property options that suited them. Overseas Pakistanis, who wanted to invest in the country, also directly needed a platform where they could explore real estate choices that fitted their bill.

What we set out to do was to give this access to as many people as possible with an aim to unify Pakistan's real estate market in one, convenient, virtual location. And by doing so, we have managed to level the ground for everyday people interested in engaging with the property sector; with our listings equipping them with seemingly endless property purchasing and renting options, and our data-based reports giving them all the information that they need to make good investments. Our goal, in a nutshell, was to make real estate accessible and convenient for all and Alhamdulillah I dare say we have succeeded.

ICMA Pakistan: How would you briefly narrate Zameen.com's success story?

ZAK: We have grown immensely over the years - 12 years, to be exact. What started as a humble start-up founded by me and my brother back in 2006 is now a household name all over Pakistan: a company with over 2,000 employees and offices in 13 cities.

“We closed some major investment deals from 2014 onwards and also launched our iconic 'Zameen Expo' series of events”

Just one year after our launch, we won CNBC's 'Best Property Portal-Pakistan' Award. Then, in 2008, we won the platform's 'Best International Portal' Award as well. And this was just the beginning of the accolades and recognition that Zameen.com has managed to receive over its operational tenure.

We closed some major investment deals from 2014 onwards and also launched our iconic 'Zameen Expo' series of events. As a testament to our growth, we were named among the 'Top 5 Property Portals of the World' by Property Portal Watch (PPW) in 2016. Since then, we have achieved one milestone after another.

ICMA Pakistan: Can you detail some of the milestones achieved by Zameen.com during the last five years?

ZAK: Well, as I've mentioned, we have reached and surpassed numerous milestones over the years. I'll mention a few of the more prominent ones over the period that you've asked for.

In 2014, we launched our monthly (print) magazine and smartphone apps. In the same year, we held the first Zameen Expo in Lahore, starting off a grand tradition which continues to date.

Then, in 2015, we recorded over 7.5 million monthly page views and 1.5 million visitors; in addition to collaborating with DHA to arrange the DHA Lahore Property Festival.

The following year, we launched Pakistan's first Real Estate Index which provides a clear picture of the price trends documented for the major cities in the country, and also crossed the 3-million mark for monthly visitors. During the same period, (in 2016), we expanded our operations to 30 cities across Pakistan and started organizing Expos annually in Lahore, Karachi, and Islamabad.

“After having successfully marketed and consulted for real estate developers on numerous projects, we decided to venture into the project development domain ourselves”

In 2017, we launched one of Pakistan's most successful TV campaigns, featuring Fawad Khan. The ad received over 20

million online views. As for the website, we crossed the 4.5-million monthly visits mark, and surpassed the 1-million mark for both registered (returning) members and Facebook fans. To top it all off, we took Zameen Expos global by organizing the Pakistan Property Show at the Dubai World Trade Centre; which was attended by more than 14,000 visitors.

2018 was the year in which we launched our 2nd TV campaign (again featuring Fawad Khan), and it received a phenomenal response. We also held the first Zameen Expo in Multan, and the second Pakistan Property Show in Dubai.

This year, even though only half of it has passed, has been extremely eventful for the company. Apart from the Zameen Expos conducted in Lahore, Karachi, and Islamabad, along with another successful TV campaign, we managed to attain one of our biggest milestones yet.

After having successfully marketed and consulted for real estate developers on numerous projects, we decided to venture into the project development domain ourselves. This resulted in the founding of Zameen Developments, which currently has three projects - Zameen Opal, Zameen Ace Mall, and Zameen Ace Homes - under development, as well as many others in the pipeline. We look forward to achieving new heights with every coming year.

ICMA Pakistan: What are your funding sources? What future investments do you expect in the next few years?

ZAK: In 2012, Gilles Blanchard, co-founder of French portal Seloger.com, came on board as our Chairman and angel

“I would say that Pakistan is a ripe market for start-ups, as there is a lot of space for innovation. There are, obviously, some challenges which entrepreneurs have to face, however”

investor. Then, in 2014, the way for massive expansion was paved, with venture capital firms Catcha Group and Frontier Digital Ventures investing in Zameen.com. Further investment rounds in 2015 and 2016 brought in another \$29 million. Since then, our parent company Emerging Markets Property Group (EMPG), which owns and operates portals in the UAE, Bangladesh, Morocco, Algeria and Tunisia has received over a \$100 million in funding.

ICMA Pakistan: By which year does Zameen.com intend to become a unicorn company?

ZAK: Zameen.com currently (and easily) ranks among some of the most successful business ventures ever to have been launched in the country - and I don't only mean this in a monetary sense. Considering our commendable rate of vertical expansion, we're hopeful of attaining this particular milestone in the near future.

ICMA Pakistan: What hurdles do startups normally face in Pakistan and how can these be surmounted?

ZAK: I would say that Pakistan is a ripe market for start-ups, as there is a lot of space for innovation. There are, obviously, some challenges which entrepreneurs have to face, however.

“The government's revisions in its property taxation policies are geared towards bringing the sector into the tax net, and to stop it from becoming a haven for black money”

The first and foremost of these is to get people to believe in what you're offering and gain their trust.

Back when we started, Pakistan was nowhere near as internet-savvy as it is today. So it wasn't easy to get people to understand and trust the concept of an online property marketplace. We overcame this impediment by being fully transparent and offering free online tools and guides to generate awareness.

For most startups, funding can also be an issue; but if you present something that fulfils an unmet demand, it becomes easier to 'jump this hoop'. Nowadays, with many startup incubators operated by the government and private companies on the rise, entrepreneurs have more access to capital and resources. Major universities also cultivate incubation centres where aspiring individuals can pitch their business ideas to seasoned investors. This was not so common a few years back, and so these developments merit a lot of appreciation.

ICMA Pakistan: What is your assessment of Pakistan's real estate industry especially with reference to the government's policies?

ZAK: In recent months, the country's real estate industry has gradually shifted towards regularization and price correction. The government's revisions in its property taxation policies are

“Most importantly, integrity is necessary for setting up a successful business. Dishonest practices just prove to be harmful in the long run”

geared towards bringing the sector into the tax net, and to stop it from becoming a haven for black money. I believe that these measures constitute a positive step, as they will make real estate an important contributor to the national exchequer. Previously, there existed little difference between the behavior of the stock market and the property market, and prices were artificially inflated. Now, the sector is more stable and conducive to the needs of genuine buyers (people who purchase property for personal use).

ICMA Pakistan: What attributes are required in a person to run a successful business startup?

ZAK: I would say that an adventurous and determined spirit is a

must. As a budding entrepreneur, you should not be afraid to take risks; with the full knowledge that there is always a chance of things not working out. In addition, you should exhibit a willingness to work with all kinds of people, and cultivate the social skills required to handle them. Focus is also a key requirement. I often see entrepreneurs who are working a day-job and trying to run a business in their free time. That rarely works, if ever. Most importantly, integrity is necessary for setting up a successful business. Dishonest practices just prove to be harmful in the long run.

ICMA Pakistan: What advice would you give to those professionals who intend to come into the startup business?

ZAK: I would advise them to do their research well and to be very clear about exactly what they are setting out to do. Study their market in detail, and come up with a localized solution. They should also ensure that what they are offering is unique, and meets a demand that no one is catering to. Even more important is establishing a revenue stream as soon as possible,

“In this day and age, data and social media are key market players, so startups should utilize them as much as they can”

because even the best of products is useless without a good sales infrastructure.

In this day and age, data and social media are key market players, so startups should utilize them as much as they can. There are numerous platforms and conferences organized for benefiting startups nowadays, and they provide entrepreneurs with many unprecedented opportunities for learning and expanding their operations.

ICMA Pakistan: What are the areas in which ICMA Pakistan and Zameen.com can join hands for mutual benefit?

ZAK: I believe that conducting incisive research into Pakistan's real estate sector can constitute a possible avenue for coordinating our efforts in the future. We utilize the latest market datasets when it comes planning our next moves, and take care to adhere to accountancy best practices throughout the scope of our business operations.

ICMA Pakistan: What are your views on bringing out a joint publication on property and real estate industry in Pakistan?

ZAK: I think that any measure geared towards bringing incisive and accurate property market data out into the public domain presents a commendable proposal - one which deserves deliberation.

The Editorial Board thanks Mr. Zeeshan Ali Khan, CEO & Co-Founder, Zameen.com for giving his exclusive interview for Management Accountant Journal.

Startup Success Story

“ PakWheels.com was the first online portal where you can post an ad to sell your cars and bikes ”



Mr. Suneel Sarfraz Munj

Co-Founder and Chairman of PakWheels.com



ICMA Pakistan and PakWheels can help in conducting research on the automobile industry as we are already conducting in house surveys and it is Pakistan's biggest automobile industry survey

ICMA Pakistan: What was the motive and idea behind founding the PakWheels?

SSM: At that time, there was no platform where like-minded people who had an interest in automobiles were able to discuss the issues that they were facing. Hence, there was a potential and gap in the market as most of the classifieds were in the newspaper. PakWheels.com was the first online portal where you can post an ad to sell your cars and bikes. There was not much trend in digital marketing and social media platforms. We were the first movers and took initiative at the right time. Hence, the community started to build as more and more people started moving towards PakWheels to discuss their issues on forums.

ICMA Pakistan: How would you briefly narrate the success story of PakWheels?

SSM: The success story is that we found the problem that the consumers face and fill that market gap with the solution. Now you can just research about the car that you are looking to buy while sitting at home. We have closely monitored the consumer journey and studied its behavior in finding out the possible solution through our products and services. We have a vast portfolio of products under PakWheels. If a consumer is looking to buy a used car but is not aware of the condition of the car; he can avail our car inspection service through which he will know about the complete condition of the car checked by our experts. One can order the aftermarket auto parts and accessories online with free delivery nationwide.

“ We have a vast portfolio of products under PakWheels. If a consumer is looking to buy a used car but is not aware of the condition of the car; he can avail our car inspection service ”

ICMA Pakistan: As Co-founder of a startup, what initial challenges you faced to sustain the company?

SSM: The initial challenge that we faced was to change the mindset of the consumers. It was difficult at that time as internet users were very few and there was low-speed internet connectivity with limited areas. It was difficult to get monetization for domains and from 2003 to 2012 the majority of the company was funded through our own pockets. Every day we faced a new challenge but never gave up.

ICMA Pakistan: Can you share a few of the milestones achieved by your startup during the last five years?

SSM: The majority of milestones are the introduction of new services such as inspection service, auction sheet verification service, Sell it for me, etc. – in this service, all the hassle will be done by PakWheels Experts in getting the best price of your car. We have made buying and selling more easy. Moreover, our YouTube Subscribers have reached to 0.5M in just one year while Facebook Community is over 3M.

ICMA Pakistan: What are your funding sources? What future investment you expect in the next few years?

SSM: Frontier Digital Venture-- a Malaysian group invested in 2012-13. We got a \$3.5 million-dollar investment. Meanwhile, we are trying to decrease our costs year on year and expects to get more funding soon.

“ The govt should provide incentives through subsidies or tax rebates to start-ups so that they don't have to pay a hefty amount of tax while bearing losses ”

ICMA Pakistan: By when PakWheels intends to become a unicorn company?

SSM: PakWheels is a unicorn company in Pakistan and our motive is to maintain the No.1 position.

ICMA Pakistan: What is your assessment of the automobile assembly industry in Pakistan? Are our car prices too high?

SSM: Automobile industry entrants are growing with the introduction of KIA, Hyundai, DFSK, United Autos, Changan and the number is expected to grow in the coming years. Hence, exciting time is ahead as there will be fierce competition. The prices are high because of the devaluation of the currency. Most

of the products are coming from abroad and very fewer cars are locally assembled. Govt should focus on locally assembled cars.

ICMA Pakistan: Everyone dreams of running a successful startup but only a few are successful. What are your views?

SSM: Start-up success rates by definition are less and there is no shortcut to it. Overnight success is not possible and one should strive and work hard till the very end. Dreams don't come easy. The reality is that very fewer people are investing in start-ups as they are risky. But there are good initiatives being taken through seminars and incubators in spreading awareness.

ICMA Pakistan: What the Government should do to promote entrepreneurship culture in Pakistan?

SSM: The government should provide incentives through subsidies or tax rebates to start-ups so that they don't have to pay a hefty amount of tax while bearing losses. This discourages the entrepreneurs from taking the risk.

“ Overnight success is not possible and one should strive and work hard till the very end. Dreams don't come easy ”

ICMA Pakistan: What attributes are required in a person to run a successful business venture?

SSM: One should be risk-taker, dedicated, open-minded and futuristic in finding market gaps to fill out through possible solutions.

ICMA Pakistan: What advice would you give to those professionals who intend to come into the startup business?

SSM: Never be discouraged by failure as success will come at the right time. Don't give up. Believe in yourself.

ICMA Pakistan: In what areas ICMA Pakistan and PakWheels can join hands for mutual benefit?

SSM: ICMA Pakistan and PakWheels can help in conducting research on the automobile industry as we are already conducting in house surveys and it is Pakistan's biggest automobile industry survey. We have been conducting it for two years and taking help from professors of known universities like LUMS, LSE, etc. We can also hold seminars in universities to spread awareness.

ICMA Pakistan: What are your views on collaboration to bring out a joint publication on the potential and challenges of the Auto industry in Pakistan?

SSM: It will be a benefit to our audience as each person is facing a challenge on its own and PakWheels has already believed in providing solutions to the problems.

The Editorial Board thanks Mr. Suneel Sarfraz Munj, Co-Founder / Chairman of PakWheels for giving his exclusive interview for Management Accountant Journal.





Financial Capital vs. Entrepreneurs



The Editorial Board thanks Dr. Omar Javaid, Head of Entrepreneurship Department of IoBM for sharing this article exclusively for publication in the current issue on Business Startups and Professionals

The Misconception

More than often, when I try to motivate undergraduates and executive students towards entrepreneurship, they complain about lack of capital, which they argue is necessary to start a business. Asking for capital without experience; without necessary execution skills; without a workable idea etc., is like asking for a sports car, without knowing how to drive (in traffic in particular) and without knowing where to go. Even a layman can anticipate what would happen eventually. My doctoral research, my experience of working with entrepreneurs and previous literature suggest that access to capital from an institutional investor in particular can do more harm than good for inexperienced entrepreneurs in particular (angel investment is a better option, but please wait for a moment). This may sound counter-intuitive, particularly when traditional text books on entrepreneurship tell you to make a business plan to

Experience and recent research on real entrepreneurs suggest otherwise. Availability of cash coupled with inexperience or immaturity often leads to unproductive expenditure. Wasting money on lavish office space and unnecessary staff are common example. It typically requires sufficient experience, emotional maturity and wisdom to see which of the running or fixed expenses can lead to



Dr. Omar Javaid

“My doctoral research, my experience of working with entrepreneurs and previous literature suggest that access to capital from an institutional investor in particular can do more harm than good for inexperienced entrepreneurs in particular”

convince a bank or a VC, when government initiatives exclusively talk about investment to promote entrepreneurship, and when every incubation centre incubates its start-ups to make them look attractive to potential investors. Money is generally believed to be the most important ingredient of an entrepreneurial process.

positive cash flow. Even if the expenses are meticulously managed, customer behaviour is often unpredictable, so major changes in the imagined-value-proposition are often required to find the correct sweet spot. So the cash flow may not emerge as mentioned in the business plan, this may increase the chance of failure if a chunk of investment money is already spent on unnecessary ego boosting stuff. Every act which may end up inflating the ego, like impressing investors or setting up a nice office space, can reduce the possibility of success.

Contrary to inflating their ego, entrepreneurs need humility of a Level Five Leader (see Jim Collins) and agility to quickly adapt to changing market scenario or new market insight. Traits like Humility and agility unfortunately do not emerge when you take a route towards institutional investment with a business plan in your hand. Humility can be misinterpreted as a sign of weakness by the investors. Further, an investor's overarching influence may even cripple the ability to rapidly adapt to developing scenario. Agility is dependent on strong intuition (see Ricardo Semler and Nick Hauner), as there is often not enough time to scientifically gather data and perform complex data analysis before making a decision (let alone the accuracy of scientific process). However, using intuition is also counter-intuitive from the point of view of institutional investors who only understand language of a scientific analysis. Therefore, there is a heavy unquantifiable price to pay to attract investment, which often cripples entrepreneur's ability (humility to accept mistakes, agility and intuition to quickly adapt) to walk on an unpredictable-nonlinear spiral like path of establishing a venture.



What to do?

Sara Sarasvathy, Carl Schramm, Ricardo Semler, Jim Collins, Alexander Osterwalder, Steve Blank, David Gerber (just to name a few), my own doctoral research and experience with entrepreneurs in Pakistan suggests an alternative route. To begin with, it is fundamentally necessary to gain industry experience, execution skills, emotional maturity and wisdom. Or start something which one can manage with available set of skills. The best way to gain the necessary experience in view of Jack Ma (Founder Alibaba) is to work for a few years for a small or medium size business under a good boss. Carl Schramm, entrepreneur and former chairman of Kaufman Foundation, also shares his similar observation in his book 'Burn the Business Plan'. This is, in fact, a standard practice among Ethnic Entrepreneurial Communities (EEC) like Memon, Delhiwala, Chinioti, Bohri, or Ismaili. So before worrying about finding investment at first, potential entrepreneurs need to worry about how much experience they have. If more than one partner intends to start a business, some of them need to have the necessary market experience and execution skills.

It is interesting to note that the age of successful entrepreneurs in USA is between 42 to 46 years (ref. World Economic Forum). By this time, they have already worked for someone, developed their network (another fundamentally important resource), gained necessary skills and experience, gained market knowledge, industry insight, and realized a potential market gap which needs to be filled. Carl Schramm even argues that big firms are the best incubators for

new start-ups, while actual incubators in Schramm's view have done more harm than good to the growth of entrepreneurship. Real growth requires real stressors in view of Nassim Nicholas Taleb, which an entrepreneur experience in real market conditions, while cosy and protective atmosphere inside typical business incubation centres may do otherwise.

So, it is best to grow organically (slow and steady), while getting exposed to the heat in a real market environment, while bootstrapping, reinvesting your profits, or at the least involving an angel investor only after you have stabilized the new venture. For example if you want to locally manufacture UPS, and have necessary technical skills at hand, but no market experience or capital, it is better to start with offering a repair service in a freelancing capacity. Establish a customer base gradually, and add the option of retailing an already available product to your clientele, if you don't have space to open a shop, selling online would do. The goal is to expand your customer base and establish trustable relationship with them. Once there are enough customers, you may think of backward integration by assembling the UPS, and then proceed toward manufacturing components one by one. This entire process may take 5 to 10 years. So the idea is to start simple, move slowly, while gaining experience, just like a plant grow naturally, spreading its roots deep in the ground, and gradually increasing in the complexity of operations as your experience, skills, maturity, market knowledge grow. Community networks with high social capital (typically found in EEC) are perhaps the best natural and conducive environments to grow a venture through bootstrapping.

It is good to have a mentor to seek advice to avoid major pitfalls during a bootstrapping process; however, mentors have their own limitations. Can an experienced driver give you instruction on phone every second about how to drive a sport car in traffic, when you don't have much experience yourself? Would you be successful in reaching your destination? It is not very difficult to answer this question. If you are lucky enough to find an honest-concerned-mentor, he or she may give you some broad guidelines, help you set your direction, align your steps. But you will have to figure out the micro details in your daily routine yourself, and it is in these details where you see the dance of the devil (referring to the idiom: 'the devil is in the detail'). Mentors advice, or advice from books on entrepreneurship etc. can help to an extent. How many books will be required to learn the skill to survive in the wild like Bear Grylls (host of the Discovery TV show: Man vs. Wild)? According to Richard Branson, it is better to work for an expert as a helper to learn the desired skills. Once the skills are acquired, books may help.

Mentors are often busy people, you will be lucky to catch an hour every week with them. However working for a boss who is interested in developing your skills is a better alternative, as mentioned above. There is a saying in Urdu that 'kharboza kharboze ko dekh ke rung pakarta hai', so if you have say five friends who are entrepreneurs, then your chances of ending up as an entrepreneurs are high. I believe that members of EEC are not born entrepreneurs, it's just they see so many entrepreneurs around them while they grow up, and when they see a few failures in their circle, their orientation often shift towards building a career as a professional, working for someone else.

Your immediate and extended circle is perhaps a greater resource than capital. As from this network, if you have the right kind of connections, you do not just take aspirations and advice, but also find your first customers, suppliers, employees, even angle investors. Such utilization of resources in one's network is common in EEC. If your network does not give you access to such stakeholders it is better to work hard in upgrading your network, even if you have sufficient capital in your pocket. Your network in actual is your net worth (see Porter Gale). Building it however takes

years, as people who would like to become your first customers, suppliers, or even angel investors, must already consider you a credible person having sufficient potential. That's where spending time in the market becomes fundamental, which should start at the age of 14 and above, so that when you complete your education you already have sufficient experience and connections with the right people to start something on your own. This practice is already common among members of EEC, where children spend their free time in their father's or relative's business particularly during their summer vacations. Contrarily job oriented families' see it as a hindrance in receiving proper education to secure a job that may not exist. (Space constraints limits me to share more, please see my articles on LinkedIn for further discussion)

Financial Capital vs. Innovative Ideas

To experiment any new kind of an innovation, one must already have a running business. Contrarily, what Mark Zuckerberg did is not normal. One has to be extremely lucky to hit a jack pot as 99.9999% entrepreneurs who start their business, do not follow the route which the likes of Zuckerberg have been able to take. Unfortunately, most people in the modern start-up culture attempts to follow the line. The trend is even endorsed by financial markets resulting in start-ups which are only created to be sold to an investor or attract multiple series of investments. The value proposition is created less for the end user and more for the investors. It is typically the IT based ventures which focus on gathering as many users as possible by providing something of entertainment value (FaceApp is a recent example). The number of users on their app or website thus determines the worth of their venture. Often the service is provided free of cost or at subsidized rates to get as many customers as possible. The money is not made through selling of a service, but by finding the next series of investment.

Every new investor bails out the previous one. Uber and Twitter for example are still not in profit as of now, while their shareholders earn through capital gains only. Such unicorns blur the difference between a stock market and a casino. The trend unfortunately has corrupted new venture creation in view of Tim O' Reilly (the man behind the terms 'Open Source' and 'Web 2.0') as many start-ups now focus on creating a huge user base without providing meaningful value. As a result impending societal problem which prevails in our food chain, health care industry or global problems like climate change etc. remain ignored by typical new entrepreneurs or the investors. Chamath Palihapitiya, CEO of Venture Firm 'Social Capital' is another concerned voice, who now only invests in ventures which create genuine value for the public by addressing the impending societal issues.

Pakistan's emerging entrepreneurial eco system is also not free from the potentially-corrupting influence of venture fund. Almost every incubation centre in the country expects their start-ups to exit after being acquired by an investor. Acquisitions are often celebrated; despite they lead markets toward a more monopolistic and less competitive environment (example: Careem's acquisition by UBER). While many entrepreneurs seek investment after stepping in to the band wagon, without realizing that in USA less than 0.1% ventures receive VC (as per a report on Forbes). One can imagine if the trend to seek venture fund is further ingrained in the minds of aspiring Pakistani entrepreneurs, the short supply of funds (let alone its possible corrupting influence) will do more harm than good in promoting the culture of entrepreneurship in the country. This trend has hijacked even the meaning of the term entrepreneurship, so much so that those who create ventures delivering superficial value to their users just to make an exit or getting hooked with a VC, are now only referred to as entrepreneurs. The influence of financial capital has shifted the focus of entrepreneurs from innovating for the end users to innovating for the financial market only (see Tim O'

Reilly's book 'What's the Future' and Jaron Lanier's 'Who Owns the Future' for details). This trend must not continue.

Entrepreneurs must create real value for the real users. This perhaps is only

possible if entrepreneurs keep a distance from the influence of financial markets. Staying away from institutional investment is also beneficial for operational reasons as well as explained earlier. Growing organically while bootstrapping and gradually increasing the complexity of the operations is perhaps the appropriate way. Innovative ideas emerge from the combination of real time interaction with the customers, market intelligence and intuition grounded in real time experience. But for that, one should already be operating in the market since a few years. It is perfectly alright to start a traditional business as the goal should be establish oneself in the market with the available resources. Once a cash-cow has been developed, you have the luxury to experiment on an innovative idea.

But why innovate in the first place. If the goal is to attract more customers, then please note that winning customers in Pakistani market can be best done through superior customer service, as Pakistani customers typically fancy a respectful treatment. By making your customer feel special you can beat the competitors in almost every market domain. Interestingly, to make customers feel special and give them due respect doesn't cost a dime. You just need to know how to talk respectfully and deliver a little more than you promise. Employees can be won likewise.

Innovation must only be pursued if as an entrepreneur is genuinely interested in improving a certain aspect of customer experience, or solving an unsolved problem in the society. Carl Schramm argues that innovators are mission oriented, and do not do it for money. They have an urge to create a better world by contributing their bit. They are rewarded nevertheless by customers for creating value. So to innovate, you must genuinely consider the wellbeing of your target audience as supreme, and your self-interest as secondary. That doesn't imply giving products or service for free. You can sell for a profit to ensure sustainability of your venture and improve your capacity to take your proposition to a wider audience.

Nassim Nicholas Talib argues that creating a genuine innovation takes years of customer or user feedback; often it takes decades of refinement which results in the creation of a better solution to a prevailing problem, more so if multiple entrepreneurs compete in the process. This is seldom possible while ensuring interest of financial markets for the reasons mentioned above. There are hidden costs or side effects behind innovations which sometime surface after many years, like the influence of burning fossil fuels on the climate or impact of plastics on the food chain. These side effects or their costs eventually decide the future of an innovation. However, if the interest of financial market gets hooked with an insidious innovation, they try their level best to obscure the knowledge of side effects or suppress innovations. Genuinely beneficial innovations with no hidden costs therefore can come from competing entrepreneurs engaged with real customers under no influence of financial markets. That's the kind of entrepreneurial environment we need to produce in Pakistan.

About the Author: Dr. Omar Javaid is Assistant Professor and Head of Entrepreneurship Department at Institute of Business Management (IoBM), Karachi. His doctoral thesis was about Socially Sustainable Entrepreneurship. He has been helping and training entrepreneurs since 2010 in a fulltime capacity. He can be reached on email address: omarjavaid@outlook.com [LinkedIn profile: www.linkedin.com/in/javaidomar]





Come Rescue Me: Call of Entrepreneurs to Accountants



Founders of previously successful business have a 30 percent chance of success with their next venture; founders who have failed at a prior business have a 20 percent chance of succeeding versus an 18 percent chance of success for first-time entrepreneurs (<https://smallbiztrends.com/>). This is in addition to the fact that many successful ventures do not grow beyond a certain size.

We, as accountants, know that accounting can help rescue failing ventures. Yet most of us do not find ourselves playing any role in this direction. Certified accounting professionals are usually employed in the large-scale industry or do practice and consulting for big companies. Probably this is so because such companies do have proper accounting systems which creates a demand on their part for accounting professionals, and the volume of business also attracts and create the need for such consultancy and accounting. Entrepreneurial ventures miss these features and as such are seldom a target client for professional accountants. In many

who prepare accounts and tax filings. The objective of such accounting is mostly not decision-making but formal compliance of tax or other minimum statutory requirements. For this reason of disconnect between professional accountants and entrepreneurial ventures, there remains a gap in the flow of accounting knowledge as a practice in micro and small enterprises.



Dr. Muhammad Asif Jaffer, FCMA

Research study in accounting and record-keeping practices of entrepreneurial ventures

“We, as accountants, know that accounting can help rescue failing ventures. Yet most of us do not find ourselves playing any role in this direction”

cases, such enterprises even formally avoid any sort of automation and formalizing as the owners consider this as a threat of getting exposed to regulatory and tax compliance authorities which are considered business unfriendly. At maximum, such enterprises are found to employ part-time commerce graduates for their basic accounting and tax needs

At IBA, we conducted a research study in accounting and record-keeping practices of entrepreneurial ventures. By entrepreneurial venture we mean ventures that were started afresh, not inherited or not continued as family businesses. Data were collected from 120 entrepreneurial ventures in Karachi that were established between 2001 and 2018. Eight accounting and record keeping systems dimensions were explored that are chart of accounts, payroll records, receipt and payment records, parties' records, employee time and attendance records, segregation of duties, documentary support for transactions and budgetary control. In addition, data as to firm size, sector and age were also collected. The analysis of the data helped understand the extent of

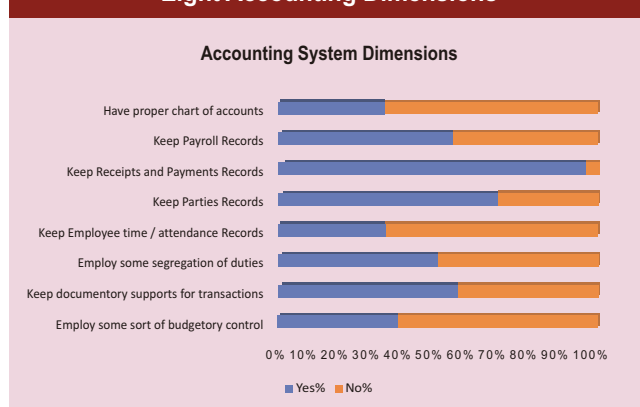
Table 1: Accounting System Dimensions Observed

Item ID	Accounting Component / Dimension	Yes %	No %
COA	Have proper chart of accounts	32.7%	67.3%
Payroll	Keep Payroll Records	54.5%	45.5%
R&P	Keep Receipts and Payments Records	96.4%	3.6%
Parties	Keep Parties Records	69.1%	30.9%
TimeRec	Keep Employee time / attendance Records	33.6%	66.4%
SOD	Employ some segregation of duties	49.1%	50.9%
Doc	Keep documentary supports for transactions	55.5%	44.5%
Budg	Employ some sort of budgetary control	36.4%	63.6%

accounting system employed in enterprises divided into groups according to their age, size and sector and bring some interesting facts into light. Summary statistics of research findings have been shown in table 1.

The study endorses that majority of the entrepreneurial ventures in the sample does not observe proper accounting protocols. This observation is consistent across age and industry, though the size of firm showed some correlation with some accounting system dimensions. Same data has been depicted graphically in figure 1.

Figure 1: Sampling Distribution in the Eight Accounting Dimensions



The only records that are inherently necessary and maintained by most of the entrepreneurs are cash receipts and payments and outstanding parties' records. Other than that, proper accounting protocols are not observed by most of the sample ventures.

The gap is very much visible and apparent. Even if such ventures survive over time, even if remaining undocumented and informal turns out to be beneficial in the short run, the benefits of visible financial information for decision making remain unavailable to these ventures.

What is there for professional accountants?

There is a need of proactive behavior on the part of professionals. Accountants traditionally tend to remain passive in so far as 'employer' search is concerned. They respond to Job ads., they apply for jobs, but they seldom reach unsolicited to the clientele. Even if they do, the charm

is a good salary or financial return rather than the rescue and success of the clients. Accountants need to shift this focus at least on part time basis and adopt a push strategy for the provision of services to such ventures. To convince the entrepreneurs that accounting lets them make informed decisions which is the key to successful business management and growth. There is need for making awareness that formal accounting and regulatory compliance is not always counter-productive and rather serves expansion and growth, enabling such ventures to sell to corporate clients which we all experience they usually miss, just for avoiding compliance and registrations.

There is a role professional accountant can play. There is a limit large scale industry can absorb increasing output of accounting professionals. Entrepreneurial ventures and micro-enterprises form the bulk of economic buildup and are the backbone of the economy. Importance of accounting information is something that cannot be realized by those who don't do it; there is no formal demand (pull) of accounting expertise from entrepreneurial ventures. A push strategy is needed on the part of senior professional accountants, as a responsibility rather than liberty. Starting part time consultancy employing professional accounting students and fresh graduates of professional accounting bodies may be a good idea; approaching such ventures unsolicited and offering them organize their accounting and record keeping needs as a helping hand; without charging any fee for the first time (some professionals already do this).

The rapport that is built and the confidence that such business gain usually triggers a long-term relationship which benefits both the ventures and the accountants. This could further yield additional internship and job opportunities for fresh accountants and professional students. The key for starting such a relationship is service and helping orientation on the part of givers (accountants) rather than salary and money orientation which we usually have.

“ Starting part time consultancy employing professional accounting students and fresh graduates of professional accounting bodies may be a good idea; approaching such ventures unsolicited and offering them organize their accounting and record keeping needs as a helping hand; without charging any fee for the first time ”

Professional bodies, especially ICMAP, also need to reconsider its practice license giving policy. As far as I know, a member needs to be free from any employment contract to avail the practice license under the current policy. This policy should be revisited, or some other forms of license for practice in micro and small businesses be created.

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Professional Business Startups

In its narrow meanings, Professional Startup would mean a specialized service like Public Accountancy, Law Practice, Land surveyor, Actuarial services, Insurance Claim Assessor and many others. The old British system where these services originally initiated required a period of apprenticeship for several years before one could obtain a license for public practice.

Professionalism to start a business setup could also be defined as to how an educated person would wisely use all professional tools to set up an SME, small business organization, with a potential to become a considerably large business setup in years to come.

Many of the large business entities of Pakistan that we see today started as small modest setups in the seventies. The



Jalal Ahmad Khan, FCMA

Many of the large business entities of Pakistan that we see today started as small modest setups in the seventies. The Professional approach adopted by them made them overcome both marketing and organizational problems

Indeed, SME's are already a very important part of the Pakistan Economy

SMEs strongly contribute to the Pakistan economy ...



Contribution to GDP%

Contribution to employment* %



* Non-agricultural employment

- Approximately 3.2 Million businesses in Pakistan of which an estimated 3 million are SME's
- SME census shows SMEs, contributing more than 30% to the GDP and 25% to the country's total export earnings
- SMEs employ 70% of the labor force in manufacturing, services and trade



Professional approach adopted by them made them overcome both marketing and organizational problems. They not only adapted to the evolving market and social needs of local/International market but also upgraded their production quality, quantities, also processes to international demand and human resource capabilities.

Pakistan's economy is heavily dominated by small and medium-sized establishments. Pakistan has around 3.3 million such economic establishments; 90 percent of which are sole proprietorships and another 2 percent are partnerships, spread over all sectors without any exceptions.



Since 50% of Pakistan population is below 25 years of age, out of 210 million, there will be growing pressure for gainful employment of this youth in the employment market. Jobs and salaried jobs will become increasingly scarce compared to the educated youth. Due to tight immigration policies of the US and Europe, job opportunities abroad are also becoming scarce for our young graduates. In the years ahead, it is anticipated that Pakistan will economically grow due to growth in regional economies and may ultimately be part of a regional Common Market.

In the last 71 years of our history, University Graduates have largely sought jobs locally and abroad. The task of economic development has been left to the uneducated. Those who had entered the business field have grown rich, leaving the older generation of business graduates thinking why they were not bold enough to take the risk. Since in years ahead, job opportunities will be scarce compared to the supply of graduates, HEC and Governmental planners have decided to train the youth to become entrepreneurs. The movement to support the development of the SME sector; the establishment of SME Banks; State Bank of Pakistan's endeavor to direct commercial banks to encourage lending to the SME sector are all indications of the new emerging realities. Regional Venture Capitalists have also started to approach local Universities for SME development as part of the Global effort to make this sector an element of economic growth and change. Soon global lending agencies would also approach those Universities that can assist them in this endeavor. Even the present Government is keen to advance seed money to unemployed youth to establish their businesses; provided a university takes the initiative to train and develop them as SMEs.

Our graduates are from leading intelligent and bold section of our society; they will/ can lead our businesses as entrepreneurs in this new and exciting Era.

Essential Parts of a New Startup

The essential parts of a new Startup are:

- Aggressive extrovert personality.
- Ability to look for and assess business opportunities.
- Risk-taker in terms of Business loss and self- future lifestyle.
- Ability to develop successful business modal.
- Ability to develop customer creditability.
- Develop trust /creditability in the supply chain that normally finances business working capital.
- Having Mentors who can initially guide in business practices prevalent and do not let them dishearten.
- Being a part of business community. This bondage is vital to learn behavior patterns and growth.

Characteristics of Survival Stage

The characteristics of Survival Stage i.e. initial two years of a Startup are:

- In one business there should be only ONE decision-maker. No delegation of authority, do not trust people, avoid giving credit.
- One can only employ assistants. If many team members or partners are taken at this stage, decision making becomes difficult and the risk of failure increases.

“ In the years ahead, it is anticipated that Pakistan will economically grow due to growth in regional economies and may ultimately be part of a regional Common Market ”

- One decision-maker and only one risk-taker for all odd decisions are essential. Partners are normally willing to share profits but are at odds in facing losses.
- History of our society is that partnership rarely lasts for long. When business gets going the senior partner steps in and juniors are forced out of business with poor compensation
- In USA, you will find 200 doctors having a partnership without any problems but where 20 Pakistani doctors form a partnership in the USA in few years it falls apart on issues of control and profit distribution. In such a case a successful model is that of a limited company
- The concept of a team in the survival stage is not very conducive. Only one out of four team members is likely to survive and this could adversely affect other members of the team.

“ Employment generation is the biggest challenge facing the economic managers of our country and will have to form the backbone of the growth strategy if the current inflationary and poverty cycle is to be overcome ”

Interaction and Networking

A startup needs to take the following interaction and networking initiatives:

- Among various educational institutions.
- Number of SMEs' to serve as mentors and Guide.
- Microfinance banks: Their customer base that can provide help in our research to understand SME establishment and growth phenomenon.
- Venture Capitalists: like Arif Habib other local and regional players.
- Business personalities and business communities to the cause of Professional setup who can add these new setups in their local supply chain.
- Interaction with Government and Foreign donor agencies.

Most of the nations have realized that for the sustained annual economic growth of 7 percent and above, it is



production process through effective job creation will be a virtuous cycle that will reduce poverty on the one hand, and be an engine of growth for the overall economy on the other hand, by increasing demand for goods and services as these new workers earn and consume.

It is not only the social and technological evolution in the society that would be creating new demands for a professional setup, but as a society as a whole, we are dependent on import of most of our technology. The new generations of youngsters and locally qualified engineers would accept the challenge to build a fully manufactured motorcycle, cars and trucks, and many more technological products for the local and exports markets.

If Sialkot, Gujrat, Wazirabad could sell their products in the international markets our well-qualified youth with their new professional Setup with the help of their Mentors, trade and Industry can well meet the challenges of our changing environment.

Our working-age population distribution is much younger than regional contemporaries like India and China. The segment above 60 years of age is only five percent in Pakistan, compared to more than 20 percent in Japan. Our youngsters will retire many years after their Indian and Chinese contemporaries retire from the workforce. Thus, they will fuel growth in our economy for the next 50 years.

As we saw these new Professional business startups emerging in Pakistan in the seventies so we hope to see its re-emergence now with a more supportive and proactive government in Pakistan.

About the Author: The writer is a senior Fellow member and former Executive Director of ICMA Pakistan.

“ As we saw these new Professional business startups emerging in Pakistan in the seventies so we hope to see its re-emergence now with a more supportive and proactive government in Pakistan ”

imperative to develop the SME sector which plays a vital role in providing employment and a better standard of living to our populace.

Employment generation is the biggest challenge facing the economic managers of our country and will have to form the backbone of the growth strategy if the current inflationary and poverty cycle is to be overcome. A good 50 percent of 210 million of our population is below 25-years of age, giving Pakistan one of the youngest potential workforces in the world. This demography translates into roughly three million new entrants in the job market every year.

With the scarcity of jobs, the challenge is how to create over a million business startups that would absorb the growing population. Incorporating this youth potential in the





Business Plan for Startups



"The value of an idea lies in the using of it." --Thomas Edison, co-founder of General Electric

"Chase the vision, not the money; the money will end up following you." -- Tony Hsieh, CEO of Zappos

A startup is a young company just beginning to develop. Startups are usually small, initially financed business ventures and operated by a handful of founders or one individual. They offer a product or service not currently being offered elsewhere in the market, or that the founders believe is being offered in an inferior manner.

Startup Business Ideas in the Digital Era

Every ambitious entrepreneur has identical goal which is to make their startup business idea the next big thing. The idea for startup business should be approached with the same dedication as every other job-related task. Idea generation takes the organization, research, and planning and following are some tips for guidance:

- Reading successful Business Ideas:** A major strength of technology in the digital era is focused on simplifying life.

The Internet takes center stage at helping customers to fulfill all their demands. It is also the biggest source of inspiration. Many entrepreneurs share their stories, offering tactical advice that startups can take in their own idea generation. Therefore, entrepreneurs must read about successful startup business ideas.

- Identifying problems:** For entrepreneurs today, brainstorming is a targeted exercise that takes as much creativity as it does concept. For instance, the main problem for Steve Jobs and Steve Wozniak was the existence of expensive computer in that era. They recognized that gap and built Apple I, then II and so on.
- Developing a Niche based on experience and future potential:** As a potential startup business owner, the entrepreneur must develop a niche based on prior

experience, future potential, or both. A “niche” is a small but profitable segment of a market suitable for focused attention by a marketer. These do not exist by themselves but are created by identifying needs or wants that are not being addressed by competitors, and by offering products that satisfy them.

The idea for startup business should be approached with the same dedication as every other job-related task

- d) Effective Networking:** Effective Networking is essential for every startup business. It is a collaborative and lead-generating meeting that can create a viable opportunity. Entrepreneurs must attend maximum business networking events of like-minded entrepreneurs. This not only results in sharing of experiences and innovative ideas but can also help them to find a potential partner to take on the startup business idea adventure.

Significance of Developing a Business Plan for Startups

Business Plan is the blueprint of any business. Businessman (especially entrepreneurs) often makes the mistake of thinking of a business plan as a single document prepared before starting any venture and then set aside. A plan for any business is not static and will change over time as business develops, and any particular business may have multiple business plans as its objectives change. The following are some of the benefits of writing a business plan:

- a) Testing feasibility of Business Idea:** Writing a business plan is the best way to test whether or not an idea for starting a business is feasible, other than going out and doing it. In this sense, the business plan is an entrepreneur's safety net; writing a business plan can save a great deal of time and money. The more a startup businessman knows about the industry, their prospective customers, and the competition in the market, the greater the likelihood that his business will succeed.
- b) Giving startup the best possible chance of success:** Writing a business plan ensures that the entrepreneur covers the broad operational and financial objectives of new business and details, such as budgeting and market planning. This helps to define business's Target Market, Unique Selling Proposition, Optimum pricing strategies, and outline how an entrepreneur plans to sell/deliver his products to customers. In addition, developing a budget will assist in the determination of startup and operating capital requirements.
- c) Secure Funding such as Bank Loans & Equity Financing:** New businesses require startup and operating capital however, without a well-developed business plan, there is no chance of getting debt financing from established financial institutions such as banks or equity financing from individual investors (unless they happen to

be family members or close friends). Potential investors and financiers are always looking at the risk of non-repayment. Hence, a properly-prepared business plan based on facts and figures is necessary for investor to determine the appropriate investment mix which ensures optimum ROI.

- d) Make Business Planning Manageable and Effective:** Viable businesses are dynamic; they change and grow. Therefore, the startup's original business plan needs to be revised as new goals are set. Reviewing the business plan can also help to check what goals have been accomplished, what changes need to be made, or what new directions a company's growth should take.
- e) Attract Investors:** A well-prepared business plan attracts the attention of potential investors. Both venture capitalists and angel investors conduct extensive background checks and competitive analysis to be certain that the facts stated in the business plan reflect the true picture of the business venture.

Outline of Startup Business Plan

The business plan outline is a list of sections which are included in a business plan together with a brief explanation such as business or industry overview; market analysis; competitive analysis; operating plan, management plan, sales and marketing plan, financial plan etc. A brief description is provided below:

- a) Executive Summary:** While appearing first, this section is written last. It provides a concise and optimistic overview of a business that captures the reader's attention and inspire them to learn more about it. The executive summary should not be more than two pages with brief summaries of other sections of the plan.
- b) Business/Industry Overview:** It includes an overview of the industry sector that the potential business startup will be a part of, including industry trends; major players in the industry, and estimated industry sales. This section also includes a summary of a business's place within the industry.
- c) Market Analysis:** It highlights an analysis of primary target market, geographic location, demographics, target market's needs and how these needs are presently being met. It indicates that an entrepreneur has a thorough knowledge of the market and the potential customers to whom he is planning to sell goods and/or services.
- d) Competitive Analysis:** It includes an investigation of the direct and indirect competitors, with an assessment of their competitive advantage and an analysis of tactics which will be adopted by the startup business to overcome entry barriers. In this section, it is important that the entrepreneur distinguishes his potential business from the competition, persuading the reader(s) that it will be able to compete successfully.
- e) Sales and Marketing Plan:** This section includes a detailed explanation of sales strategy, pricing plan, proposed advertising and promotion activities, and product or service's benefits. It highlights the business's unique selling proposition, procedures for transportation of goods and/or services to market and the techniques adopted to persuade people to buy them.

Plan9	Plan9 is the project of Punjab Information Technology Board. Plan9 is providing professional environment to those who are looking for a platform to transform their raw material into a developed product. Up to now, Plan9 has incubated over 80 startups in Pakistan.
The Incubator	The Incubator is the platform by Ghulam Ishaq Khan Institute (GIKI) of Engineering Science & Technology. The INCUBATOR of GIKI is a platform for GIKI student, graduates as well as for final year students and fresh graduates of other universities of Pakistan.
Cubator 1ne	Cubator 1ne is the incubator and accelerator by the COMSATS. It provides an ideal platform for developing business ideas and innovations. Cubator 1ne also provides impetus to business and innovation ideas by providing a professional environment, professional pieces of advice, resources, etc.
i2i Accelerator	Stands for Invest to Innovate, i2i is the other incubator in the capital of Pakistan that connects the young and startups to the resources that are required to convert the raw ideas into innovation. I2i provides an opportunity to startup for impact-focused startups to go global.
Nest i/o i	The Nest i/o is the incubator of P@SHA and provides a community platform for tech startups. The Nest i/o provides resources and guidance to startups to transform rough ideas into a marvelous innovation.
PlanX	PlanX is backed by Punjab Information Technology Board (PITB) and second largest incubator after Plan9. PlanX provides assistance to mid-stage startups in getting more and more by fulfilling their dreams. PlanX is for everyone.
TIC	TIC stands for Technology Incubation Center. It is the incubator of NUST. TIC provides a nurturing environment to technology-based business ideas to prosper and become a viable contributor to the community and economy as a whole.
DotZero	DotZero is a Karachi based incubator that provides a space and professional environment with a vibrant environment that encourages and promotes entrepreneurship, innovation, and growth through great ideas. DotZero is a space made for entrepreneurs by entrepreneurs.
TICK UET	TICK UET, Technology Incubation Center Al-Khwarizmi, is the incubator of the UET, Lahore. TICK UET was established with the aim of creating startups, foster innovation, and entrepreneurship among student to channelize their creativity and skills.
Microsoft Innovation Centre	Microsoft Innovation Centre is working under the Punjab Information Technology Board (PITB). It is another advance incubator of PITB after Plan9 and PlanX. Microsoft Innovation Centre aims to provide access to startups to resources, experts, and facilities for collaboration and skills development.
LUMS Centre for Entrepreneurship	LUMS Centre for Entrepreneurship is a business accelerator and incubator by the Lahore University of Management Sciences (LUMS). Every year it hosts the three batches of the startups and provide them resources, materials, professional and experts to reshape their raw ideas.
Basecamp	Basecamp is located in Peshawar. It is actually a co-working space for startups that provides a vibrant and collaborative workspace to startups in Pakistan. Startups of every field are welcomed at Basecamp.
Nspire	Nspire is the incubator of NetSol. Nspire is a great platform that assists the talented and creative entrepreneurs in launching their startups under the mentorship of industry leaders.
WeCreate Pakistan	WeCreate Pakistan is an incubator center, especially for startups women. WeCreate Pakistan is an entrepreneurial community center for women interested in starting or expanding an existing business. WeCreate Pakistan provides the training, resources, and training to the willing startups women.

- f) Ownership and Management Plan:** It describes an outline of the business's legal structure and management resources, including internal management team, external management resources, and human resources needs. In case the main objective of business plan is to get investment from financial institutions then, it is necessary that the management plan includes an advisory board as a management resource.
- g) Operating Plan:** It is a description of business's physical location, facilities and equipment, kinds of employees needed, inventory requirements and suppliers, and any other applicable operating details, such as a description of the manufacturing process.
- h) Financial Plan:** It is a detailed plan of business funding requirements, financial statements; and financial statement analysis. This part includes main financial documents i.e. the balance sheet, income statement, and the cash flow statement. In the case of a new business, this last document will be a cash flow projection.
- i) Appendices and Exhibits:** It is advisable for an entrepreneur to include any additional information in Business Plan that will help to establish the credibility of the business idea, such as marketing studies, photographs of potential products, and/or contracts or other legal agreements pertinent to the business.

Since a business plan is a formal document, hence its appearance is of utmost importance. All the entrepreneurs must ensure that the business plan is properly formatted; spell checked and grammatically sound; and that it must be professionally printed and bound.

Accelerators and Incubators in Pakistan

Many incubators, accelerators and startups working in Pakistan are providing a professional environment to the startup and professionals. Here is the list of some popular startups' accelerator and incubator in Pakistan.

Startups in Pakistan

Daraz.pk

Daraz.pk leads Pakistan's online shopping industry. It is the biggest and most popular e-shopping website in Pakistan. A wide range of goods and products are offered by Daraz.pk from electronics, electrical, mobile & computing to books, beauty & fashion accessories, clothing, home appliances, kids' products and a lot more. The website of daraz.pk is user-friendly and a treat for shopaholics. Moreover, the website offers a simple delivery, payment and warranty system.

Rozee.pk

Founded by Monis Rehman, Rozee.pk is the leading job site in Pakistan. A startup that was developed to provide a platform for job seekers and job providers to communicate and find each other. It is a site that gives an opportunity to the talent of Pakistan.

Careem Pakistan

Careem is a transportation startup that has become the top ride-hailing company in Pakistan in a short span of two years. The company, based in UAE, introduced the concept of ride-hailing

via app system in Pakistan, making traveling easier and simpler for the commuters.

PakWheels.com

Hanif Bhatti, the founder of PakWheels.com introduced Pakistan's first & biggest automotive site or startup in Pakistan. From info about vehicles, their prices, features, specs, reviews, to enable customers to buy & sell any kind of vehicle, PakWheels is the best auto website.

Zameen.com

Another amazing startup in Pakistan till date is Zameen.com. The website allows individuals to online buy & sell the property without any hassle. The startup has completely changed the environment and scenario of the real estate business. It has revolutionized property business in Pakistan.

Patari

Pakistan's most popular music streaming service, Patari changed the music dynamics in the country. Patari launched in 2015 has now become the biggest music streaming service of Pakistan. In 2016, Patari was awarded the second position at World Startup Cup 2016, held in Washington DC.

Find My Adventure

First online tourist site, FindMyAdventure launched in Pakistan to allow travelers to explore places, visit Pakistan, compare & book trips all over the country and experience the mesmerizing beauty. The startup started operating in 2016 and gained extreme popularity, so much so that it won the startup competition at Digital Youth Summit 2017.

HomeStove

HomeStove is a startup for those individuals who are away from home or live alone. This startup provides these people with home-cooked fresh food. The food is not just delicious, it is also sold at a reasonable price so that people can easily buy it.

DeafTawk

DeafTawk is a digital platform service that aims to bridge the communication gap between the deaf community and the general public in real-time via a sign language interpreter. It provides online sign language interpretation services, audio-video translation services, and sign language training.

Nano It Solutions

Nano IT Solutions aims to create Immersive Human Experiences. This startup is the first in Pakistan to create and develop Commercial Entertainment and Educational Immersive VR products based on Motion Platforms and Software Content.

Receipt Bot

This startup is automating the Accountancy and Bookkeeping profession with the power of Artificial Intelligence-AI. Receipt Bot is a robot accountant that performs data entry and accounting for companies. All business needs are to scan/snap and upload the documents, and leave the rest to the bot.

About the Author: The writer is a fellow member of ICMA Pakistan and associated with Lucky Cement Limited as Senior Manager Finance & Accounts since 2011. He is also a Mentor @ ICMAP and has conducted various training workshops for student's professional development at ICMA Pakistan and other institutions on topics such as "Effective Communication Skills" "Entrepreneurs in Pakistan" & "Mock Interviews".





Business Startup Motivators



Mazhar Mahmood, FCMA

Startup refers to the start of business with an 'Idea' for new service; new product; new market or positioning of old product/service with old competitors where the gap exists regarding the quality of service, price or huge demand, etc. These four-business start-up motivators produce twin advantages to market, which comprises of millions/billions of clients or customers for the demand of service/product. These twin advantages include the exact solution to problem and making the life of the user of product or service convenient with the reduction in time or money or a combination of both.

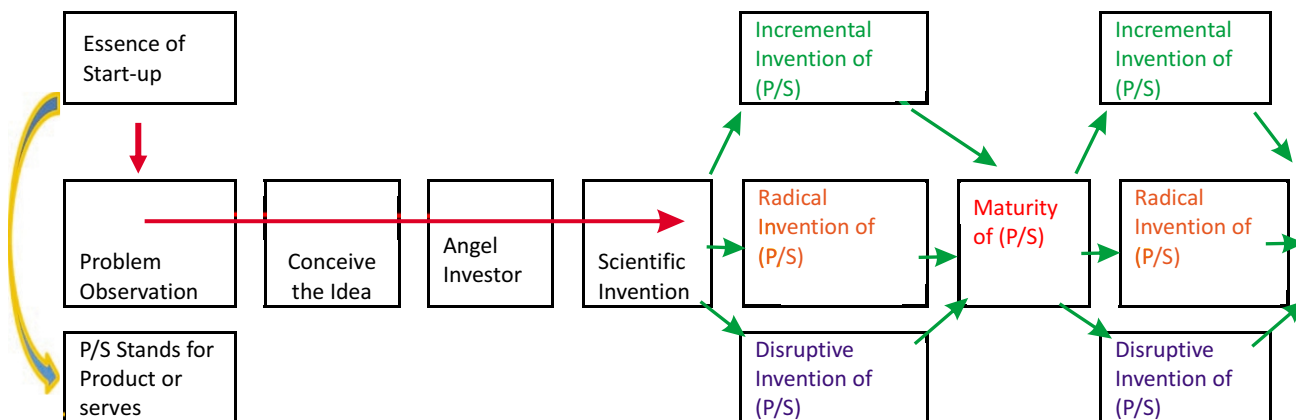
Along with solution and ease, people also expect the quality, economy, and uniqueness of product/service in terms of incremental, radical or disruptive invention. Such huge and most demanded contemporary twin advantages will surely extend an apex of patronage to such a startup and guarantee the success. According to my understanding, there are as many ideas as the number of human beings on this planet. If one has no idea, the other might have two ideas, here I mean, to observe the general problem in society and bridging it up with a solution through scientific innovation.

Four Business Startup Motivators

The start-up is eye-catching in the market when an idea is translated into product or service. It can provide an exact solution to the problems of clients/customers and turn their lives more easy or better than before. A brief introduction of all four motivators is presented below with relevant examples:

- a) **New Idea for Services:** Recent new ideas translated into services that got tremendous response from the market are Cream Pakistan, Uber, online shopping/delivery, easy paisa, Google, Facebook, WhatsApp, etc. For example, taxis were already available everywhere in town but with a very irritating situation. The riders faced difficulties in finding taxi free for onboard, negotiating for fare and destination, the behavior of the driver, basic facilities, payment intricacies, feedback and, above all, security was a big question mark especially for females. These problems were addressed by the idea when translated into application. Clients, on the bases of twin advantages, gave a tremendous response that made Cream Pakistan start-up venture a paramount success.

How an idea is translated into product or service (p/s)



- b) **New Idea for Products:** There are three types of new or innovated products e.g incremental, radical, and disruptive. These products exactly addressed the real problems and made the lives of customers easy. Innovators of cell phone, computer, ATM machines, Shoarma, Savor foods, CNG and etc. (For a detailed study of types of innovations, please go through my previous article on Business Entrepreneurship published in Management Accountant in July-August 2017 issue).
- c) **New Idea for Market:** Bahria town was launched in Rawalpindi in the '80s. After a successful start-up, the founder searched for new markets in Islamabad, Lahore, and Karachi. Similarly, Beacon & Root schools and suiting brands established new markets in other cities after a successful startup in base cities.
- d) **New Idea for positioning the product/service against the existing competitors:** Positioning of the product refers to a situation where existing entrepreneurs create gaps with low quality, charging a high price or some combination of both. For example, luxury coaches & metro bus service, with modern facilities and exact timing schedule, almost eliminated the old transportation system from the market. Sometimes, demand invites more startups like CNG stations with a high growth rate since inception to CNG crises. All these start-ups were very successful on the basis of above-stated twin advantages.

The 90% failure rate of start-ups in Pakistan and an average of 80% in the world is a big hideous or discouraging factor for the new startup. Due to high risk, most people do not dare to fly against the wind being innately risk-averse. It is a swim or sinks position for an entrepreneur in case of success or failure respectively. Still few people accept the risk of the startup by inspiring the renowned idiom, "Job nourish/feed a family while business a generation". It is a fact that business is more productive than the job. After studying this article, one can well navigate oneself for any best-suited startup. Especially our members with big Talent Management Reservoir having great potential and management skills to launch successful startups in any business discipline where they have indigenous or learned experience.

Let us understand the different gaps or potential areas, challenges and possible controls to avoid such challenges to pave the way for a successful startup. Following questions must be responded comprehensively to motivate the startups;

1. Who should jump forward for business startup?
2. Where are the market gaps in Pakistan to launch the start-up?
3. What is the strategy for a successful start-up?
4. What are the characteristics of a successful start-up or avoiding start-up failure?
5. How does a startup business fail?
6. What is the role of Government / SMEDA to promote start-up?

1) Who should jump forward for business startup?

There are, basically, three business start-ups models which guarantee the success to founder entrepreneurs to launch the start-ups viz. Professional Expert Model; Indigenous Business Expert Model; and Capital Availability Model. A brief of these three models is provided below:

- a) **Professional Expert Model:** Most of the founder entrepreneurs launch the start-up of the same or near same business, what they have been doing in their employments as professionals. The major motivator for these professionals for the startup is their grip, due to learned experience, on business process flow. There are two situations regarding this model;
- o **Skill-oriented:** This model is successful where the market is client-based to whom services are to be offered. Some of the professional bank upon their skills, having little or no market at the beginning, and create market afterward through their commitment, work, and conduct. For example, IT professionals, management accountants, doctors, contractors, and army officers while starting software house, a consultancy firm, clinic, construction, and Security Company respectively. All have very few clients at the startup and increase clientage (market) later on, on the basis of skills by producing quality services as per the requirement of the market. For example, Big-4 consultancy firms are skill-oriented entrepreneurs.
 - o **Market-oriented:** Mostly the target market is customer-based to whom goods are sold. Sufficient market links already exist during employment that brings early success on launching a business startup. A major motivator is market links of the founder with customers e.g. professional sales representatives of distribution set-up are

Few examples are given in the table below on the basis of the survey:

Organization types	Designation	Start-up Motivators		Start-up Field
		Skill	Market	
Commercial business entity	Accountant	80%	> 5 Clients	Management consultancy
IT - Based Company	Programmer/Consultant	80%	> 10 Clients	E-Commerce / Software etc
Hospital	Doctor / consultant	90%	> 10 Clients	Clinic / Hospital
School / College	Teacher / Lecturer	90%	> 20 students	Academy / School/ college
Army man	Officer	70%	0 Clients	Security company
Pharma Distributors	Salesman / field manger	90%	< 50 customers	Distribution/Medical store
Oil Marketing Company	Marketing Officer	90%	< 50 customers	Distribution -petroleum Products

well aware of source and disposal of product. Normally, a sales representative in the company serves 40 to 60 customers a day. On the basis of such small market, the founder of new start-up launches a distribution or a wholesale business. Most startups are successful due to sufficient customers enabling the founder to operate at break-even or near break-even. For example, Muller & Phipps International Corp. of USA was engaged in the business of trading in Toilet Preparations and Medicated Preparations in 1912. Both the partners started the distribution of pharma products based on the learned experience of trading and now, M&P is one of the largest distribution networks in this subcontinent.

I gave many examples in my previous article on Business entrepreneurship published in Management Accountant of July-August 2017 issue, about successful founder entrepreneurs emerging through this model.

- b) **Indigenous Business Expert Model:** It's a tradition in Pakistan, to some extent, that a next to kin of doctor join the medical field, an army man joins the army and a businessman starts a business. A next to kin of businessperson get business knowledge and techniques formally and informally and finally starts the same or diverse business. His market may be a customer or client base. One of my friends started the carpets selling the business in 1987, with part-time experience of cloth shop run by his father. He is now one of the biggest sellers of carpet, curtain cloth and furniture in Pakistan having a network of ten shops in Rawalpindi/Islamabad under the name and style of 'Shamoo Jee Fabrics'. This indigenous expert model has sufficient probability of a successful startup and is more progressive than two other models as discussed.
- c) **Capital Availability Model:** Another popular channel for the startup, apart from the above two, is the availability of sufficient capital to support the business start-up to the point of sustainability. Since the founder start-up has no experience, he engages an expert partner or employee to reduce the risk associated with the investment. Normally it

takes, at least, three years to break-even. These types of businesses have fewer chances to flourish due to bad management and proxy of actual investors at a small scale. But it becomes a very successful venture when big companies start a new business on the bases of capital availability. For example, Mian Mansha having experience of textile sector invested in banking, Insurance, cement plant, and IPPs, etc and finally all proved successful ventures.

2) Where are the market gaps in Pakistan to launch the start-up?

In Pakistan, market gaps exist in all three major sectors of economy viz. agriculture, industry, and services. Hence, these economic sectors need to be analyzed for further verification of these gaps or potential areas. It is a fact that the growth of services sector [focal area] has always superseded the industrial and agriculture sectors growth. The service sector has a 34.7% share in employment in 2018, which has a total share of 61.2% in GDP.

The startup is possible in the following areas of SMEs:

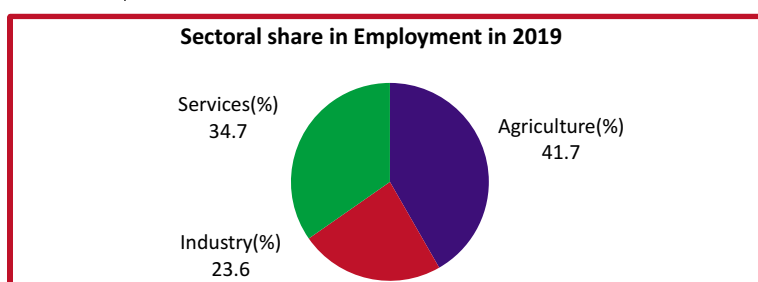
a) Services Sector:

The services sector is the largest with the contribution of 61.2% income to GDP with a 4.71% growth rate. This sector is further divided into many sub-sectors as IT, consultancy, banking, wholesales, retail, hospitality industry, education, government departments, communication, and healthcare, etc. Only the first two would be discussed as a contemporary market paradigm, which is our core subject.

IT-based contemporary businesses: There are too many diversifications of IT-based business such as hardware, software, programming, website designing, portals, social media advertising, games, and different applications to address the solution to different market problems or demands.

There are too many ideas that became successful stories like Daraz.com, Rozee.pk, Zameen.com, PakWheels.com, Careem Pakistan and many others. The logic behind the success stories

Sector-wise Growth			
Period	Agriculture (%)	Industry (%)	Services (%)
2019	0.85	1.4	4.71
2018	3.94	4.92	6.25
2017	2.18	4.55	6.47

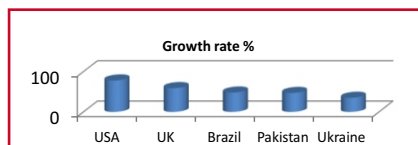


is the perfect solution to problems of people by making their lives easy. Still, there are hundreds of problems of society, which needs a solution at their doorsteps.

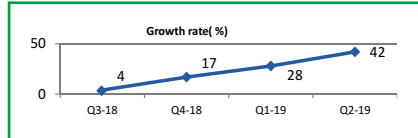
Gig Economy: A gig economy is a free market system in which temporary positions are common and organizations contract with independent workers for short-term engagements. There are three determinants of gig economy such as (a) Freelancers i.e. experts or professionals from finance, accounts, IT, designing, art, writing, interpreting, communication, transportation, and internet marketing, etc. (b) Gig: i.e. task, project, assignment like taxi ride, pizza delivery, blogs, financial analyses, web designing, strategy consulting and internet marketing etc. and (c) Independence i.e. workers are free to enter or exit from the loop of business.

Thousands of start-ups for professionals like CMAs/CAs and IT are available in the loop of Gig economy. See the report on gig economic index for 2019.

Countries	Growth rate %
USA	78
UK	59
Brazil	48
Pakistan	47
Ukraine	35



Period	Growth rate (%)
Q3-18	4
Q4-18	17
Q1-19	28
Q2-19	42



Few examples of gig economy are Careem Pakistan, SpareHire and Freelancer. The IT and Management Accountants have a challenge either to think an idea to form such a company (demand side) or offer their services (supply side) for a startup.

Consultancy Business: In the UK, consultancy industry growth was 5% with 78% revenue to BIG FOUR while small consultancy firms bagged 12 percent. In Pakistan, there is no such data available but other economic indicators are very much encouraging and conducive for small and medium-size consultancy firms. There are 100 + Cost and Management Accountants' Firms where more than 150 members are engaged. Similarly, there are around 250 Chartered Accountants' firms in the market. Both ICMA Pakistan and CA Pakistan produced and registered about 16,000 qualified members ready to serve around 8 million (estimated figure) entrepreneurs including, approximately 100,000 + registered companies. These entrepreneurs demand the services for statutory/internal audit, tax, refunds, third party representation, corporate matters including incorporation, filing of returns, winding-up, charge registration, consultancy for costing and pricing of the product, HR, accounts, finance, pre feasibility studies and many more.

Other small-scale service-oriented businesses, where online startup is possible, include wholesale, retail, and transportation business, etc. Cargo transport industry in Pakistan is still a gray area. An application like Careem Pakistan should be developed to link up the transporters direct to the clients, both individuals, and business community.

b) Industrial Sector:

Business start-ups are possible only in the small-scale manufacturing and cottage industry. This sector has tremendous

growth rate of an average 8 percent since the last seven (7) years. There are two types of gaps in the industrial sector where startups can be established:

Small-Scale Manufacturing and cottage industry: Pakistani entrepreneurs are still less inclined to use advanced technology in the industrial sector. Most of the raw material is exported that could have been processed locally with more sophisticated technology. Such trend invites more ideas for new and global market contemporary technology-based start-ups. There are practical examples where cottage industry has a capacity to foster too many start-ups according to the potential of the area concerned. Around 40% fruit and 30% vegetable go waste. Millions of new start-ups are possible with new ideas or technology-based techniques to preserve this waste in terms of pickle, jams, dry & packed food or further processing such as flour, maize, pulses, fruit, vegetable to produce extended products having more shelf life.

Large-Scale Manufacturing: It is not possible for SMEs to establish large-scale manufacturing (cement plant, refineries, textile, shipbreaking, etc), mining & quarrying, power generation houses and the giant construction companies. However, these giant establishments can accommodate millions of allied businesses. Such a single unit accommodates hundreds of allied businesses to suppliers of goods and services.

Further, the start-ups, with new product/service positioning against the traditional suppliers to these giant companies, is possible in the following disciplines:

- Suppliers of material:** Traditional suppliers of raw materials like coal, chemicals, leather, cotton, commodities, minerals, metals, wood and construction materials, etc.
- Suppliers of other items/supplies:** It includes stationery, parts, tools, electric goods, electronic gadgets, firefighting equipment, mineral water, air tickets, newspapers, lube, coolants, CCTVs, etc.
- CMA/CA's Consultancy firms:** They extend services to these companies demanded by different regulators including FBR, SECP, CCP and on their own requirements to run the company.
- IT professional:** They provide consultancy on hardware, software, e-commerce, programming, business applications, etc. Similar is the case with other professionals like engineers, doctors and lawyers, and teachers, etc.
- Miscellaneous allied business:** This includes other services e.g. janitorial, fumigation, repair & maintenance to building/equipment/electric & electronic gadgets, vehicles, safety training, firefighting and tailoring for uniforms and many others alike.

c) Agricultural Sector:

Agricultural Sector is divided into four main sub-sectors, namely: 1) Crops; 2) Livestock; 3) Fisheries and Aquaculture (including capture fisheries); and 4) Forestry. This sector contributes 18.5% share in the GDP with the absorption of 47.1% labor force of country having a growth rate of 0.85% per annum (2019). Three years growth rate is given is for four sub-sectors;

Growth rate (%)				%age share [2018]		
Sector	2017	2018	2019	Sub-sector	Agriculture	GDP
Agriculture (Total)	2.18	3.94	0.85	Crops	35.26	6.50
Subsectors (Distribution)				Livestock	60.54	11.22
Crops	1.22	4.66	-4.43	Fisheries	2.10	0.39
Live Stock	2.99	3.62	4.00	Forestry	2.10	0.39
Forestry	-2.33	2.58	6.47	Total (%)	100.00	18.50
Fishing	1.23	1.63	0.79			

Both crops and livestock have about 96% share in the agriculture sector. Let us discuss only two first sub-sectors on the basis of volume contributed to the GDP.

Crops: There is a great potential of a start-up in Crops sector, the sub-sector of agriculture sector. This big gaps/potential is due to lack of adoption of advanced technology and informal activities from pre-harvest to distribution stages. We are much lagged behind China and other advanced countries in using advanced machinery since inception of operations to end process.

I have conducted a survey of four qualified indigenous farmers, one each from Rawalpindi, Jhang, Okara & Multan and concluded that farmers have the following kinds of challenges:

- o Inherited big holdings turned to smallholding after division where the cost of doing farming business has been increased absence of economies of scale.
- o Only 20% of farmers have their own but outmoded machinery and there is a need for extensive human involvement in term of labors and technicians.
- o There is a big challenge for other 80% farmers to make both labor and machinery available at a time. Finally, their produce starts wasting.
- o Labor shortage is faced at peak season stage of ploughing, sowing, or harvesting.
- o There is no formal company or business set-up providing all the one-window facilities to farmers to mitigate this big challenge.

This gap is available to all members having indigenous farming experience from these arable areas. In Punjab & Sindh canal irrigated areas, thousands of start-ups are possible to form formal business set-ups (Sole Proprietorship / AOP / Company) to provide one-window facilities to these farmers.

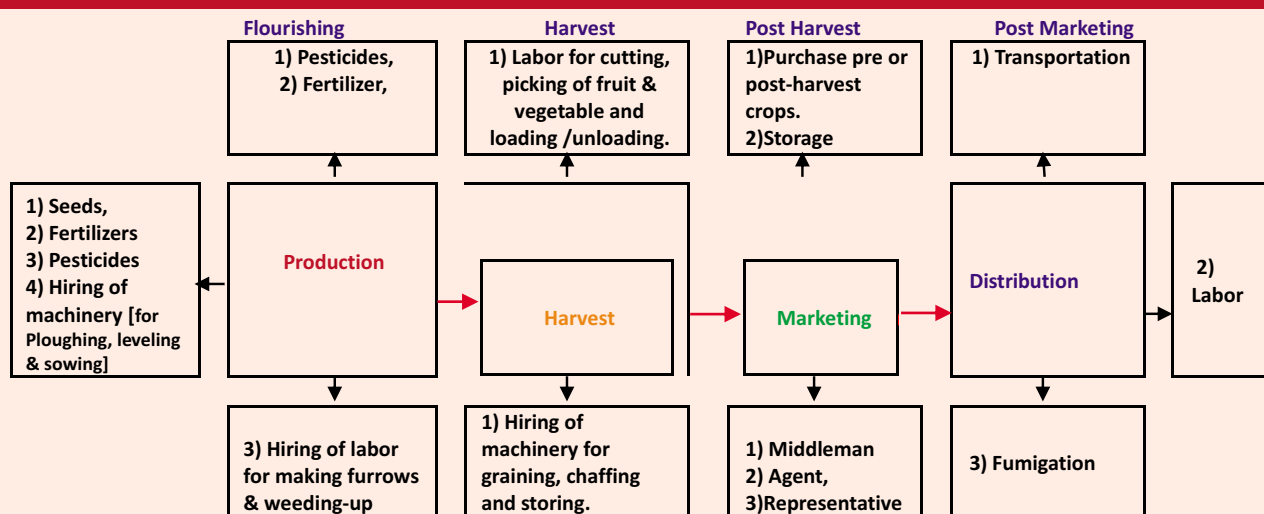
In Rawalpindi region and other Pothohar Plateau (Rainfed areas), this model, in addition to mini dam facility, would be very successful. There are millions of small farmers in arid areas but very few of them are entrepreneurs. There is a possibility of as many start-ups as many numbers of villages in a plateau. The start-up would surely be successful if rightly addressed to challenges of farming business.

Livestock: This sub-sector has a 60.4% share in agriculture and contributing 11.2% towards GDP. Pakistan is ranked 4th in milk production worldwide after China, India, and the USA. There are over 30 million people of 8 million rural families stapled with livestock business. This sub-sector, having rural orientation, is also not formal. Multi-million start-ups are required in the following areas of this sector;

Breeding and hatchery: There is good scope in the breeding of animals and chicken hatching. The hatchery is a formal business but there is a huge gap in animal husbandry. Formal start-ups are needed with new ideas and marketing to expand this business.

Farming: Poultry farming (with 8% growth and world's 11 major poultry produce), dairy farming (4th largest milk producer but importing \$235 million milk and cream for infants), Calve fattening, cattle farming and Ostrich farming (the only way to mitigate meat production in the 21st century).

Farming Activities Flow Chart and requirements of sources for these activities



Marketing of livestock s' products: Livestock products include meat, beef, leather, eggs, milk, milk products, hides, skins, and wool, etc.

Animal feed: There are formal departmental stores for pets feed in America and other advanced countries, however, in Pakistan, few such businesses have emerged exclusively selling feed to 40 m buffalos, 47.8 m cattle, 76.1 m goats, 30.9 m sheep, 1.1 m camels, and 5.4 masses. There is a great potential for a start-up with a new idea or product. There is a severe competition among formal businesses to sell the feed and medicines to 1.321 billion poultry. No start-up is possible.

One day peak business: Livestock, animals only, creates a business to the tune of Rs. 4 billion on the eve of Eid-ul-Azha. Cattle farming may be a very successful business to tap this opportunity.

3) What is the strategy for a successful start-up?

Following are the step-by-step parts of the strategy for start-up after the decision of choosing a business in service, industrial or agriculture sector on the bases of professional expertise, indigenous business expertise or capital availability model;

- o **Consultation with Experts:** Intended founder entrepreneurs should consult with the persons already in the same line of business, especially the latter one.
- o **Prefeasibility Study:** Engage the consultant for pre-feasibility study to know the market prospective of product or service, cost of production, price, availability of labor and raw material, financial viability & risk associated, etc.
- o **Financial Planning:** Arrange the funds according to the feasibility study.
- o **Business Plan:** This is an implementation phase of the feasibility study. Planning, organizing, staffing, leading, & controlling are the major parts of the plan.
- o **Business Expansion strategies:** Business expansion strategies to avoid product life cycle or just for the sake of expansion through diversification.

4) What are the characteristics of a successful start-up or avoiding start-up failure?

- a) **Before establishing start-up:** Effective strategy need to be adopted as mentioned above. Secondly, establishing a startup during the period of economic depression is not recommended. Thirdly, there should be back-up working capital on the bases of the sensitivity of product to avoid startup failure such as near expiry product; redundant products; long expiry products, etc.

About 20% of total investment, is required if startup relates to near expiry products like a restaurant, tuck shop, vegetable, dairy products, short expiry medicines or bakery, etc. Similarly, products like textbooks, grains, seasonal garments, and computer technology need working capital up to 30% of initial investment when redundancy falls due within, maximum, two years. On the other hand, long expiry products like steel, hardware, furniture, long expiry medicines, etc need 10% to 15% back-up working capital. More than 50% WC is required if the startup is meant to supply the goods to Giant Corporations or government departments. These entities stretch the receivable o

up to months. Sufficient brainstorming in other startups is required to forecast the volume of funds required to bailout the start-up to avoid the risk of failure.

Furthermore, before the startup, contract with suppliers for replacement of expired, near expiry and redundant products be made, if possible, in addition to insurance of stocks in transit to compensation the breakage and damages.

The phase of the trade cycle is very important for a startup. Never adventure at the time of the depression phase when the economy is rapidly decreasing globally. The best time is when recovery phase starts. Government policies play an important role for all start-ups. Low-interest rate, low inflation, and low taxation policy always support the business start-ups.

b) During the operations of Startup:

- o Ensure personal involvement in all financial, administrative, and marketing activities, at least, for one year with the intention to learn the business process flow difficulties.
- o Create teamwork with employees, partner or both that will give the guarantee of success.
- o Start delegating operational activities step by step and move towards strategic level.
- o Lead the team at a strategic level and study the reports for decision-making.
- o Adopt the participative style of management and award with the incentive to the employee on achievements, is better strategy for start-up.
- o Engage a consultant to respond to all legal matters required by the different regulators including FBR, Custom, EOBI and Social Security institutions, etc.
- o Prioritize your focus to marketing, finding best HR, finances and then operations. Never try to be an Accountant, the tax consultant & lawyer at the time.
- o Create the culture of monthly and quarterly closing of accounts and study the reports to access the direction of the business for the next action plan for correction/improvement.
- o Try to retain the receivables at the optimum lower level to avoid this major start-up killer.
- o Adopt the market contemporary paradigms at earliest.

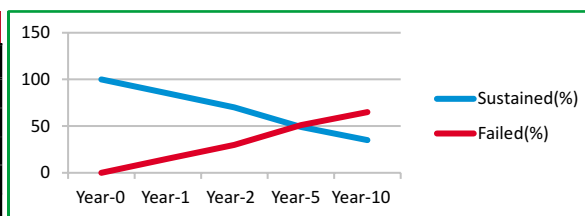
c) After sustainability:

- o Product and service have some life cycle. We have seen too many business flourishing and dying. For example, video shops, audio shops, Public call office (PCO), wristwatch, and computer learning houses, etc. Always be vigilant to choose the alternate business.
- o To avoid the beyond maturity phase of product/service life cycle, select one of three or any combination of three strategies for business expansion as product development, market development, or diversification.
- o Travel throughout Pakistan or aboard in search of new ideas, market, or product, etc.

5) How does a startup business fail?

This topic needs a comprehensive separate article due to multifarious dimensions including failure in the type of

Restaurant Start-Ups			General Start-Ups			
Period	Sustained(%)	Failure	Sustained(%)		Failure	
Year-0	100	0	Y0	100%	Y1	80%
Year-1	85	15	Y1	80%	Y2	70%
Year-2	70	30	Y3	70%	Y4	62%
Year-5	49	51	Y4	62%	Y5	56%
Year-10	35	65	Y5	56%	Y10	20%



industry, gender, region, experience, literacy, age of founders, sector, marketing style, etc.

Business failure risk is the chance when actual performance of investment may differ than expectation. This includes the probability of losing some or all of the original investment of start-up during first 10 years. Following are the risks that erode up 80% of start-ups during the first 10 years of life;

a) Entity Failure risk:

- o **Timings Risk:** Right investment at the wrong time when there is a downturn in the economy due to global depression or incorrect government policies.
- o **Financial Risk:** When there are no back-up funds to meet debt servicing, operational cost, payables, and salaries, etc.
- o **Management Risk:** This major risk can eliminate the entity from the market while badly planning operational, financial, and marketing activities.

b) Market Failure Risk:

- o **Credit Failure:** When the start-up fails in time realization of debtors from the giant companies or bailout partner's miss-commitment. Credit risk is a big business start-up killer, especially in the construction industry.
- o **Inflation and interest risk:** Both are extremely fatal when they have a rising trend. Both will increase the cost of doing business and reduce the potency to replenish of stocks.

c) National Failure Risk:

- o **Political risk:** Political decisions are other biggest killers of the entire business including start-ups. Most prominent wrong decisions are devaluation, policy rates, duties on imports, embargoes, political unrests, non-business friendly attitude, and lodging war, etc.
- o **Industry risk:** When the economy as a whole is performing poorly. One sector, especially agriculture sector, may drag down the others. It will not affect only the mature business community but also the start-up founders.

d) Technological Risk:

This type of risk may grind down any mature or founder entrepreneur. New technology derives the older technology out of market whatever the stage of business. For example, computer has driven typewriter out of the market. All the founder entrepreneurs should be vigilant while selecting the technology to be in use for a business venture in this rapidly changing technological era.

6) What is the role of Government / SMEDA to promote start-up?

Government, anywhere in the world, cannot finance much on start-ups except to create a business-friendly environment. Government has placed SMEDA for this task, which is doing an excellent job to produce eco-system to promote the businesses, especially, start-ups. The most popular way to promote idea is the financial support of ANGLE investors like in America and other advanced countries. The government should chalk out some encouraging policies for giant Pakistani investors to play the role of Angle investors. Chamber of Commerce and SMEDA can link up both brainchild (idea) with ANGLE investor. Here are the few examples of ANGLE investors who finance the disruptive ideas and made \$ billion out of it.

Disruptive idea by	Disruptive Product	Angel Investor	Investment (\$)
Mark Zuckerberg	Facebook	Peter Thiel	500,000
Thomas Edison	Blub and other 1082 products	J.P. Morgan (A banker)	Through Bank
Larry page & Segey Brin	Google	Andy Bechtolsheim	100,000
Martin Cooper	Cell Phone	Motorola company	Motorola Company. Martin was a researcher in the Company

Conclusion:

Pakistan is among top 20 resilience nations in the world ranking. It is the responsibility of professionals like CMAs, CAs, Engineers, doctors and IT to take initiative to translate the unique idea into a disruptive invention. Who will give a call to ANGLE investor to materialize the idea? See how people observe the problems in society and generate the idea for a disruptive invention for start-up of business. Some new idea to be materialized soon - food for thought for our professionals.

References:

- **OrCam MyMe:** A digital camera, sitting at color or in the pocket, to recognize the names of thousands of employees/acquaintance to address the problem of CEO of big company or a social worker having thousands of people in loop.
- **Li-Fi:** Light Fidelity, electromagnetic waves, to replace conventional Wi-Fi creating problems to multi-million users.
- **CleanseBot.** It is a tiny cleaning robot, which disinfects bed from unwanted pathogens, especially bacteria to replace the problems related to toxic spray culture prevailing for centuries.
- (All data was collected from Economic Surveys, Business Recorders, Websites of SBP, PSB and UN, etc)

About the Author: The writer is a fellow member of ICMA Pakistan and is currently serving as CEO at Mazhar Mahmood & Company, Rawalpindi. He had served as GM Finance at NFRD - Business Incubation Center of 8 commercial units; Zonal Manager Accounts at Muller & Phipps Pakistan (Pvt) Ltd. and Chief Accountant at Kaghan Brick Works Ltd.



Innovation Start-ups

Hard cash is a very sensitive and a delicate commodity. The safer you keep it the faster it losses worth. To maintain real value, it is necessary that it must move, changes hands, remains in circulation, converts its shape into different products specially for value addition... gets into commercial activities.

Business is a vast terminology as it encompasses trading, manufacturing, dealing, marketing, trafficking, growing agricultural items and others. Basically it is an entity or an organization that uses economic resources and other factors of production to provide goods and services to users for their satisfaction.

Business is there since time immemorial. However with the passage of time, improvement for better services continued and lately the very core concepts of Demand and Supply, Customer is King, reduce price to boost sale, cheapest items sell fast etc. have all gone at the back or at least not matters a lot for the real champions in the field. Look around the global money giants like Amazon, Pepsi, Google, Apple, J.P Morgan, Walmart, Toyota, Exxon, ... who attract customers not through business principles but through INNOVATIONS ... change, revolution, transformation, upheaval...

Unfortunately we generally believe and still conduct business practices under the same umbrella of tradition and primitive methodology and approach.

Some facets speak for themselves...

- Our wheat produce is around 2300 Kgs per hectare when Australia get around 4000 kgs and Ukraine 7100 Kgs.
- Our cows produce 8/9 liters milk per day when Australian cows give around 30 liters and swiss brown cows upto 60 liters.
- Our cotton produce is around 650 Kgs lint per hectare against China at 1750 and Turkey 1650. We also don't produce long staple quality fiber.
- Our GDP is US \$305 billion when GDP of Japan is US\$ 4.87 trillion and UK at US\$ 2.62 trillion in spite of the fact that we are blessed with far more natural resources compared to these two nations.

- Our per capita income is US\$ 1500 per annum when Malaysia has US\$ 28500 and Switzerland US\$ 80,000/-

Above are only a few eye-opening comparison giving us an awakening call with tons of proves that our business style has some serious problem. This could be looked at with both negative and positive ways.

Negative ... we are doing very poor. We can't improve.

Positive ... Oh, there is a lot of room for improvement. Let us start with better ideas and improved methods.

We have already reached a stage where we have no option but to proceed with professionalism to bring about changes for improvement / betterment with a new mind set of...

- to do the impossible
- to see which is not there
- to see beyond the horizon
- to not ask for the moon but for the sun
- to only look for the better change
- to treat the profit only as a by-product
- if they can do it why can't we.

Above may sound funny or somewhat impossible but we can achieve all this being the world's fourth smartest people and ours a nuclear power. On the other hand, people in the world have been doing all such impossible things. We all know the progress story of Alibaba of China who during 2018 at the occasion of Singles Day made a sale of one billion dollars in the first 90 seconds... similarly Bangladesh grow cotton only to meet its 8-9% of requirements but



Syed Shamim Ahmed, FCMA

its export of garments is US\$ 30 billion a year. Point is that we can easily achieve all these so called impossible with hard work, commitment, change and new ideas... innovative business start ups with professionalism.

Facets of business start ups could be discussed under following angles.

- Legal formation of Business ... may be setup as Sole Proprietorship, Partnership, Private Limited and Public Limited.
- Management of Business ... the process by which the operations of a business are administered through Planning, Organizing, Staffing, Leading, Directing, Controlling, Executing and all such efforts with the intention of accomplishing specific goals.
- Kind or Type of Business ... it covers the kinds of business one wishes to start i.e Agriculture, Industry, Trading, Services etc. Every type of business has its own parameters, its own problems, its own complexities and so on.

This is the facet of business we would like to cover as it is more challenging on one side and beneficial to the country on the other.

We are basically an agricultural country and majority of population is engaged in this sector but unfortunately this could not attract the attention it deserved. On the one hand, people from rural areas are moving to large cities and on the other hand could not develop as per its potential. Business start ups in this sector has many built in advantages....

- high range of natural resources
- great potential and chances of improvement due to primitive and old age traditional techniques still in practice.
- augment value addition
- help slowdown the craze of urbanization
- improve the living standard of majority
- expand export
- start small, medium or large size setups.

It may be noted that illustration through figures is made where needed to stress upon the point for better comprehension.

Value Addition:

The entire world trade revolves around this concept of value addition. A country may produce a lot but if its produce is not value added it cannot develop. Other countries will buy its produce, add value and make money.

Japan is known as a country with no natural resources; neither grow enough food for the majority of its population, yet it is a major exporting country for automobiles, consumer electronics, etc. nearly with imported raw material ... this is the way of doing business ... value addition.

It is always desirable that whatever we grow must be processed through stages and transformed into a finished product for the best use of end users. Majority of our population depends on agriculture. But instead of improving our production through modern techniques, increasing our yield, adding value to the raw material, our youth chose to shift to urban areas for petty jobs. During 1960 our agriculture sector was contributing 43% to GDP but it came down to 23% during 2017. Decline was mainly due to shift of work force to big cities for different jobs resulting that the service sector which was contributing 39% to GDP in 1960 increased to 53% 2017. This clearly indicates that a gap is lying there in agriculture for business set ups through innovation and modern ways for improvement. Just look at the potential where we are the 5th largest milk producing country but value addition is

just 5% through processing for cheese etc. similarly processed fruit account for only 6% . On the other hand, due to poor and old ways of storage, transportation, packing, picking etc. our losses to fruits and vegetables are from 20 to 40%. There is an opportunity on the one hand and our responsibility on the other hand to pay attention and invest in this sector not only for value addition but in agriculture machinery and equipment to boost up yield of every crop. It will automatically alleviate the penury level of our 40% plus population living below poverty line.



There is also great opportunity in the automobile sector. Every day 7500 motorcycles are added and yearly 2.3 million with an increase of 24% year to year. Deletion program is stuck up at 70%. Still at least 30% parts could be manufactured locally in addition to the spare parts requirement of this huge quantity. Cars have reached only 25% to 45% deletion in different brands. Yet another sector startup. While on the subject of value addition and innovation we may also see the better use of plastic bags which is a material of very slow deterioration process and remained a problematic product. India has recently developed a formula to use plastic bags in road building. Singapore is producing energy by burring it and also controlled the emission of carbon. We are planning to ban the use of these bags considering it impossible for any other usage while others found its possible utilization for benefits.

Cattle / Poultry/ Fish Farming

This sector has also great potential to bring improvement through putting things in right direction and applying better upgraded methods and equipment, hence a good area for startup of any size of business. Meat requirement is always on the increase. Livestock contribute 49% to agriculture sector and 11.4% to GDP. Its importance is second to none. Although a big population of 35-40 million are engaged in this sector get going static in small groups having 2/3 buffalos, 5/6 goats still providing around 35% of their income. Not only on export side but our local need is huge as our meat consumption is nearly 16 Kgs during a year where as developed countries consume around 75 Kgs. Poor supply kept the prices of meat high beyond the reach of common man. Global demand for meat increased from 70 million tons in 1960 to 330 million ton in 2017 and still on the increase, similarly milk demand was just 568 million ton in 2000 would reach expectedly 8700 million ton by 2020. Any size of investment can be made in calf breeding from 20 calves to say 100 calves. A calf of 8-9 months with a proper diet can gain weight from 90 kgs to 200 kgs in 4 months with 3 production cycles in a year. Similarly the milk production can be increased from 8-10 liters a day to 15 -18 liters with proper diet and good care in hot and cold weather. All this

shows the potential needs for improved method of business in cattle farming.

Poultry farming is a reasonably organized branch of agriculture sector, it caters for 30% of the meat production with 15,000 plus poultry forms around the country with a growth rate of 10-12% a year. Capacity of farm ranges from 5,000 to 5,00,000 boilers. Production of table eggs is increasing by 30% yearly with present produce of 17,500 million a year. Chicken meat getting popular due to price and preference over red meat for health reasons.

Fish farming is not receiving the required attention inspite of being a lucrative business, health friendly meat and great opportunity. We have a long coast line of over 820 km with rich marine resources. That remain to be developed. Our total fish catch is around 7-8 lac tons a year. This area has tremendous potential to grow but main problem being faced by sea fishing sector are pollution, over fishing and old methods. At in land side we are facing fresh water shortage. Various studies are under way for saline water fish farming, where irrigation command area exceed 11.1 million acres. Therefore prospective investors are to be encouraged for business start ups in profitable profession by (a) development of fish farming across the coast line (b) improvement of sea fishing equipment and fishing boats (c) initiating hatcheries and breeding fish farms of saline ground water. Remember sea food quantity is almost un-ending.

Low Cost Housing

Our population growth at 2% is the highest in the region. Similarly urbanization rate at 3% is also the highest in South Asia. These are as per official data where population of Karachi is 16 million but some say it is around 30 million which sound correct. We are at present over 200 million and urban population is stated to be 1/3rd. We in fact don't know as to what exact number of people in an area called urban. Anyhow with the present rate of urbanization the ratio may reach 50-50 in 7/8 years.

On the global scene also the urbanization is also on the increase. World's urban population is swelling at a speed of 155 human beings per minute creating a need of 50 houses same time.

All this means more houses. The requirement of low cost houses is far more than luxury houses for the simple reason that addition in urban areas is very high that of low middle class people who shift for reasons of better life style, better education and better medical care. Even in a city like London the people living in poverty has continued to rise with the growing population and now stands around 2.4 million. Similarly in New York around 20% people (1.7 million) are below the poverty line as per their definition that is US\$ 59,000 a year.

Point is the low cost housing has a great demand not only here but across the world. We have seen a property boom in our urban areas. Prices were jumping on daily basis at a time. A mushroom growth was there of multistoried apartments but mostly out of the reach of poor. Government is planning to build 5 million low cost houses to provide shelter to poor. This area has a great potential of start up with improved technology. It would not only help poor but generally reasonable profit beside creating more jobs and also to assist the allied industry.

Small Alternate Power Units

We are at present in dire need of electricity. Big investors in this field are minting money but smooth power supply especially for commercial use is still far from satisfactory. Resulting negative impact on the industry. Our installed capacity is around 33,000 MW which is not low compared to demand yet the distribution system and theft remained main problem coupled with high rate. We produce around 34% of hydro power the cheapest mode and

just around 5% from alternative sources viz solar and wind. Alternate small power producing units provide answer to our electricity problems. Innovative business start ups in these small units would cater for the need of small domestic consumers and the resulting savings thus made would be diverted to large consumers. Such investments could be made in (a) wind mills / turbines (b) solar power systems (c) whirlpool turbines.

The best wind corridor is in Gharo- Jhimpir in Sindh covering an area of 9700 sq.km and potential of wind power upto 43,000 MW, more than the total requirement of the country. This is for the commercial big investment. However, best suited areas for small domestic wind power units are the coastal area and for that matter anywhere in the country. Similarly solar power units of small size is the answer for domestic purpose. These two systems are a good alternate power suppliers depending upon the intensity of wind and day light and could reduce the burden on expensive traditional power supply. Business in this field could expand if run on installment basis like for motorcycle purchase.

The other alternate source of electric power is supply on small scale is whirlpool turbine with submersible generators. This is a cheap power supply system which is normally used in hills areas where water flows from upstream to down and also in rivers having latent power to move any mechanical part. As an indication one such turbine with 15 Kw may provide electricity to 60 houses on 24/7 basis.

Import Substitution

Heavy Import bill has put a huge burden on our already ailing economy. We import cotton worth US\$ 1.3 billion a year mainly from USA and import still increasing as our own cotton produce can't match the quality and required quantity. Our annual demand is 14 million bales against production of 11.5 million bales. Further, the imported cotton has a very low wastage rate and cost of machinery maintenance is also low. Similarly a lot of shoes, bicycles, household plastic items are imported. Not discussing the necessary imports like oil etc. Business startup with innovation, better production techniques and quality control has a great potential to reduce dependence on imports.

Cottage Industries

We have a lot of agriculture produce with majority of population living in rural areas leading their lives at low standard. They can easily be encouraged to involve in cottage industries. Some are already earning their livelihood through this sector. Our village populations have different expertise in one field or other depending upon the areas ...like carpets, textiles, embroidery, jewelry, cutlery, woodwork, sports goods etc. however they have meager resources to develop on large scale.

A good portion of global consumers have more attraction in hand made products. In different international trade fairs great interest is observed in such items and fetch better prices compared to machine made product.

Cottage industry has great potential especially for small scale investors to start with professional touch. This has a vast advantages on national level as (a) it is labour intensive (b) village women who normally are not encouraged to work outside their homes can contribute a lot (c) people may be employed in their home village reducing urbanization and (d) only local raw material is consumed.

Above are a few suggestions for business startups with professional approach for the benefits of not only investors but to the national as a whole.

About the Author: The author is a senior Fellow member of the Institute.





Entrepreneurial Passion A Startup Trap

In the world of entrepreneurship, enthusiastic founders often tumble ahead in pursuit of big ideas without adequate awareness or preparation. Eventually, they often land into hot waters due to unexamined assumptions and unpredicted risks. Personal, financial, and professional stakes of launching a new venture are often exceedingly high. Unfortunately, a significant gap exists between a high level of desire for gains from startups and what entrepreneurs actually achieve.

Most new businesses fail within a few years of launch. Even investor-backed startups presumably led by talented founders with better-than-average ideas fall short at remarkably high rates. And entrepreneurs who survive their first few years aren't necessarily swimming in bliss. The typical new business owner works long hours and endures greater stress to successfully establish his or her startup. Clearly, this is not the world of the fabled 4-Hour Workweek.

Entrepreneurial Passion “a double-edged sword”

Founders take the startup plunge for a dizzying array of reasons: to be free, to change the world, to launch a can't-miss product, to make buckets of money, to follow in Dad's



Sheraz Sarwar, ACMA

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footsteps, or to spend more time with the kids. Underneath it all beneath the endless variation, the unexpected turns, and the wide range of motivations a powerful force drives everything forward.

It is the force of passion

Entrepreneurial passion is more than an internal emotional state. With enough passion,



anything seems possible. Interestingly, passion is a force which can either push up or pull down your startup rocket not exactly an actionable formula you can take to the bank. Passion provides courage, energy, and optimism to propel you on your flight forward, but it also can blind and deafen you to helpful data and ideas. And it can lead you to believe that you're somehow immune to typical startup risks that wise founders have learned to respect and manage.



“Nine of ten people fail because their original concept is not viable,” John Osher, successful serial entrepreneur, and creator of hundreds of consumer products says. “They want to be in business so much that they often don't do the work they need to do ahead of time, so everything they do (going forward) is doomed her further elaborates.

What is Entrepreneurial passion trap & how it works?

The passion trap is a self-reinforcing spiral of beliefs, choices, and actions that lead to critical miscalculations and missteps, mistakes such as significantly underestimating what is required to get a business off the ground and rigidly adhering to a failing strategy until it's too late to recover. Passion trap tends to operate at a subconscious or unconscious level so we're often not aware that these cognitive biases or these filters are at work, and we actually believe that the world or the marketplace is confirming our thesis about the business. Passionate business owners show boldness, commitment, and clarity of purpose, however, when an entrepreneur becomes too emotionally attached to an idea, boldness can be transformed into arrogance and commitment narrows into a kind of tunnel vision. Like a termite-infested home, the seemingly solid startup is eaten from within.

Six Negative Impacts of Entrepreneurial Passion

1. Misfit Founder

More often than not, over passionate startup founders fail to honestly assess how well their capabilities and motivations match up with what it will take to successfully launch their idea. They end up floundering in an ill-suited role, and the idea doesn't get the right mix of talent around it to drive success.

The more passionate the founder, the more likely he or she will drift toward one of two extremes. At one end are founders who

focus only on what they love to do, thereby neglecting other important areas of the business. At the other extreme are founders who try to do it all, taking on roles that don't fit expectations and reality are not aligned, new founders can be overwhelmed with unnecessary stress, fatigue, and guilt.

2. Missing the market nerves

One of the most common by-products of entrepreneurial passion is the founder's certain assumption that customer demand is high when, in fact, little or none exists. We need to adhere to a simple principle: an idea isn't great until the market says it is. Believe if you don't have a market to sell, collapse is definite. Even there is demand, we believe so much in ourselves that we don't bother about existing market players.

3. Rosy business plan (or no plan at all)

Passion-trapped entrepreneurs are unrealistically optimistic. More often than not, a strong belief in an idea or high passion leads to overly rosy projections on the part of the founding team. It's very typical to over-estimate early sales and underestimate costs and timelines. This leads to cash crises that consume and distract founders at the worst possible moment.

Although passion can lead to over-optimistic planning, a surprising number of fast-moving founders avoid planning altogether. They plunge forward and manage by feel, without an accurate read on where the business stands.

4. All eggs in one basket

Over-confident founders sometimes put the bulk of their resources into a single business strategy, essentially putting all of their eggs in one basket, rather than preserving flexibility to experiment and iterating their way to profitability. As the future is uncertain, even the rigorously planned startups based on thorough market research may face failures.

5. Reality Distortion

Often founding teams get trapped inside a “feel-good bubble,” where bad news is avoided or glossed over, and tough issues are rarely tackled. Everyone's drinking the same Kool-Aid, even as the venture is heading toward the edge of a cliff. Steve Jobs' NeXT Computers collapse is a classic example of how reality distortion can cripple your startup.

6. Vanishing resources

The first five negative impacts all increase the likelihood that a new entrepreneur will run out of cash, time, support, or personal will before he or she can find an adequate revenue stream leading collapse of your startup empire. Running out of cash during the early phases of startup is one of the major reasons for business failures.

Who is most vulnerable to passion trap?

No one, not even the seasoned entrepreneur, is immune to the dangers of the passion trap. You might remember Icarus from Greek Mythology who flew too close to the sun. That said, there are a few entrepreneurial qualities that seem to predispose a person to the dangers of unchecked passion. These traits represent entrepreneurial strengths, up to a point. But, when present at extreme levels, these traits can represent too much of a good thing.

Confidence or Optimism: Confidence is clearly a signature trait in successful entrepreneurs. But at extreme levels, over-confidence can morph into a kind of arrogance, where entrepreneurs believe they can do no wrong, or that their venture is exempt from the basic laws of commerce that govern every business.

Independence: To be successful, entrepreneurs sometimes need to stand apart from the herd, and in fact many people who want to start their own business dream of “being their own boss” And, when passion takes over, entrepreneurs with an extreme independent streak can shut themselves off from vital sources of help and support.

Focus: This is also an essential quality for entrepreneurs. The ability to execute, to get things done, is what separates the world's achievers from those who merely dream. But, when trapped by passion, highly focused founders can become married to an inflexible strategy rather than iterating and adapting their plan based on new data and learning.

Early Warning Signs of passion trap

- ◆ Losing patience with people who point out risks or shortcomings in your plan
- ◆ Thinking or saying, “This is a sure thing!”
- ◆ Measuring your startup's progress by how good you feel
- ◆ Assuming that you are entering a space with little or no competition
- ◆ Hearing great “buzz” but finding few (or no) paying customers
- ◆ Counting on high levels of immediate revenue to avoid financial problems

Getting most from Entrepreneurial passion

Avoiding the passion trap does NOT require that you diminish your enthusiasm for your idea. Key principles for doing this include:

- a) Ready yourself as a founder. Be clear about what is motivating you, and where your strengths are, relative to what your business requires. Be honest with yourself about your gaps and get help to shore up those areas.
- b) Develop a market orientation. Passion is an inner phenomenon, but all great ventures are rooted outside the



founder, in the marketplace. Work to understand your customers and allow your venture to be shaped from the outside in.

- c) Do the math. Apply the appropriate planning and rigor to ensure your idea is viable economically. This usually doesn't require a detailed spreadsheet, but it does require a realistic look at sales, costs, margins, etc.
- d) Stay flexible. Treat your new venture as an experiment in which learning is more important, early on than profits.
- e) Cultivate candor. Stay close to people who will tell you the truth, without regard to how it makes you feel.
- f) Stay in the game. Staying power is usually what differentiates startup success from failure because it gives the above principles time to work.

Entrepreneurial passion is more than an internal emotional state. With enough passion, anything seems possible

Google, Microsoft, and Apple were not the first ideas of their founders. If you can allow your venture to be shaped by the marketplace over time, you will likely discover a much greater potential than you could ever have sketched out in advance. Eventually, we need to understand that every new startup needs time to get off the ground.

Conclusion

If your startup lasts, you're lucky. You've been able to do something that 90 percent of new businesses haven't. Even though there's a lot of luck involved in the success stories like Google and Facebook, there are more humble reasons why other startups succeed. They have a product that meets a need, they don't ignore anything, they don't let their passion to control them, and they recover from the hard-knock startup life.

About the Author: The writer is an Associate member of ICMA Pakistan and CIMA-UK. He is currently working as Financial Controller in DIC Pakistan Limited (a member company of Packages Group) since year 2010.





Diversified Professionals Required for Business Startups

Before starting a new business, seeking advice from a business or finance expert may help in guiding the right lines and curtailing financial issues. A business expert or financial professional, in the light of his experience, can be fulfilled in starting a new business and curtailing financial bottlenecks that may occur in future. Genuine professionals demand high payments but if the entrepreneur is a bit sensible, he would not mind the high payment because well-experienced advisor and financial professional can protect from big and expensive mistakes. Prior to initiate a new business correct advice and information are of paramount importance.

Generally, prior to starting a new business, different workers for different jobs and departments are needed to be hired to undertake various responsibilities. If the workers of a specific line are highly efficient but less efficient in other departments, the business can't be successful. It is, therefore, needed that the head of every line of a job should be a well-experienced professional.

When a business begins to grow, it is not sufficient only to hire the professionals but it should also be thought that what would be their role in business. If a large number of salespersons are

hired for big concern, they alone can't give the boost to the business therefore, it is needed that a support team of professionals should be hired for different stages and departments of the business.

The professionals required for different jobs are mentioned here:



Prof. Saeed Ahmad Siddiqui

1. Marketing Professional:

No goods or service can be sold in the modern time's without publicity so it is said that "producing an item is easy but difficult to sell". The sale depends on marketing. Buyers can't be motivated to buy by using slogans or sending e-mails or placing banners. Marketing is an art not known by every entrepreneur. Though every business needs publicity, however, a company



selling goods or service requires direct contact with buyers for motivation purpose. Hence, they need professional publicity makers or salesmen who not only have the capacity to publicize but have vast experience in long-term marketing strategy.

Press and public relations professionals can help a lot in this behalf depending upon the item in which the company deals. For publicizing the name of the company and its products to new buyers and exploring new horizons of sale, there is a need to use the medium of newspapers, business journals and business conferences. These tasks can be performed efficiently by hiring marketing professionals who with his experience and acquaintance with publicity techniques can help the company to market product and service effectively in target buyers.

2. HR Professional:

In a small business concern where one or two workers are hired, there is no issue of optimum allocation and use of scarce resources and also the owner of a business do not find any difficulty in maintaining records of payments of wages and receipts. However, in a growing and expanding business where 40 or more persons are hired, the area of activities and responsibilities also expands and becomes complex. Hence, there is need for hiring an HR professional to keep a record of employees and other HR matters.

3. IT Professional:

It is important that the owner of a business startup must be 'computer literate' to run the business in its initial stage. However, when the business expands, it would be difficult for him to deal with technical issues with limited know-how of computer. There would, therefore, be the need for hiring the services of an IT expert. The days have gone when the business accounts used to be maintained in 'Bahi-Khata' (books of accounting). Now, transactions are recorded on computers and a

wrong click on keyboard of computer may cause huge losses to any business. To avoid such loss and to save precious time of entrepreneurs, IT professionals must be hired.

Even if many computer operators are working in a business organization nevertheless, when the computer team also expands with the expansion of the business organization, there should be someone who should have professional skill in installing the new computers, setting the e-mails and assembling some information and data at a central point.

4. Finance Professional:

It is quite possible that the hired accountant may be professional in his job but it does not happen always. Small business startup mostly operated by a solo-entrepreneur can easily get away by using a simplified version of the accounting process in certain software systems. However, as the business grows and expands in volume, it goes beyond the control of non-professional accountant to deal with books of accounting. It is, therefore imperative to hire the services of a professional accountant for this purpose. If the hired accountant is an expert in his job, he can complete the day-to-day complex transactions within minimum possible time and can keep the business free from financial complexities. It should be kept in view that the professional accountants are not available with low payments but the time that will be saved due to his expertise, is more expensive than the high payments made to professional accountants. He can also help the growing business by tackling issues like taxation, filling-up business-related forms, recording payments and analyzing profit and loss, etc.

Conclusion

The initiator of a startup may be capable to undertake minor jobs like cleaning, spraying, or even repairing some parts of a machine at the initial stage, however when business expands, all these jobs can't be done single-handed. Especially, when the business is related to rapid sales or big stocks of goods then for discharging such jobs in an efficient manner, it is needed to hire services of specialized staff and professionals. You cannot go along with 'jack of all trade' kind of employees. To make the startup successful, it is important that you must hire professionals.

About the Author: Prof. Saeed Ahmad Siddiqui is the most senior faculty member of ICMA Pakistan and teaching 'economics' since last forty years at Karachi Campus.





Inclination of CMAs towards Startups

By Research and Publications Directorate, ICMA Pakistan

Preamble

Becoming an 'entrepreneur' is the aspiration of every individual. The path of entrepreneurship is not so easy; it is full of risks and uncertainties. Statistics reveal that 90% of startups fail. Despite this fact, entrepreneurship remains an enticing career path for all and the professional accountants, including CMAs, are not an exception. The people who enter the domain of startups often transform challenges into successes by dint of their hard work, perseverance, creative skills and innovations. Many of the startup entrepreneurs in the world today are considered the role models for others such as Bill Gates, Steve Jobs, Walt Disney etc.

Survey Objective

Now-a-days many educational institutions and Business schools in Pakistan have started entrepreneurship programs and courses for skill development and job creation in order to bring innovation in the society. It is for the first time that ICMA Pakistan has stepped forward to play its part as a professional Institute to inspire the members community to become successful entrepreneurs. The launch of this survey is a part of this effort and intended to assess initially the mindset of our members as to what they think about entrepreneurship; whether they have started a startup and in what sectors; and if not, what hindrances they are facing in this regard. In a nutshell, the primary motive of this survey is to see the inclination of members towards entrepreneurship.

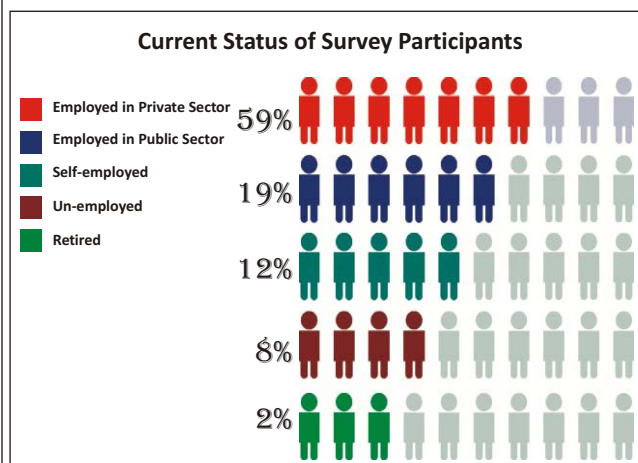
Survey Methodology

The feedback survey questionnaire was uploaded on Institute's website on 20th July 2019 with connecting link to Google Drive to provide an opportunity to the participants to submit responses online. The members were also sent emails and SMS with short link of survey to provide their input online from their mobile devices. The deadline for filling-up the online survey was 15th August 2019.

Demographic Profile of Respondents

The R&P Department received total 156 online responses from the members of ICMA Pakistan, out of which 8 responses were considered invalid due to various reasons e.g. repeated submissions by one participant; incomplete submissions etc. As far as demography is concerned, majority of responses came from members based at Karachi (39%); followed by Lahore (24%); Islamabad/RWP (17%); Multan and Faisalabad (3% each); other smaller cities (8%) and overseas (7%) mostly from UAE and Saudi Arabia.

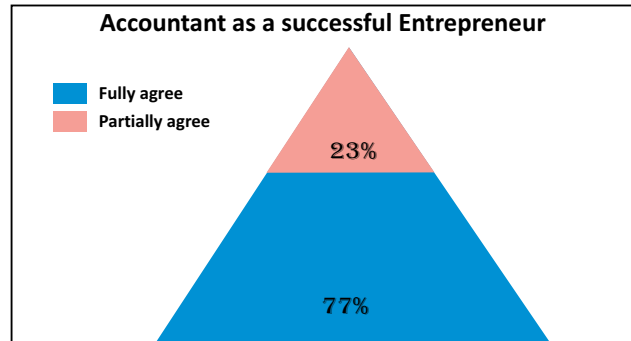
The current status of the respondents reveals that majority of them i.e. 59% are employed in the private sector organizations whereas 19% are working in public sector entities. Furthermore, 12% are self-employed; 8% unemployed and 2% are retired members of the Institute.



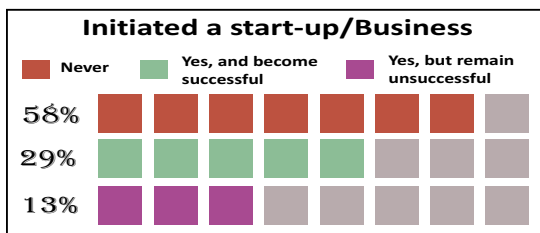
Survey Results

100% members believe a 'professional accountant' can become a successful entrepreneur

There is a general perception that entrepreneurship is the realm of business people and industrialists; however, global trend indicates that a good number of 'business startups' are owned by professionals of different fields, including the accountants. One of the questions that was asked from members was whether they think that a 'professional accountant' can become a successful entrepreneur. Almost all the members have responded in affirmative i.e. 77% fully endorse this statement whereas 23% have partially agreed. The high response rate to this question signifies a vivid inclination of the members of ICMA Pakistan towards business startups; however; as other results of this survey reveals; there are many factors which restricts the members to move into the domain of entrepreneurship.



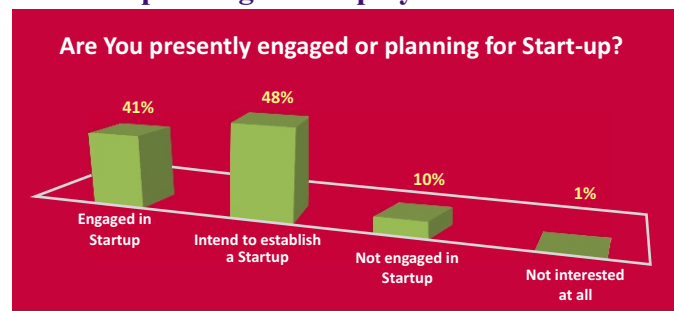
42% members founded 'startups' and only 29% became successful



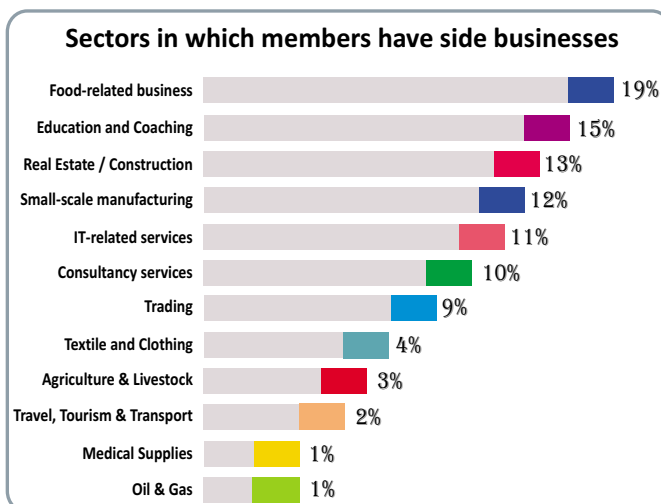
The members participating in the survey were enquired as to whether they initiated any startup or business in the past. Around 58% of members responded in negative whereas 42% said that they did venture into forming a startup or business concern; however only 29% of such members survived the business and market challenges and now running business successfully. About 13% of initiators finally ended into business failure due to various reasons.

89% CMAs engaged or planning to establish startups alongside employment

Another related question put to members in the survey was whether they are presently engaged or planning for any startup or business alongside their employment. Almost 41% members said that they are engaged in business setup whereas 48% have shown intention to initiate a startup in the near future. It seems that these CMAs, aspiring to become entrepreneurs, are presently in the process of mobilizing sources of funding for startups. Only 10% of the respondents are of the view that they are presently neither engaged nor planning such venture in future.



80% CMAs are having side businesses in food-sector, education, real estate, small-scale manufacturing, IT-related services and consultancy services



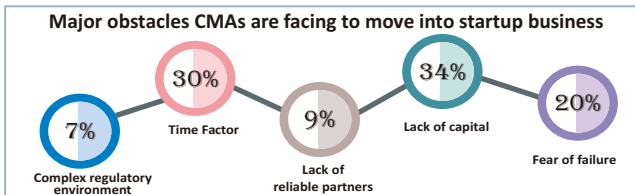
One survey question was targeted to those CMAs who, along with their employment, are also engaged in some kind of business or startup and for this purpose options of different businesses were also provided in the survey. The outcome to this question indicates that such members are involved in diversified businesses; however, the most preferred sectors, based on percentages of responses received from the members, are outlined below:

- eFood-related business (19%)
- Education and Coaching (15%)
- Real Estate and Construction (13%)
- Small-scale manufacturing (12%)
- IT-related services (11%)
- Consultancy services (10%)

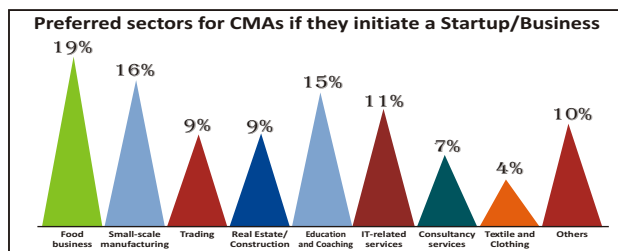
The other miscellaneous sectors of activities in which the members are engaged in include trading (9%); textile and clothing (4%); agriculture & livestock (3%); travel, tourism & transport (2%) and others (2%).

84% CMAs terms lack of time, capital and fear as key reasons for not initiating startups

This question was targeted to those members who are in employment or practice and eager to start a small business or startup but could not do so due to various reasons. They were enquired about the top most obstacle that restrains them to establish a business. The responses indicate that there are three main hindrances that are restricting the CMAs which are lack of capital (34%); lack of time (30%) and fear of failure (20%).



61% CMAs prefer to initiate startups in food sector, education, small manufacturing and IT

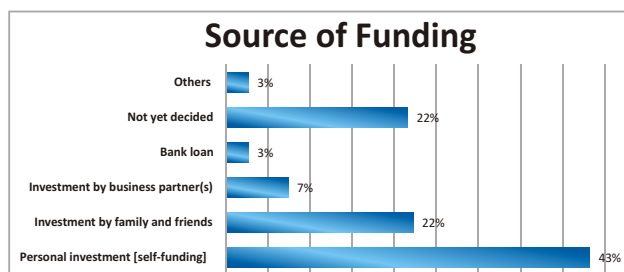


One survey question enquired from members, aspiring to set-up their own business in future as to which sector they could prefer the most to venture into. Around 61% of the respondents have identified four major sectors viz. food business (19%); small-scale manufacturing (16%); education and coaching (15%) and IT-related services (11%). The other preferred sectors that were highlighted by the members in the survey include trading (9%); real estate and construction (9%); consultancy services (7%) and textile and clothing (4%).

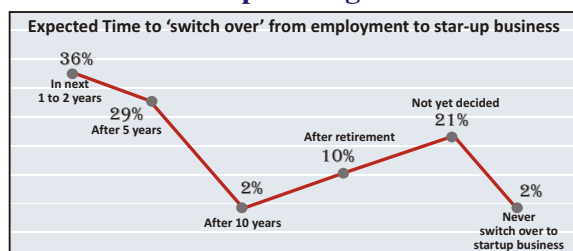
43% CMAs prefer self-funding to start a business in future

A business without a funding source will flounder under the weight of its own debt. Funding is the fuel on which a business run. A business can take different avenues to attain funding, and more than one option can be used. To assess the members' perception about the source of funding, the survey respondents were asked as to what will be the preferred source of funding in case, they go for establishing a 'startup'.

Around 43% of members participating in the survey have indicated their preference of 'self-funding' or personal investment in case they initiate any startup or small business in future. Almost 22% of the members have inclination to utilize the funds or seed money that they can obtain from the family and friends, whereas equal percentage of respondents (22%) are still undecided about the source of their proposed funding in startup.



36% CMAs planning to move to startup business in next 1 to 2 years; 29% after 5 years



One survey question was aimed at knowing the mindset of members about the possible time-frame for switching from employment to business startup. For this purpose, the members were asked to choose from the various options. The responses to this question indicate that almost 36% of members [who participated in the survey] are planning to move into startup business in next 1 to 2 years; whereas 29% are thinking to initiate startups after five years. Around 21% members are not yet decided as to when they would be able to start a business whereas 10% said that they would do so after retirement.

100% CMAs think ICMA Pakistan should play a role to help them initiate startups

All the members participating in the survey are of the view that ICMA Pakistan should play a role in helping them out in entering into the domain of startup business. Majority of the members have suggested that ICMA Pakistan should take the following initiatives in this regard:

- (1) Organize training programs on 'entrepreneurship skills' on a regular basis
- (2) Invite a prominent entrepreneur for lecture at the Institute
- (3) Initiate a 'Diploma Course' on entrepreneurship similar to other diplomas

- (4) Establish partnerships with Chambers, Business Schools and other stakeholders

The road to entrepreneurship is often a treacherous one, filled with unexpected roadblocks and dead ends. There are lots of sleepless nights, plans that don't work out. It takes courage, risk; well defined road map, funds, new ideas, innovation to start a new business. Notwithstanding these hardships, the professional accountants, especially CMAs, can embark on the journey to startups business and finally succeed to become a role model.

DISCLAIMER: The views expressed by the survey participants do not necessarily reflect the official viewpoint of the Institute of Cost and Management Accountants of Pakistan (ICMA Pakistan).





Challenges facing the profession in Asia Pacific

Some of the earliest known writings discovered by archaeologists are accounts of ancient tax records on clay tablets from Egypt and Mesopotamia dating back as early as 3300 to 2000 BC.¹

For as long as civilisations have been engaging in trade or organised systems of government, methods of record keeping, accounting, and accounting tools have been developed out of the need to record trade and business transactions.

As companies flourished and developed, spurred on by the industrial revolution in Europe and the United States, shareowners, bondholders, bankers and others who had a vested interest in a company's results were created. The demand for reliable accountancy and the need for more advanced cost accounting systems soared, and the profession rapidly became an integral part of business and financial systems.

This rising public status of accountants helped to transform accounting, and from this the accountancy profession emerged.

Fast-forward to today, and it is recognised that a strong accountancy profession continues to lie at the heart of any thriving or stable economy. What has changed is how the world now operates. The confluence of globalisation, the gravitational pull of the global economic centre towards the East led by China, India and Japan, and industrial revolution 4.0 means that Asia Pacific is uniquely positioned for the future.

According to *Accountancy in Asia-Pacific*, the accountancy market in the region had a compound annual growth rate of a whopping 7.2% in a span of just 4 years between 2011 and 2015.²

Asia Pacific is a region of contrasts, and its accountancy profession is no different. It is well developed in certain countries, emerging in others, including in some fast-growing economies, and in less developed countries has barely started its journey towards international standards.

So, what are the challenges that the accountancy profession today needs to face in Asia Pacific where 50% of the world's top 10 economies reside³ and especially in Asia, the fastest growing element. Some of these challenges are not new. What is new is the environment in which these challenges exist.

CAPA members identify the challenges

The Confederation of Asian and Pacific Accountants (CAPA) took a look at the challenges in June 2019 in Kuala Lumpur, Malaysia, during an interactive session for its members, whose professional accountancy organisations represent close to 2 million accountants in the world. The session gathered insights from 36 leaders and representatives from 26 organisations across 18 jurisdictions.

The challenges identified in the session, coupled with findings from other research, revealed four key themes, namely: Complexity and Markets the macro issues, and People and Reputation the issues for the profession to directly address.

Complexity

Impact of rapid technological changes

Technological advancement in the last two decades has been occurring at an astounding pace. According to CAPA's members, the impact of rapid technological changes is one of the 'top three' issues that keeps the profession awake at night.

The impact of digitisation has several facades for the accountant. On one side, development of technology and tools has changed the way in which work is done. For example, computer assisted audit techniques and tools (CAAT) have resulted in changes to the way audits are performed. In some instances, sampling sizes are now extended to 100 percent of accounting entries, something that was not possible in the days of manual audits. Assessment of application controls over computer-based accounting systems is now absolutely imperative. On development fronts, technologies such as Blockchain, Cloud Computing, Artificial Intelligence (AI) and Robotics Process Automation (RPA) have impacts on finance functions and systems. This gives rise to further challenges, including cyber security threats, though the benefits can outweigh the issues.

Another key challenge is the expansion of skill sets required by an accountant firstly, to understand what these developments are and how these impact their work; secondly, the need to train or retrain finance personnel to operate within this technological landscape; and thirdly, to have the ability to manage effective relationships with IT departments and staff.

Building on this, another side to the façade is the 'people' aspect and their ability to cope with these changing trends. Potentially, what is learnt and assessed in the first year of a 4-year education program may be obsolete by the end of the fourth year. It is therefore necessary for the accountant to adapt, adopt and manage the technological changes of today. The accountant also needs to be prepared for a future where there will be further technological progression.

Keeping abreast of regulatory requirements

With the advent of multinational business organisations, and oversight by public regulators or institutions charged with upholding overall public interest, it is inevitable that legislation, regulations, codes and standards arise. Together with large and robust financial and regulatory systems, both the quantity and complexity of rules and regulations have heightened in recent

years. A case in point is addressing tax avoidance in the form of the Organisation for Economic Co-operation and Development's (OECD's) Transfer Pricing guidelines first issued in 1995, with the latest edition in 2017; as well as the Base Erosion and Profits Shifting (BEPs) project by the OECD and G20. These developments have resulted in many transnational organisations seeking advice on how to best comply, with all eyes on the accountants to play a key advisory role.

In some jurisdictions, it may be challenging to meet deadlines for reporting (e.g. public interest entity announcements) or to deliver on services, and long working hours can become the norm for the profession. Coupled with heightened requirements and information needs especially after the corporate scandals in the past two decades the expectations of an accountant's role and responsibilities have increased. The professions' role in tackling fraud and corruption is also under debate and scrutiny. It is therefore not surprising that regulatory related issues were raised as a key concern by CAPA members, and most noticeably from those based in Asia.

Markets

Adapting to the rapidly growing economies in Asia

Based on the International Monetary Fund's Regional Economic Outlook: Asia Pacific published in October 2018, the region is very much at the forefront of global economic growth, accounting for more than 60 percent of world growth and projected to grow at 5.4 percent in 2019. The Asian Development Bank in its Asian Development Outlook 2019 (ADO 2019), highlighted India and China as the two fastest growing economies in developing Asia, which continue to post strong growth despite headwinds of softer global economic activity and prolonged trade tensions. The former country moving from a mainly agrarian economy, and the latter a centrally planned and closed economy, are both growing at exponential rates. China is an exporting platform for the world and India has the fastest growing services sector in the world.

The profession's role to rise to the call to support clients ranging from small and entrepreneurial businesses to large conglomerates is not an easy role to play. The growth rate of some businesses in Asia can be astounding and the profession must be able to keep pace.

Further, the rise of emerging industries, particularly in e-commerce like Alibaba, ride services like Uber or online marketplace and hospitality services such as Airbnb, present their own set of challenges for the profession as they challenge traditional brick-and-mortar business models with actual physical assets.

Changing client needs

Globalisation, digitisation, differing business structures and combinations, and the trend towards increased entrepreneurship, particularly start-ups with new innovative business ideas, have required the profession to reinvent and evolve. The traditional record keeping, 'bean-counting' profession has given way to the accountant as a business advisor. Services such as audit, assurance and tax may remain central to professional services firms, but other advisory services are now significant. The challenge to evolve to meet changing client needs was specifically flagged by our members in South Asia.

Sustainability and growth of the Small-and-Medium-sized Practices (SMPs)

SMPs continue to make up a large part of the profession worldwide, particularly in many of the developing countries in Asia. In many areas of the world, SMPs are believed to employ the majority of professional accountants working in practice, typically serving small-and medium-sized entities (SMEs).

Although there is no standard definition of what constitutes an SME, the Edinburgh Group research estimates that more than 95% of enterprises across the world are SMEs, accounting for approximately 60% of private sector employment and contributing significantly to countries' gross domestic product (GDP).

The sustainability and growth of the SMPs therefore have great bearings on SMEs which are crucial to the health, stability, and sustainability of economic growth for both developed and developing economies. However, the ability of SMPs to grow, sustain and keep abreast of developments in an ever-increasingly complex global marketplace, remains trying.

Demand for greater transparency and accountability in public sector financial management

CAPA is a strong proponent of the effective management of public finances known as public financial management (PFM). In one of CAPA's earlier publications, "Improving Financial Management in the Public Sector - The Eight Key Elements of PFM Success™", it was noted that PFM is fundamental to the development and growth of individual economies. Governments are responsible to their citizens and taxpayers for implementing effective systems of PFM and for utilising those systems to safeguard, and ultimately enhance, a country's economic sovereignty.

Governments and the public sector have come under increased scrutiny in recent years, perhaps due to the advent of the knowledge economy where information is now more accessible and available to the person on the street, who in turn have grown into being more sophisticated and informed users of information. Their expectation is for the public sector to deliver greater value and be more transparent and accountable in the management of finances. Reforms to PFM have been called for in some countries, with the aim of greater fiscal prudence, transparency and efficiency, including the strengthening of treasury functions, more systematic public investment planning and implementation, and the adoption of appropriate accounting and auditing standards.

Accountants therefore need to be able to understand the intricacies and specific needs of PFM and how to support their governments to do the right thing.

Given the unprecedented climate of change, the ensuing complexities, and an ever-evolving marketplace, the question is whether the profession in Asia and the Pacific is able to keep up. Can the profession meet these challenges? Can it be better prepared and further strengthened for future changes? And what are the immediate matters and challenges that stand in the way? We ponder these questions through two spectrums People and Reputation.

People

War for talent

A popular phrase coined by McKinsey & Co., and a book of the same name published by the Harvard Business Press in 2001, the 'war for talent' predicts that the crucial force that will make or break firms in the next two decades will be their ability (and mindset) to attract, develop, and retain managers (or employees) at all levels. Two decades on, the forecast has proven true. The war, to win the best and the brightest to the accountancy profession in an increasingly competitive landscape, continues to be very real today and especially so for a dynamic region, where choices are aplenty. For CAPA members, 'attracting and retaining talent' came up as another of the 'top three' issues affecting the profession in Asia Pacific. Interestingly, this was true for both developing and developed professions in the region.

Many studies have been undertaken to understand the expectations and needs of the 'millennials' and/or Generation Z. In fact, not too long ago, the challenge was to understand Generation Y who in the past decade have become the new leaders in the profession and in businesses. Organisations that were able to adapt and understand that the traditional styles of work, processes and benefits needed to be redefined and fine-tuned, thrived better than those that did not. Further, Asia Pacific is unique in that it harbours some of the world's youngest populations but is also home to some of the most aging populations, for example, Japan.⁴ Accordingly, human capital practices and processes need to acclimatise and evolve to meet the expectations and demands of the different modern-day workforces in the various nations. The question is whether the key employers of the accountancy profession are able to adapt and flourish based on these challenges.

Skills gaps

The skillsets and ability of talent in emerging Asia, which houses differing educational standards, may not be able to meet the needs arising from the speed of growth in some economies. For example, ADO 2019 noted that a number of recent surveys and studies show that investors and businesses in Cambodia are constrained by a widening gap between the skills the workforce possesses and those it needs. This could be said of the accountancy profession, which is trying to develop rapidly to meet the required needs.

A further example is Myanmar, one of Southeast Asia's fastest growing economies currently in the process of democratic transition. Recognising the critical role that the accountancy profession can play in attracting investment for sustainable growth, in April 2018 the International Federation of Accountants (IFAC) partnered with ACCA to commence its first accountancy capacity building project in Southeast Asia to assist the Myanmar Institute of Certified Public Accountants (MICPA) in its work to strengthen the profession in Myanmar. The Myanmar government's support of the project demonstrated the recognition that a sustainable professional accountancy organisation can act as the cornerstone of the profession in the country and contribute positively towards economic reforms.

Evolving roles in finance

The roles of finance leaders and accountants have changed. Expectations of accounting firms and their service offerings have changed. CAPA members underlined the heightened demand in the region for more 'specialist' skillsets as opposed to the more traditional 'generalist'.

Professional accountancy bodies are reacting and readying their members to deliver more value. By way of example, CPA Canada's Foresight: Reimagining The Profession initiative explores the drivers of change and reimagining how they will shape the future of the profession. CIMA's Future of Finance research has built a picture of what the finance function in a digital world looks like, and ACCA explores EQ (emotional quotient) in a digital age.

Further, with advancements in AI, accounting software and computerisation of rote processes, the profession's role has moved towards analysing and reporting on data. In fact, many finance departments have pivoted from cost centres to service centres and the finance heads or leaders have now taken on a more strategic role alongside the business leaders or CEOs.

Reputation

The professions' reputation has taken some hard knocks in the last two decades mainly due to the occurrence of some major corporate collapses, some involving malfeasance. While the blame cannot be solely placed on any one individual, firm or indeed the accountancy profession alone, the scandals and the

apparent failure to identify or report accounting anomalies have often left a sour taste in the minds of the public. Corporate scandals such as Enron, Worldcom, Freddie Mac, Satyam, Olympus, Toshiba and now Carillion have shocked the world and led to, or has played a part in, some displacement of trust in the accountant and the auditor.

Accountants and the accountancy profession, in comparison to some other occupations and industries, still command a reasonably good level of respect and trust. However, trust can be quickly lost and efforts to maintain must be continuous. As certain quarters question the audit quality and the market concentration of large firms, supplying both audit and other services and its impact on 'independence', how the accountancy profession reacts will determine its future reputation.

Meanwhile, a pertinent point that also comes to mind is one of 'relevance'. In light of all that has happened and the developments taking place globally, deep consideration must be given to whether the accountants and auditors are providing what the market wants and needs. Historically in Asia, recognition of the value of the profession to the marketplace has been and continues to remain low in many countries, evidenced by the comparatively lower fees the market is willing to pay when benchmarked to the more developed countries in the West. Given the concerns regarding reputation and relevance, perhaps it is not surprising that CAPA members in both developed and emerging markets recognised that demonstrating the importance and value of the profession is vital, making it the final 'top three' challenge arising from the interactive session.

Perhaps the market has already spoken in part with the rise of Integrated and Sustainability Reporting—a hint of what the market is asking for of the 'new' accountant, someone who is able to connect the dots and help makes sense of information and numbers. Quoting Professor Jacob Soll from the University of South California in ICAEW's *Economia* publication "...a new sort of accounting education needs to emerge, not simply to produce great technicians we are doing that but to also create accounting leaders who can take part in societal and international debate at all levels."

What seems essential now is for the many stakeholders in the profession, whether in Asia Pacific or globally, to work together. Creating an inventory of key and possible challenges, such as in this article is but only one piece of the larger picture. The need to build on the relevance of the profession both now and for the future, as well as the call to build and/or rebuild the brand and presence of the profession, and harness the myriad of opportunities presented by current times, needs to be approached in a strategic, holistic manner.

Optional Statement

ICMA Pakistan is a member of the Confederation of Asian and Pacific Accountants (CAPA)

CAPA is a regional organisation representing 33 national professional accountancy organisations (PAOs) operating in 24 jurisdictions in Asia and the Pacific. These PAOs, referred to as CAPA's members, represent close to 2 million accountants across the region. CAPA is one of four regional organisations (ROs) recognised by the global accountancy profession, which is represented by the International Federation of Accountants (IFAC).

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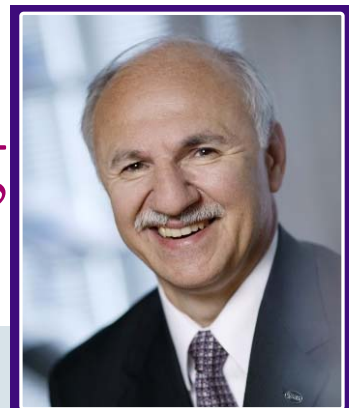
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Lean Accounting and Activity-Based Costing – Choice or Blend?

The Editorial Board thanks Mr. Gary Cokins, President, Analytics-Based Performance Management LLC, USA for sending this exclusive write-up for publication in the Management Accountant Journal



Gary Cokins, CPIM

There are debates in the management accounting community about what is the most appropriate costing method. There are rival camps. For example, some lean accounting advocates who create “value stream maps” criticize activity-based costing (ABC) that has passionate advocates because it provides much greater cost accuracy and visibility to cost drivers compared to the flawed and misleading costs from traditional and grotesquely cost distorting cost allocation methods. Who is correct?

What is needed is to ask a different question that resolves this dilemma. That question is about how a company might have two or more co-existing management accounting methods. There can be different costs for different purposes used by different types of managers and employee teams.

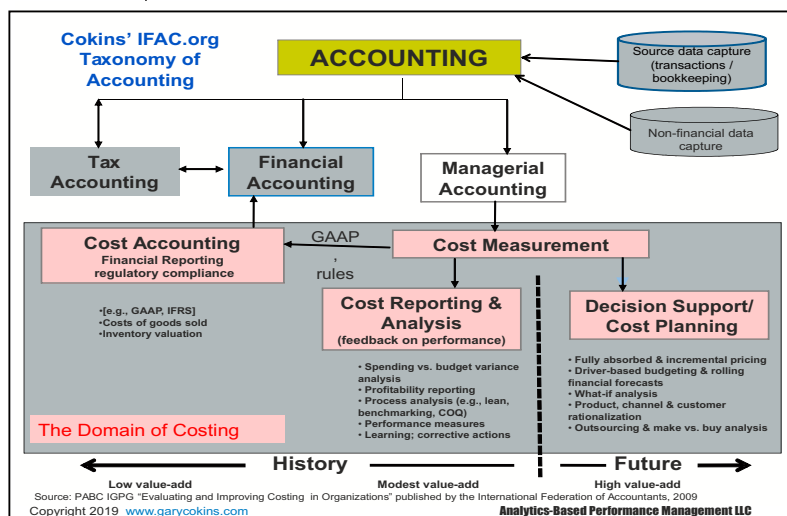
Lean accounting can be used operationally by managers to focus on removing waste, reducing throughput cycle time, and improving productivity. ABC can be used strategically to better understand the sources of what drives product, service line, distribution channel, and customer profitability. ABC models the linkages of resource expenses through the processes to products and customers and ultimately to the wealth creation of shareholders and owners.

Figure 1 displays the three broad categories of accounting: (1) tax accounting; (2) external financial accounting (e.g., GAAP) for regulatory compliance and investors; and (3) internal management accounting to support decision making. They each calculate different costs of outputs or products. Progressive accountants recognize that there can be two or more co-existing management accounting methods.

My Aha Moment about Lean Accounting

Over ten years ago I was suspicious of lean accounting. I did not know what it was? How could it be different from standard costing or from activity-based costing for product costing?

But then I attended a conference and learned from a large manufacturing company's presentation about their successful implementation of lean accounting. They began by saying that prior to implementing their lean accounting system they surveyed the level of knowledge about financial statements of their factory workers and shop floor supervisors. Very few had much knowledge. After implementing their system, as the factory workers were provided value stream income statements for their areas, they made operational changes using the new information.



The cost improvements were measured each quarter with their lean accounting system. The workers were paid a cash bonus for a portion of the cost savings. This incentive led to more future cost savings. After a year they again tested the workers' knowledge. Almost all workers then understood financial statements. That was proof to me that lean accounting had benefits.

After the presentation I asked the presenter, "Your lean accounting system measures process costs but not your variety of individual product costs. How do you know the level of product gross profit margins?" He replied, "Oh, the accounting department operates an activity-based costing system for that. It's used for strategic product rationalization and used by the marketing, sales, and R&D staff."

I then realized that two (or more) costing systems can successfully co-exist.

Strategic versus Operational Activity-Based Costing (ABC)

Let's first discuss activity-based costing (ABC) before discussing lean accounting. If you are less interested learning the fundamentals of ABC then skip forward and start reading at the heading titled "The Process View Lean Management."

There is a common misconception that organizations use only a single enterprise-wide ABC system. There can actually be multiple ABC systems constructed for a single organization. There are two broad users and decision makers of ABC data: strategic and operational managers. In fact, there are two types of ABC model designs that serve each type of user, but they both follow the same expenses-to-costs assignment design to calculate costs based on costing's causality principle. The difference between the two types is the scope of expenses included in each ABC model plus the inclusion or exclusion of pricing or revenue data for calculating profit margins.

Strategic ABC is enterprise-wide in scope. It is about first "doing the right things" prior to "doing them well". That is, first assure that the company is selling profitable products and services to customers that are also profitable. Strategic ABC is about enhancing revenues and assuring higher profits based on (1) the products' or services' value to justify good prices, and (2) considering varying levels of demanding behavior of different types of customers.

Operational ABC is not enterprise-wide, but rather addresses individual functions, departments, or business processes. Its intent is not about analyzing profit margins, but rather focuses on improving processes, managing process costs more efficiently, taking out waste, and optimizing asset utilization.

In short, the difference in ABC model design is this:

- o Strategic ABC includes all of the enterprise expenses and then subtracts the traceable costs (to products, service-lines, distribution channels, and customers) from sold line-items (i.e., pricing and revenues) to compute the profit margins.

- o Operational ABC confines the expenses included to those mainly involved in a function, department, or process. It focuses on analyzing the work to remove waste, manage unused capacity, improve productivity, and improve asset utilization.

One of the values of commercial ABC software is it can consolidate multiple operational ABC models into a single parent, enterprise-wide strategic ABC model.

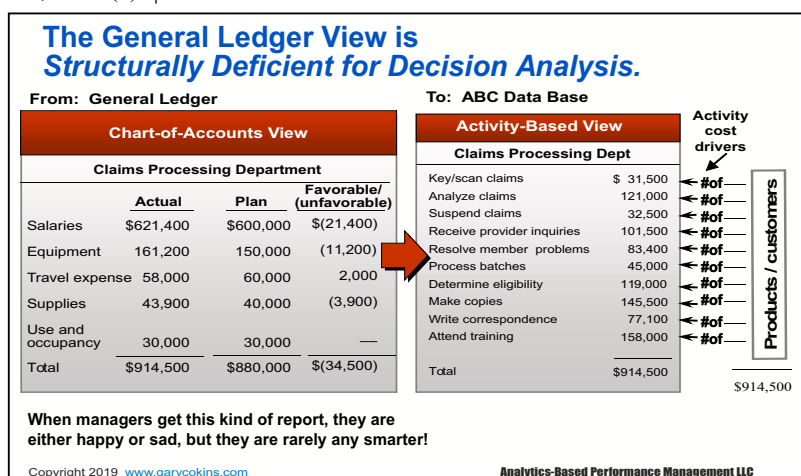
ABC Model Design

Some accountants continue to preserve the status quo by defending their simplistic and arbitrary cost allocations as adequate for product and service line costing. That costing may have been adequate in the past. The use of volume-based cost allocations (e.g., number of direct labor hours or dollars, number of units produced, sales amounts, department headcount) will provide reasonably accurate calculated costs only when the following conditions exist:

- o Few and very similar products and service lines.
- o Low indirect expenses (commonly referred to as "overhead").
- o Homogeneous conversion processes.
- o Homogeneous distribution channels, customer demands, and customers.
- o Low selling, distribution, and administrative expenses.
- o Very high profit margins.

How many organizations possess those characteristics? Hardly any today. Perhaps simple cost allocations worked when Henry Ford was producing thousands of Model-T automobiles, all black and with minimal indirect expenses. But not anymore. The design and architecture of the ABC cost assignment network provides the solution when there is complexity and substantial diversity and variation of products (e.g. different sizes, colors, ranges) and service lines.

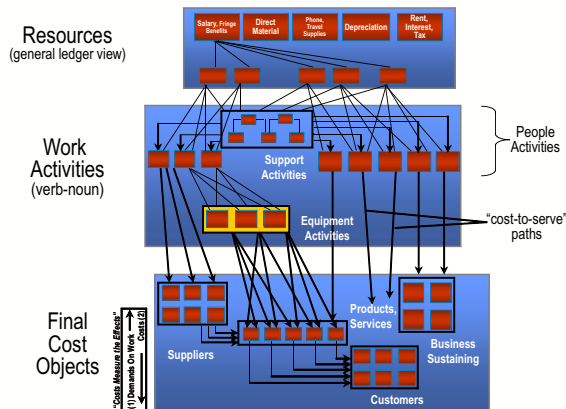
Figure 2 illustrates ABC. I explain this figure simple term by humorously saying, "The right side is good because the left side is bad!" Now I do not mean that the general ledger cost center reporting on the left side is a bad thing. In fact, just the opposite; the general ledger is a wonderful instrument for what it is designed to do to accumulate spending transactions into their expense accounts for each cost center. The problem is the data in that format is structurally deficient for decision support other than the most primitive form of control actual to budget variances reporting. Translating the ledger expense accounts equivalently into the language of work activities calculated costs, the right side in the figure, corrects this deficiency. This is why I say that when



managers receive their monthly cost center report they are either happy or sad, depending on their actual to budget cost variances, but they are rarely any smarter! ABC makes them smarter.

The direct costing of indirect costs is no longer, as it was in the past, an insurmountable problem given the existence of commercial ABC software. ABC allows intermediate direct costing to a local process or to an internal department customer that is causing the demand for work. That is, ABC cost flow

ABC/M Cost Assignment Network



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networks no longer have to “hit the wall” from limited spreadsheet software that is restricted by columns-to-rows math that are racked and stacked. In contrast, ABC software is arterial in design. It flows costs flexibly. Eventually via this expense assignment and tracing network, ABC re-assigns 100% of the resource expenses into the final products, service lines, distribution channels, customers, and business sustaining costs. In short, ABC connects customers to the unique resources they consume and in proportion to their consumption as if ABC is an optical fiber network. Visibility to costs are provided everywhere throughout the cost assignment network.

With ABC the demands-on-work are communicated via activity drivers and their driver unit-level cost consumption rates. They reassign expenses into costs with a more local, granular level than in traditional standard costing systems, and with arterial flow streams, not with the accountant's rigid step-down cost allocation method that reduces costing accuracy.

The Multi-stage ABC Model Design

Examine the ABC cost assignment network in Figure 3 that consists of three modules connected by cost assignment paths. Imagine the cost assignment paths as pipes and straws where the diameter of each path reflects the amount of cost flowing. ABC is not a process flow. It is a cost re-assignment network. The inputs (i.e., resource expenses) exactly equal the outputs (i.e., costs of the final cost objects). This brings comfort to accountants because the expenses exactly reconcile to the penny with the items being costed. The power of an ABC model is that the cost assignment paths and destinations provide traceability to segment costs from beginning to end from resource expenditures to each type of (or each specific) customer the origin for all costs and expenses.

It may be useful to mentally reverse all the arrowheads in Figure 4 to go in the opposite direction from bottom to top. This polar switch reveals that all expenses originate with a demand-pull from customers and the calculated costs simply measure the effect. The ABC network is basically a “snap-shot” view of the business conducted during a specific time period.

Resources, at the top of the ABC cost assignment network in Figure 4, are the capacity to perform work because they represent all the available means that work activities can draw on. Resources can be thought of as the organization's checkbook. This is where all the period's expenditure transactions are accumulated into buckets of spending. Examples of resource expenses are salaries, operating supplies, or electrical power. These are the period's cash outlays and amortized cash outlays, such as for depreciation, from a prior period. It is during this step that the applicable resource drivers are developed as the mechanism to

convert resource expenses into activity costs. A popular basis for tracing or assigning resource expenses is the time (e.g., number of minutes) that people or equipment spend performing activities. Percentage splits of time among activities is also popular.

The middle module in Figure 4 the activity module is where work is performed. It is where resources are converted into some type of work by workers or equipment assets. The activity cost assignment step contains the structure to assign activity costs to cost objects (or to other activities), utilizing activity drivers as the mechanism to accomplish this assignment. Later in this article we will see that the activity costs can be displayed sequentially for lean accounting's process view of costs as a value stream map.

Cost objects module, at the bottom of the ABC cost assignment network in Figure 4, represent the broad variety of outputs and services where costs ultimately accumulate. The customers are the final-final cost objects. The existence of customers ultimately creates the need for an expense and cost structure in the first place. Cost objects are the persons or things that benefit from incurring work activities. Examples of cost objects are products, service lines, types of customer orders, distribution channels, customers, and outputs of internal processes. Cost objects can be thought of as “the what or for whom work is done”.

Business Sustaining Final Cost Objects

Some activities in an organization do not directly contribute to customer value, responsiveness, and quality. That does not mean those activities can be eliminated or even reduced without doing harm to the business entity. For example, preparing required regulatory reports certainly does not add to the value of any cost object or to the satisfaction of the customer. However, that type of work activity does have value to the organization because it enables it to function in a legal manner. These types of activity costs are usually traced to a “sustaining cost object” group popularly called business sustaining costs. This separates the business sustaining costs as not being involved with making or delivering a product or serving a customer. Business sustaining costs still need to be recovered for the company to be profitable, but they should not be allocated to products or customers. They don't cause those type of expenses.

Although some people are initially intimidated by Figure 4, it makes more sense the more you work with ABC. The message is costing is modeling. It is not T-accounts in a general ledger accounting system. My conclusion about ABC is that the key to a good ABC system is the design and architecture of its cost assignment network. The majority of cost accuracy is derived from the cause-and-effect relationships in the network. ABC tolerates estimates from managers in place of extractions of data from source systems because with cost re-assignments they all must normalize to 100%. Otherwise the cost model will not exactly 100% reconcile expense inputs with the cost outputs.

The Process View – Lean Management

Managing with a process view has created a growing need for better managerial accounting information. This is where lean management and lean accounting fit in. Managing end-to-end processes and managing the work activities that “belong” to and comprise processes go together. By defining a business process as comprising two or more logically related work activities intended to serve end-customers, the need for integrating processes, outputs, and measured costs becomes even more apparent as an important requirement for managers and teams. Money is the language of business.

There are two ways to organize and analyze ABC work activity cost data: (1) the horizontal process view sequences and additively builds-up costs whereas (2) the vertical cost assignment view, as previously described, transforms resource

expenses into output costs by continuously re-assigning costs based on cause-and-effect tracing (i.e., cost allocations).

Using traditional general ledger accounting systems, managers are usually denied visibility of many of the costs that belong to the end-to-end business processes. This is because multiple cost centers may be doing similar work together. The cost centers are silos with barriers to viewing the end-to-end processes across the cost centers. This is particularly apparent in the stocking, distribution, marketing, and selling expenses that the traditional accounting “expenses to the month’s period.” With traditional cost allocations, these sales, general, and administrative expenses (SG&A) are not proportionately traced to the costs of the unique products, containers, services, distribution channels, or customers that cause those costs to occur.

The Two Views of Costs: The Assignment View versus the Process View

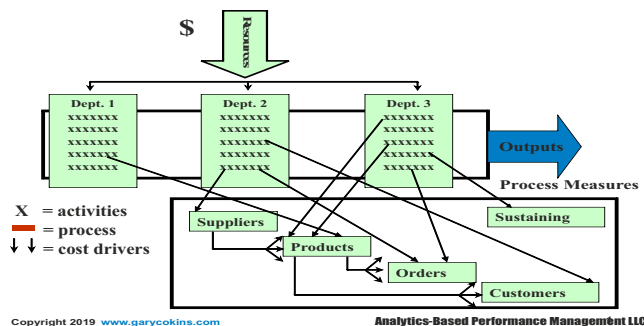
There is substantial confusion between process view costing and vertical view output costing (e.g., product costs), even by accountants! Let’s clarify the differences.

As earlier mentioned, ABC supports two separate costing structures: (1) the horizontal process cost view governed by the time-sequence of activity costs that belong to the various processes, and (2) the vertical cost reassignment scheme governed by the variation and diversity of the cost objects. In effect, think of the vertical ABC cost assignment view as being time-blind. It does not care if a work activity comes before or after another work activity. In contrast the process costing view, at the activity stage, is output mix-blind. It does reflect how the diversity and variation of products uniquely consume the activity costs. The cost assignment and business process costing are two different views of the same resource expenses and activity costs. They are equivalent in amount, but the display of the information is radically different in each view.

Vertical Axis

The vertical axis, as illustrated in Figure 4, reflects costs as they are sensitive to demands from all forms of product, channel, and customer diversity and variety. The work activities consume the resources, and the products and customer services consume the work activities. The ABC cost assignment view is a cost-consumption network chain. When each cost is traced based on its unique quantity or proportion of its driver, all the resource expenses are eventually re-aggregated into the final cost objects. This is 100% expenses-to-costs reconciliation. This method provides much more accurate measures of product, service line, distribution channel, and customer costs than the traditional and arbitrary “peanut-butter spreading” cost allocation method.

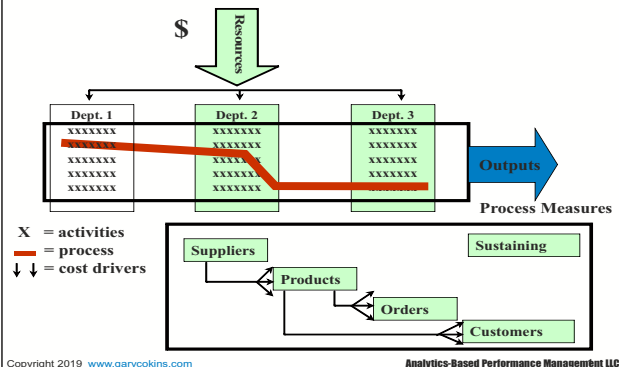
The Vertical view of Assigning Costs



Horizontal Axis

The horizontal view of activity costs, as illustrated in Figure 5, represents the business process view. This is the lean accounting view. A business process can be defined as two or more activities

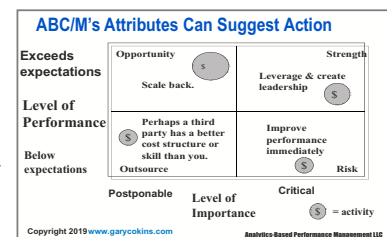
The Horizontal view of Sequencing Costs



or a network of activities with a common purpose. Activity costs belong to the costs of business processes. Across each process, the activity costs are sequential and additive. In this orientation, activity costs satisfy the requirements for popular flow-charting, process mapping, and process modeling techniques. Business process-based thinking, which can be visualized as tipping the organization chart 90 degrees, is now dominating managerial thinking. ABC provides the cost elements for process view costing that are not available from the general ledger which is restricted by three barriers of cost centers.

In summary, the vertical cost assignment view explains what specific things cost and why things have a cost. This provides insights into what causes costs. The horizontal process view displays how costs additively build up over time.

With ABC software many types of attributes can be defined. Figure 6 displays two attributes that can be combined into a two axis grid: (1) the level of performance, and (2) level of importance. Each activity in the value stream map can be scored and located at its intersection in the grid. Read the “suggested action” to take based on where each activity and its cost is located.



Lean Accounting or ABC – a Choice or Blend?

To summarize, the two costing methods described here can co-exist. I suggest to start with ABC’s vertical view of costs to first understand for strategic purposes the true costs of outputs (useful for benchmarking) and profit margins. ABC serves as a focusing tool here. Then sequence the activity costs in the horizontal process view by “stringing the pearl necklace” of activity costs. This view becomes the value stream map for the purpose of operational productivity improvement.

The message here is do both types of costing: (1) lean accounting for productivity improvement, and (2) activity-based costing for understanding profit margin layers and the cost drivers that determined them. It is acceptable to have two (or more) co-existing costing methods.

About the author: Mr. Gary Cokins is an internationally recognized expert, speaker, and author in enterprise and corporate performance management (EPM/CPM) methods and systems. He is the founder of Analytics-Based Performance Management LLC www.garycokins.com. He began his career in industry with a Fortune 100 company in CFO and operations roles. Then 15 years in consulting with Deloitte, KPMG, and EDS (now part of HP). From 1997 until 2013 Gary was a Principal Consultant with SAS, a business analytics software vendor. His most recent books are *Performance Management: Integrating Strategy Execution, Methodologies, Risk, and Analytics and Predictive Business Analytics*. He can be contacted on email: gcokins@garycokins.com;



A critical constituent in harnessing Work Behaviors?

By Sohailuddin Alavi



Knowing is simply being aware of something and believing is a state of conviction on what we know. "Knowing" and "Believing" have different implications. The former has no to little relationship with actions while the latter has a direct relationship with actions.

The Noble Quran speaks of three dimensions of "Believing"

- 1) Haq-ul-Yaqeen: While no one denies the truth, but only those who accept it develop faith (belief) on it. For example, it is a fact that certain actions are right and certain are wrong. While everyone knows only those who believe are the ones who practice.
- 2) Ilm-ul-Yaqeen: While we get lots of knowledge from our environment, only when we accept it we act upon it. For example, we would not deny the need for integrity yet we often fail to say no to corruption until we have faith on what we know.
- 3) Aain-ul-Yaqeen: Sometimes we know what is right but still we keep denying it until we witness it with in real with our eyes. Ironically, at this point it is equal if one denies or accepts. No time left to act. For example, a business continues to indulge in illegitimate practices without fear until one day it is caught and disbanded.

A person driving in the middle of the night would instinctively stop at Red-Light, while some may not bother Red-Light even in day time. A similar pattern is observed in devout persons, who practice religion in the letter and spirit without any pressure from outside. This brings up a question of why so, especially when there are no carrots and sticks. One factor is common among the compliant and non-compliant individuals, which is knowledge: they right and wrong. However, the one who abides has strong belief on the rationality of the action, while the other does not have the belief. Hence we have basis to contemplate that "Belief" is the key to put knowledge into practice: Believing in the underlying rationale (or cause) is critical in shaping our upright behavior and instilling sense of responsibility. Knowledge, skills, reinforcements in the permeable environment etc. are secondary to the belief. Put it differently, knowledge, skills and the reinforcements would only matter when a person believes in the rationality of a target behavior. **The theoretical premise of this framework is taken from the concept of "Haq-ul-Yaqeen", "Ilm-ul-Yaqeen" and "Aain-ul-Yaqeen" explained in the Noble Quran.**

The phenomenon discussed above is also valid for work place behaviors. Jobs have become highly competitive and demanding over the years: ever rising business targets, compliance to multiple regulations and job standards, complex decision making, problem solving, innovation, coordination, teamwork and last but not the least managing continuous

change. To survive as an individual and to give substantive output on the job one has to do his or her job whole heartedly and in verbatim. Having said this let us now see how "Belief" factor contributes in harnessing positive work behaviors.

Work behaviors have two broad manifestations, namely; individual-behavior and group-behavior. Individual-behavior encompasses tasks (activities) that employees are expected to execute individually like writing a report, handling customers, etc. Group behavior covers tasks (activities) like coordination, cooperation, team work, etc.



Individual Behavior and the Belief

Indeed knowing the job and having a vision and requisite job skills are necessary to execute the job. However, having conviction on the rationality of the work is even more critical than the former for effective work behavior. Without the positive belief work behaviors remain shallow and minimal and often substance in terms of output. The beliefs such as, it is my job to do it; I should take responsibility; I should do it in the right way; etc are a few examples. Such a belief system instills self-regulation, intrinsic motivation and reinforces passion among individuals.

Group Behavior and Belief

Interpersonal skills, communication, sensitivity, leadership, teamwork are the fundamental skills one needs to work in a group setting. Nevertheless, once again belief is at the core of group behavior. Again absence of the positive belief, work behaviors often conflict with the spirit of team work and cooperation. Important beliefs concerning group behavior are as follows, compassion; alone I am not capable of doing it unless I cooperate with others; we all have different roles but have equal status and rights; etc. Such a belief system instills group spirit, cooperation, and win-win culture, etc.

Change management and Belief

Finally the world has recognized innovation and change as a survival process for individuals and organizations. Now-a-days almost every organization experiences change, however, on different levels per their requirements. Whatever the case may be, organizations spend humongous amounts of their resources on change management programs. Nevertheless, good programs result in organizational success, few of the programs prove a total failure at the end and some of the programs are abandoned half-way. Issues like program direction, design and budgetary constraints are often some visible factors that

contribute in the failure or pre-mature closure of the programs. However, lack of positive response from the stakeholders (employees) is at the root of all problems. Here the question is why people do not respond positively? The primary factor is that they fail to believe in the rationality of change. Other factors include conflict of their interests with that of organization, lack of clarity and understanding of the change management program, skills gaps, etc. In a typical change management scenario following beliefs are productive: Change is the way of a successful life, change is the right way to continue improving, etc.

Generally, stakeholders (employees) are not ready to accept the change as they are not clear on the rationality behind the change. In response to this stereotype behavior, organizations often use their legitimate authority to impose change. It does more damage than benefit to the program, though. Some organizations recognize the importance of harnessing the belief through educating people about the rationality of the program however, the scope remains limited.

Conclusion

Attempt is made to unravel the significance of belief system in harnessing positive work behaviors. It is contemplated that although knowledge, skills and the environment are



necessary but it is the belief that is responsible to encourage work behaviors in the letter and spirit. Individuals will not put in whole of their abilities or take responsibility at work without strong belief in the rationality of work they do. Similarly, group members will fail to work coordinately and cooperatively in the group without believing in the rationality of team work. Likewise, stakeholders will fail to accept the change and will resist to their utmost level unless they develop belief on the change rationale. It is ironical that while organizations tend to overcome the behavioral challenges at the individual and group level using carrot and stick however, the result is minimal and time bound. Even awareness sessions and culture change program fail in harnessing the behaviors optimally. The answer is simple organizations often ignore to inculcate the "Belief". Though inculcating the belief is difficult but pivotal.

To suggest a few approaches to instill belief, these would require followings:

- Make employees (individuals and groups) conscientious of their responsibility
- De-incentivize output and while reinforcing conscientious behavior
- Demonstrate strong belief and its application at the top level.

About the Author: Mr. Sohailuddin Alavi is a practicing Management Consultant and Executive Coach Corporate at Consulting Group. He brings his insights on managing time from the real world of work and validates them from the teachings of the Noble Quran and Prophetic traditions (PBUH). Mr. Sohail has a professional qualification in Commercial Banking. Having worked for a commercial bank in the capacity of Management Training Specialist, he moved into Corporate Training and Management Consulting. He writes for the professional journals of the Institute of Bankers Pakistan, Institute of Cost and Management Accounts Pakistan and Institute of Chartered Accountants Pakistan. He has authored 4 books and a number of training manual, business policies and standard operating procedure manuals.





Economy Watch

By Research and Publications Department, ICMA Pakistan



Govt releases Rs 51.110 billion for development projects

The Federal government has so far released Rs 51.110 billion out of the total allocation of Rs 701 billion for various ongoing and new social sector uplift projects under its Public Sector Development Programme (PSDP) 2019-20. The amount released included Rs 13.587 billion for federal ministries, Rs 2.698 billion for corporations, and Rs 7.545 billion for special areas, according to the data released by the Ministry of Planning, Development and Reform.



Govt to spend Rs581.8 million on petroleum sector



The government will spend Rs 581.812 million on four ongoing and two new petroleum sector projects under the PSDP 2019-20 to achieve self-sufficiency in the energy sector. According to the official data, an amount of Rs433.852 million has been earmarked in the PSDP 2019-20 for four ongoing schemes, out of which Rs416.535 million would be spent to acquire four drilling rigs with accessories for the Geological Survey of Pakistan, Rs 3.655 million for appraisal of newly discovered coal resources of Badin Coal Field and its adjoining areas of Southern Sindh, Rs10.553 million to explore and evaluate coal in Nosham and Bahlol areas of Balochistan, and Rs 3.109 million for exploration and evaluation of metallic minerals in Uthal and Bela areas of district Lasbela.

Rs15.6 billion refunded to exporters

The Federal Board of Revenue (FBR) has cleared Rs 15.6 billion sales tax refunds through the newly installed Fully Automated Sales Tax e-Refund (FASTER) system to exporters. Adviser to Prime Minister on Finance, Dr Hafeez Shaikh has tweeted that the amount is released through 8,415 Refund Payment Orders to enhance the liquidity of businesses and economic activity. He said this was on top of Rs 5.4bn refunds cleared as bonds and adjustments. Under the new system, the FBR encourages the exporters to submit their claims in form Annex-H at the earliest so that their claims can be processed and paid.



Pakistan's tax-to-GDP ratio contracts to 11.6pc in FY19



Pakistan's tax-to-GDP ratio dropped to 11.6 percent in the previous FY 2018-19 from 13 percent in FY 2017-18 as the tax authorities couldn't effectively implement measures adopted for revenue collection despite various efforts by the federal government, official data revealed. Likewise, revenue collection by the Federal Board of Revenue (FBR) for 2018-19 has been recorded at Rs3,829 billion as compared to Rs3,842 billion in 2017-18. Moreover, Rs1,445 billion has been received by the FBR in 2018-19 under direct tax collection while in 2017-18, Rs1,536 billion were achieved. Furthermore, Rs2,383 billion has been received by the FBR in 2018-19 under indirect tax collection while in 2017-18, Rs2,305 billion were achieved. The finance ministry's latest data showed that the share of indirect tax collection in overall revenue in FY19 was amounted at 62 percent as compared to 60 percent in FY18. On the other hand, the

collection of sales tax and customs duty in FY19 stood at Rs1,464 billion and Rs685 billion, respectively. In FY18, sales tax and customs duty collected was Rs1491 billion and Rs608 billion, respectively.



REGULATORY WATCH

Aamir Khan appointed as new SECP Chairman

The Federal government here on Saturday issued a notification, appointing Mr. Aamir Khan as Chairman of the Securities and Exchange Commission of Pakistan (SECP) with immediate effect. The federal cabinet, earlier in its meeting held on August 9, 2019 had approved his appointment as the Chairman. Mr. Khan possesses extensive and diversified experience spreading over 25 years, in the corporate/investment banking and the capital markets. Prior to his elevation, he had been serving the SECP as Commissioner, Company Law Division (Corporate Supervision) and Commissioner Specialized Companies Division. He also held the charge of Information System and Technology Department. In his position as Executive Director at the SECP for over six years, he headed key operational departments including the Specialized Companies Department, Securities Market Surveillance Department, Commodities Market Department and International Relations. Mr. Khan also served as Chief Spokesperson of the SECP.



FBR adds 0.7 million new tax filers to system



The Chairman FBR, Mr. Shabbar Zaidi made a presentation before the Prime Minister during which he informed that Rs 579 billion revenue has been collected till now in current fiscal year and 0.7 million filers have been added to the system. He also briefed about the reforms and one-year performance. Zaidi told PM that filers have been increased from 1514817 in 2017 to 2561099 this year. He said domestic tax collection has been increased by 28 percent. PM was briefed about automated registration, issuance of tax certificates, tax returns and online audits. PM was informed that FBR in collaboration with NADRA has introduced Sahulat Web Portal so that everyone could have access to information online. He said online system of FBR would be made more effective.

FBR amends Export Oriented Units Schemes to facilitate

FBR has changed the rules to facilitate Small and Medium Enterprises (SMEs) to enhance exports through Notification No. 1002(I)/2019 dated 06.09.2019 which has introduced amendments in original Notification 327(I)/2008 dated 28.03.2008. This is in line with the directives of the Prime Minister of Pakistan to simplify the tax laws and to automate the business processes to bring transparency in the system. In order to implement this vision, FBR has simplified the export scheme and provided new incentives for the business community. The Small and Medium Enterprise Units working under this scheme is the largest export promotion scheme presently being used by the export sector. FBR has also automated these processes in the computerized clearance system WeBOC. This will further reduce human interaction and create business friendly environment.

SECP approves Shariah-compliant Financing product for capital market

The Securities and Exchange Commission of Pakistan (SECP) has approved the Regulations for Murabaha Share Financing (MSF) under which financial institutions and securities brokers would be able to extend financing in Shariah compliant manner. MSF product has been prepared after extensive consultations and under the guidance of Shariah Advisory Board of SECP and renowned Shariah scholars representing reputed Islamic banks. The product will allow financing only in Shariah compliant securities which fall under the PSX-KMI All Share Islamic Index. MSF product can be an attractive financing avenue for the Islamic banks operating in Pakistan due to limited availability of Shariah compliant investment options in capital market and excess liquidity available with such banks. SECP has directed NCCPL to provide platform in relation to extending credit for share financing in compliance with Shariah principles and make necessary arrangements for system development and integration with CDC and PSX by September 2, 2019 to launch the MSF product at full scale for the investors.





Management Accounting Terms

Activity flexible budget	The prediction of what activity costs will be as activity usage changes.
Binding constraints	Constraints whose resources are fully utilized.
Committed fixed expenses	Expenses incurred for the acquisition of long-term activity capacity, usually as the result of strategic planning.
Discretionary cost	A cost that results from a discretionary management decision to spend a particular amount of money.
Exchange gain	A gain on the exchange of one currency for another due to depreciation in the home currency.
Firewall	A computer or information router placed between a company's internal network and the internet to control and monitor all information between the outside world and the company's local network.
Goal congruence	The alignment of a manager's personal goals with those of the organization.
Half-year convention	The assumption that a newly acquired asset is in service for one-half year of its first taxable year regardless of the date the service actually began
Independent variable	A variable whose value does not depend on the value of another variable. For example, in the cost formula $Y = F + VX$, the variable X is an independent variable.
Joint venture	A type of partnership in which investors co-own the enterprise.
Kaizen costing	Efforts to reduce the costs of existing products and processes.
Learning curve	A graphical expression of the decline in the average labor time required per unit as cumulative output increase.
Margin of safety	The units sold or expected to be sold or sales revenue earned or expected to be earned above the break-even volume.
Net realizable value	A joint product's final sales value less any separable costs incurred after the split-off point.
Operating Income	Revenues minus expenses from the firm's normal operations. Income taxes are excluded.
Plant-wide overhead rate	An overhead rate calculated by averaging manufacturing-overhead costs for the entire production facility.
Quick assets	Cash marketable securities, accounts receivable and current notes receivable. Excludes inventories and prepaid expenses, which are current assets but not quick assets.
Responsibility center	A segment of the business whose manager is accountable for specified sets of activities.
Secondary activity	Activity that is consumed by primary activities and / or other secondary activities.
Timely information	Data that is available in time for use in a decision analysis.
Unit-level activity Drivers	Factors that measure the consumption of unit-level activities by products and other cost objects.
Variable overhead efficiency variance	The difference between the actual direct labor hours used and the standard hours allowed multiplied by the standard variable overhead rate.
Working capital	Current assets minus current liabilities.
Zero defects	A quality performance standard that requires all products and services to be produced and delivered according to specifications

The complete book on Glossary of Management Accounting Terms is available on link: https://www.icmap.com.pk/News_Pdf/Final_Glossy.pdf





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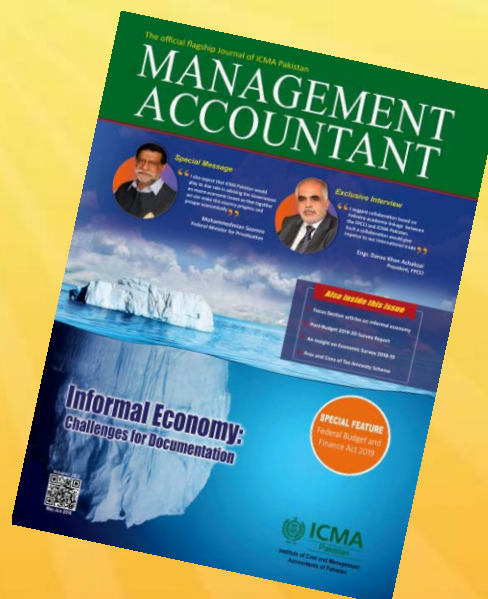
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