



Guidance Chart For New Entrepreneurs

Supported by the European Commission – DG ENTERPRISE AND INDUSTRY

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“SUN_E – Start Up New Enterprise” *European Project*



INTRODUCTION

The **“Guidance Chart for New Entrepreneurs”** is a short **“Vademecum”** in English language, divided in schematic tables containing technical information, as well as address, contact details, links to web sites, etc., useful to get information on how to set up a new enterprise in 6 different European Countries: Bulgaria, Czech Republic, Denmark, Italy, Romania and Slovenia.

This Vademecum was developed in 2006 in the context of the **“SUN_E – Start Up New Enterprise”** project - supported by the European Commission – DG Enterprise & Industry. This project is co-ordinated by the EIC IT361 - Promofirenze and realised in cooperation with EIC IT 368 , EIC IT 376, EIC DK 052, EIC CZ 643, EIC SI 751, EIC BG 805, EIC BG806, EIC BG808, EIC RO824, EIC RO826.

The aim of this project was to develop an entrepreneurial spirit and to provide assistance to prospective entrepreneurs in setting up a new business in all the 6 different countries above-mentioned.

Each Partner worked in order to perform an efficient work in developing this *Vademecum* at local level, by collecting and systemizing in its area of reference data of interest for potential and new entrepreneurs, in order to provide them with information they need for setting up their businesses.

All the information present in this Guide have to be evaluated and verified, case by case, by all the users with the competent office in each Country.

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1. Autonomous work or enterprise work?

1.1. AUTONOMOUS WORK- ACTIVITIES

Self-employment or entrepreneurial activity means launching an activity of non-dependent employment, hence anyone who launches work activity of a non-subordinate kind “sets up on their own”. However, a distinction needs to be made between **self employment** and **entrepreneurial activities**.

The principal difference between self-employment and enterprise lies in the absence of a significant organisation, that is a company: generally, the complex of assets organised by the entrepreneur for the performance of the enterprise is an enterprise.

1.2. ENTERPRISE WORK-ACTIVITIES

Generally, anyone who intends to start a business must of necessity be in possession of the requirements laid down by law, that is it must be: an economic activity; organised; aimed at the production and exchange of goods and services; performed professionally.

An *economic activity* is understood as an activity aimed at the creation of new wealth, not only through the production of new assets, but also by increasing the value of those in existence.

Economic activity is considered as *organised*, and hence assumes entrepreneurial features, when it is performed through a company. The company is hence the set of machines, systems, equipment, premises and furnishings (or, more generally, assets) and the set of human resources, generically labour, each with his or her own function, co-ordinated and managed by the entrepreneur.

The organisation must have an appreciable importance in the performance of the activity: if this is performed with modest instruments and without resorting to the work of others, then it is not organised activity, and hence cannot be defined as enterprise. For example the computer consultant who works at home utilising limited resources (telephone, computer) is not considered as an entrepreneur but as a self-employed person. Professionalism is the habitual and prevalent performance of an activity: consequently professionalism is the systematic and non-sporadic nature of the activity performed.

It is not, however, necessary for the activity to be performed without interruption: if a seasonal activity is carried out in an organised form for the production and exchange of goods and services, then it constitutes entrepreneurial activity.

The entrepreneurial aptitude for performing an independent activity and the entrepreneurial idea have a decisive impact on the success of the initiative.

2. The evaluation of the personal enterprise attitudes and the entrepreneurial idea

2.1. HOW TO CONSIDER PERSONAL ATTITUDES

It is essential for anyone intending to set up their own business to be aware of the need and to have the courage to “bring themselves into play” and carefully assess their own **personal capacities** (motivation, propensity to risk, creativity, critical capacity, relational capacity, confidence in their own capacities and optimism), and **professional capacities** (personal training itinerary, technical and professional skills, work experience).

Only rarely is the aspiring entrepreneur in possession of all the personal and professional capacities at the same time, but a good businessman will not be discouraged, and can identify his strong and weak points in order to evaluate the former and improve the latter, and where possible seek out a partner, collaborator or professional with characteristics that complement his own.

2.2. HOW TO CONSIDER PERSONAL IDEA

There is no specifically defined route leading to a new idea. The starting-point has to be consumer needs, understanding exactly what the client wants and how. Therefore, the idea has to be based on a good knowledge of the local, national and international economic reality.



The idea may be innovative, or may be an adaptation or imitation of ideas already in existence. In this case it is necessary to look around and try to understand whether, in some sector of activity, there are within our territory niches that are not occupied, or only partially occupied, by other enterprises. In other words, we have to check that there is still room for the enterprise we have in mind.

Watch out for “falling in love with the idea”, being convinced that it will be successful without objectively checking the feasibility, the limitations and the profit margins. The idea has to be practicable and remunerative.

2.3. THE ANALYSIS OF THE MARKET AND OF THE PRODUCT

Once the idea has been elaborated in detail, we need to carry out a market survey and product survey to check that:

- **the idea is saleable**: is there a sufficient number of consumers who are interested and willing to pay for the product or service that we intend to produce?
- **the idea is competitive**: is the product or service competitive? Do we know our competitors? Do we know the strong and weak points of our competitors?
- **the idea is viable**: is there adequate technology and knowledge for the production or implementation of the product or service?

Those wishing to set up a new business have to identify the consumers that are potentially interested in the product/service that they wish to launch on the market. It is important to identify as far as possible the general characteristics (age, gender, spending capacity etc.) and the specific demands to be satisfied.

The entrepreneur has to bear in mind the market in which he/she intends to operate, represented by the consumers and the competition, and predict its evolution in terms both of changes in the consumers' requests, and with reference to the behaviour of the competition.

The information thus collected should produce a clear picture of the market situation and trends, making it possible to summarise the fundamental marketing decisions concerning the Product (range, accessory services, packaging etc.); the Price to be applied; the distribution Channels (wholesalers, retailers, direct sales etc.); the Promotional policies to be used to favour the sales of the new enterprise.

The entrepreneur also has to know what instruments, technologies and which and how many persons he needs in order to produce in the most efficient way possible and compatibly with the resources available. The selection of the production technology has considerable repercussions on the company: it has effects on profitability, since adopting one process instead of another generally entails different costs, as well as on the financing requirements and on the capacity to respond to eventual market changes, since certain technological choices may entail a rigidity in the type of production implemented.

3. The Firm Organization

Organising the enterprise means **planning and managing the tangible resources** (premises, furnishings, machinery, equipment, raw materials etc.); the **human resources** (partners, personnel); the financial resources (own resources, third-party funding...) and the **technological resources** (procedures, tools which enable the enterprise to produce as efficiently as possible), necessary for its functioning.

The organisation of a new company entails numerous delicate decisions. More specifically, we identify below various modalities and issues of business start-up:

1. start the business **ex novo**, with a new structure, or take over one **already in existence**? Starting a new business makes it possible right from the start to give it its own, correct structure, dimension and organisation. Taking over a business entails a careful assessment of whether it is worth while, if we are capable of running it at least as well as the previous owner and, above all, whether we can improve the production processes or the presence on the market. In certain cases the entrepreneur is forced to choose takeover in order to exploit the licence required for the performance of the chosen activity;
2. start the business under the form of **Franchising**? Franchising is a modern and safe system of commercial collaboration between a franchisor and one or more franchisees, juridically and economically autonomous and independent of one another, who draw up a special contract on the basis of which, upon payment, the franchisor grants to the franchisee the utilisation of his own business formula (know-how, sales techniques, product, services, trademark, trademark identification elements, service, training etc.) so as to permit the franchisee to run and manage the business in an entirely autonomous manner.
3. what **dimension** to give to the activity? (initially: prudence, restrict size and seek for maximum flexibility so that you can achieve a structure capable of adapting to external conditions);



4. where to **locate** the business? The choice of location is important and certain factors need to be borne in mind. The closeness to the supply and/or outlet markets, the presence of infrastructures, the possibility of accessing the subsidies envisaged for certain territorial areas;
5. which and how many **tangible** and **intangible resources** to utilise, in terms of real estate, machinery, equipment, furnishings, software, patents etc? This is the sum of the initial investments necessary for the start of business, which depends on the type of activity involved, the size of the company, and the economic and financial possibilities;
6. how to organise and manage the **human resources**? A good businessman will pay careful attention to personnel management, and will transmit and share the entrepreneurial targets. Well-prepared and motivated personnel, committed to the production and with attention focused on the consumer's needs, will make a major contribution to the efficacious management of the business.

4.The Business Plan

4.1. THE IMPORTANCE OF THE BUSINESS PLAN

A well-thought business plan is useful in order to verify the validity of the entrepreneurial plan, and to reduce the risks of initial mistakes. Not only: it represents also the business card of the new enterprise towards banks and other financing bodies, both public and private. It is the first tool, with which building the entrepreneurial initiative.

The Business Plan is generally subdivided in two parts, a more descriptive one and a more analytical one, introduced by a short synthesis in which the main elements are summarised.

The descriptive part consists of:

- A presentation of the proposers of the plan
- A description of the products and services that will be offered
- A characterisation of the market, of the target clients, and of the expected competitors
- A description of structure of the enterprise: localisation, suppliers, human resources, legal form

The economic and financial part deals with:

- foreseen revenues
- foreseen fixed and variable costs
- financial investments and requirements
- contribution to the financing of the enterprise and break even point
- foreseen balance sheet and income statement

The elaboration of the business plan considers the above-mentioned aspects, takes into account alternative choices and tries to characterise the best approach to the set up of the entrepreneurial activity. For these characteristics, the Business Plan requires the direct and active involvement of the new entrepreneur, and not merely of an external financial expert.

4.2. SYNTHESIS OF THE BUSINESS PLAN

A synthetic presentation of the business plan, an executive summary consisting of few pages (2 or 3) from which the fundamental elements of the initiative emerge.

1. Which kind of activity the entrepreneur intend to start, and which motivations led to the choice of a specific sector
2. Who will be the main actors of the entrepreneurial activity, who will bring the main competencies, which legal form has been chosen for the activity
3. To which customer base the new activity will refer, and how big is the market the new activity will address
4. Foreseen income and turnover, break-even point and when its foreseen to reach it, further marks of profitability

Tip: develop this part only after the definition of the whole Business Plan.



4.3. DESCRIPTIVE SECTION

4.3.1 The entrepreneur(s)

Illustrate the competencies and the expertise of each entrepreneur involved in the activity, highlighting the elements that can be crucial for the good outcome of the projected activity.

- A. Identifying Data: name, age, etc.
- B. Educational and academic qualifications;
- C. Working and professional experiences .

Explain how one has arrived to the decision of starting up an enterprise, and how the target market was chosen. It is useful if not necessary to point out:

- Knowledge and work experience in the field (as dependent or independent worker, extra working experience, etc.)
- Motivations of the entrepreneurial choice (enterprising attitude, entrepreneurial spirit, organisational skills, marketing skills, selling skills, aim of an independent job, search for a stable occupation, etc.)
- Reasons for the choice of the market (past experiences, passion, hobby, study, contacts, opportunity, etc.)

Note: it is necessary to prepare a different presentation sheet for each entrepreneur involved in the activity

4.3.2. Description of the products and services offered

The aim of this section is to present the offered product or service:

- A. Presentation in detail of the services or products that will be offered (detail the whole “product system”: product plus linked services), differences in relation to existing products/services, etc;
- B. Technical characteristics of the product/service and modalities of functioning (for example, artistic handicraft products, innovative services, etc.);
- C. Description of needs that the product satisfies, advantages for the consumer (for example: technical attendance post sale, test phase, free delivery, etc.).

Note: if the new enterprise offers more products or more services, it is useful to present them all, specifying which are the main (the “core”) ones.

4.3.3. Market analysis and marketing choices (or strategic choices)

A. The reference market:

- General conditions and trends of the market of interest (mature market or expanding, number of operating enterprises and their dimension, applied prices, global turnover, etc);
- How innovative is the market: traditional, influenced by fashions, in continuous and fast evolution;
- Risk factors of the market;
- Possible barriers to the entrance of the market.

The collection of these data (through statistical documentation, specialised publications, contacts and interviews, etc.) will provide a photography of the market in which the new enterprise will be active. Annex any result of market researches specifically developed.

B. Competitors:

- Identify the type and number of the competitors and, if possible, the market share each of them control; it's important to remember that markets can have both direct and indirect competitors;
- Characterise which products/services they offer;
- Estimate which are their main strengths and weaknesses.

C. Identification of the Customers base:

- Identify the type of customers: are they end users (Business to Consumer) or of intermediaries (Business to Business)?



- In case of “end using” customers, specify: profile (age, income, education, geographic area, habits etc), the number, the motivations to the purchase (need, status, fashion etc.);
 - In case of “business” clients: specify if they are private companies or public agencies, their number and dimension, the geographic area in which they operate, the purchase frequency, the common consistency of the orders, the characteristics searched in the product (quality, reliability, price, attendance and services, etc.);
 - Specify if contacts/agreements with potential clients have already been defined.
- D. Price policy
- Specify which price range has been chosen for the product/service provided, and the reasons that led to this choice (alignment with the prices of competitors, decision to opt for a selected customers base, aggressive strategy of low prices...).
- E. Advertising and promotion
- Describe how people will get to know about the company: creation of a mark/logo, traditional advertising (depliant, postings, radio, etc), Internet site, banner, specialised publications, attending to market and trade fairs, direct mailing, sponsorship of events, etc.
 - Describe how will the products and services be presented: catalogue (printed/on line, etc), presentation book, etc.
 - Quantify the foreseen investment in advertising (it will have to be coherent with what is presented in the economic/financial part of the Business Plan)
- F. Distribution and selling channels
- Detail the way in which the sale of the products/services is foreseen (internal sales personnel, network of agents, concessionaires and authorised distributors) and where the selling activities will take place (directly in the company premises, on line, door-to-door, through specific stores or franchised stores, through organised distribution chains...)
 - Describe how clients will be contacted: telemarketing, company visits, mailing, participation to events, etc.

4.3.4. The structure of the enterprise

The purpose is to describe the general structure of the enterprise.

A. Localisation of the enterprise:

- Motivate the choice of the localisation of the enterprise both from the logistic point of view (proximity to clients or suppliers, to the university or research centres, availability of services, availability of specific fundings, etc), and from the point of view of the type of premises

B. Suppliers and partners:

- describe which are the main suppliers of the company, distinguishing between suppliers of raw materials, semi-finished or finished products, with particular attention to the strategic ones (specifying if they have already been identified/contacted, which are their operating modalities for payments, minimum orders, lead times and delivery, etc.) and to those providing services: technical advising, software assistance and the like.
- identify possible partners with which collaborations can be established for the joint provision of products/services

C. Technological Assets and Investments:

- Specify if the production is realised in-house (in this case specify if possible the productive cycle and its critical aspects) or realised externally (totally or partially).
- Define which technologies and licences, assets and machinery, systems and premises are necessary for the development of the activity (specifying if they are already available, at least in part, or if they have to be acquired, in how many years the investments will be realised, etc).

D. Production cycle:

- Organisation of the production
- Saturation of the productive capacity



E. Human Resources:

- Description of the competencies needed for the functioning of the enterprise, and of the personnel covering the several functions, with hypothesis on their selection and recruiting, and the contractual organisation of workers
- Which internal roles have to be covered and what the entrepreneur(s) intend to cover themselves (also specify the annual remuneration foreseen for the entrepreneurs)
- Which resources will be sought outside the enterprise (specify the foreseen contract and monthly/annual cost)
- Which development strategy is envisioned: foreseen new recruitments, if and when it is foreseen to need the help of external advisors (trade specialist, lawyer, job advisor, technical expert)
- If available, structure of the internal organisation of the personnel

F. Legal form and organisation:

- Detail the chosen legal form, specifying the characteristics the company will have (internal charges, costs of constitution, responsibilities, initial budget)
- List, if they exist, which bureaucratic passages are required before starting the activity (authorisations, inspections, qualifications, licences, other).

4.4. ECONOMIC AND FINANCIAL SECTION

4.4.1. Foreseen Revenues

Specify how the aimed volume of transactions has been determined for every year covered by the Business Plan, and in particular:

- A. how many categories of products/services have been selected, with which criteria they have been grouped, how much they weigh on the total turnover
- B. if and what makes the turnover fluctuate during a year or between years
- C. when is productive capacity saturated (in terms of working hours of the personnel, equipment, etc.)
- D. which are the expected times for the clients' payments

4.4.2 Foreseen fixed and variable costs

Separately specify the structural costs (costs not linked to the production/sale volume) and the variable costs (linked to the production/sales volume), detailing the most important ones.

4.4.3. Contribution to the financing of the enterprise and Break Even Point

Describe the contribution to the financing of the enterprise for the various categories of products/services, and the mean value, and estimate the balancing turnover and if possible the foreseen Break Even Point.

4.4.4. Financial investments and requirements

- A. Describe the investments plan, specifying:
 - the total value of the investments (excluded VAT)
 - the year in which it is foreseen to realise the investment(s)
 - the amortisation of the cost of the investments (calculated considering the effective duration of the assets, based on their obsolescence)
- B. Specify the financial requirements of the enterprise, detailing the way in which they will be covered; in particular through:
 - the entrepreneur/associates own resources
 - associates financing
 - medium/long term financing (specifying the duration of the loan and the relative interest rate)
 - short term financing, specifying the characteristics



4.4.5. Analysis of the economic and financial balance

- A. Analysis of the financial balance, from which should be clear that the assets are covered with the company's own funds, or with long-term financing
- B. Analysis of the economic balance, from which it should be clear that the turnover is higher than the costs (including the costs of the entrepreneur and of the invested funds). The economic balance doesn't necessarily need to be verified in the first year of activity

4.5. ANNEXES

Annex to the Business Plan the documentation useful to complete the presentation of the plan, for es.:

- CVs (Curricula Vitae) of the entrepreneur(s)
- photographic documentation
- licences
- inherent articles
- market researches