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ENTREPRENEURSHIP FOR BEGINNERS

by Andreea Căplescu





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Disclaimer This project has been funded with support from the European Commission.

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This manual has been elaborated during the project “SoundBeatsTime” (with the ref. no. 2020-1-RO01-KA227-YOU-095777), funded by the European Union through the Romanian National Agency, in the context of the Erasmus+ KA2 – Cooperation for innovation and the exchange of good practices action, Partnership for Creativity sub-action.

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INTRODUCTION

This guide is not aimed to convince you to get into the business – you need to know what you’re getting into before that – but to understand the world of the business before you take any decision towards this path. It is not the perfect recipe for getting the most successful business, but it can be the base for your understandings of this domain.

The knowledge contained within this guide will help you understand better the positions of entrepreneurs, and so, your potential bosses, if you are to be employed somewhere. Knowing all the aspects behind your job position can help you understand better how things are going in a business and how you can support its growth as you are part of that process.

In the end, if you feel ready for getting a business on your own, regardless of its type, you should be ready and prepared with at least the basics and know what to expect. You may fail, you may “win” in some cases, yet important is to learn from everything you are to go through, be them positive or negative aspects.

Feel free to expand your knowledge by researching or following courses on the matters you’d like to learn more of it. Entrepreneurship is a vast domain and no recipe is guaranteed for success, except “try & learn”.

Best of luck!



UNDERSTANDING ENTREPRENEURSHIP

What is it?

The terms of entrepreneurship and entrepreneur are no longer that unfamiliar to us. We hear them everywhere and use them whenever we refer to the business sector. The entrepreneur is the person that does entrepreneurship related actions. Sounds logic, right? Let's see how we ended up with these terms though.

The origin of the word comes from the mid 18th – early 19th Centuries, from the French verb of *entreprendre* as in "undertake", which was mainly used to describe a manager or promoter of a theatrical production. It seems however that it was based on the Latin *prendre* or "to take, to grasp, to capture" and perhaps even *entre* with the meaning of "to swim out".

At the beginning of the 20th Century, the entrepreneur was already defined as the *"go-getter when applied to an independent business owner, a quality that may also be found in the phrase entrepreneurial spirit, which began being used at about the same time"* (Merriam Webster Dictionary).

The last three decades of the 20th Century had the number of company owners almost doubled and businesses were once more thriving after the big crisis, in the period right after the wars.

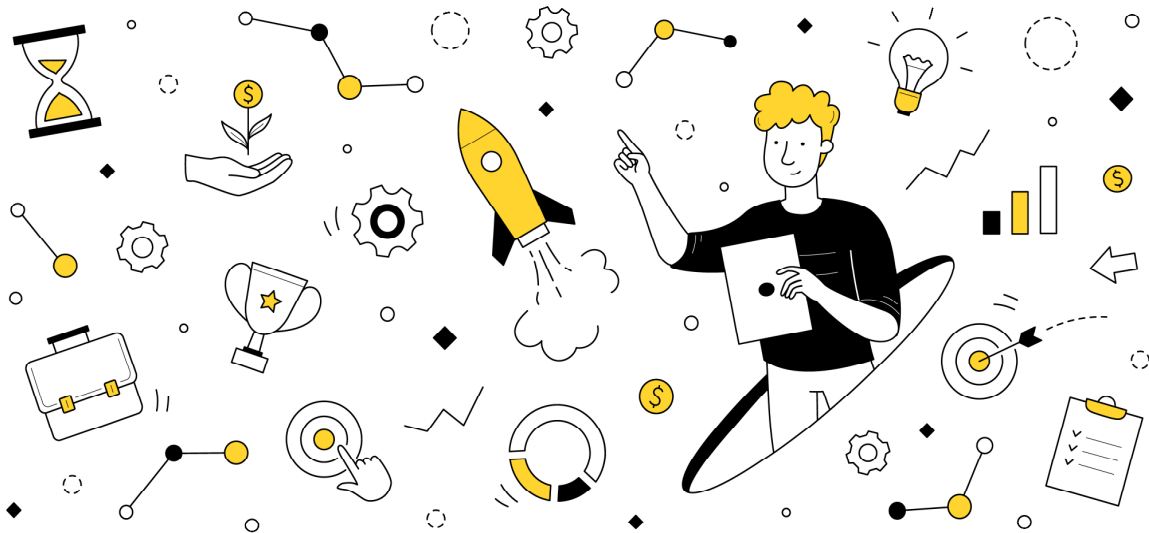
All this time various experts have tried to define entrepreneurship as:

- 1755 – risk taker: *Anyone who bought or made a product at a certain cost to sell at an uncertain price* (Richard Cantillon, "Essay on the nature of commerce");
- 1880 – adventurer: *Adventurer, one who takes an enterprise, especially a contractor, acting intermediary between capital and labour, [...] that shifts economic resources out of an area of lower and into an area of higher productivity a greater yield* (Jean Baptiste Say, "Treaty on political economy");
- 1934 – opportunist: *The person who destroys the existing economic order by introducing new products and services, by creating new forms of organisation, or by exploiting new raw materials* (Joseph Schumpeter, "Theory of economic development");
- '90s – innovative: *The person who creates something new, something different, i.e. who changes or transmutes value, always searching for changes, responds to them and exploits the opportunity.*



Looking at some nowadays dictionary definitions, we would get:

- *Skill in starting new businesses, especially when this involves seeing new opportunities* (Cambridge Dictionary);
- *The activity of setting up a business or businesses, taking on financial risks in the hope of profit* (Lexico Dictionary);
- *The stage of being an entrepreneur, or the activities associated with being an entrepreneur* (Collins Dictionary);
- *A person who makes money by starting or running businesses, especially when this involves taking financial risks* (Oxford Learner's Dictionaries);
- *State of running a business with considerable initiative and risk* (Thesaurus Dictionary).



If it would be to put everything in other words, we could define the entrepreneur as being the person having an idea or solution that solves the need of the society or of a particular group, which by exploiting it and making it real, they could obtain profit. On the other hand, the person needs to be aware that certain risks, mostly financial ones, need to be taken into consideration while implementing the idea.

Entrepreneurship does not have an accurate, concrete definition, it cannot be generalized or reduced to one definition as its concept keeps evolving and is totally dependable on the area that is happening in. We can only understand the main aspects of it and act upon for the sole purpose of getting profit.

The core idea of a business shall totally rely on a need identified among the desired targeted group. If no one needs your product or service (no demand) than no one would buy it, making the business a loss from its very beginning. You could see businesses as a



solution generators, where the problems faced by various groups are in fact the opportunities to make changes and obtain profits out of it.

Now, of course, this is debatable and would bring into discussions the ethical parts of a business. Here we have the legal aspects and the moral aspect. It is up to you to choose the line you would not cross for that, despite what other may tell you that it is or not moral. Nonetheless, it should follow in any case the laws and, to somewhat extend, your personal beliefs, which often can be way stronger in stopping or encouraging you to perform an action.

Entrepreneurship also defines the capacity and willingness to develop the idea, organise all its needed logistics and manage a business venture along with any risks that may arise on the path, in order to eventually make a profit out of it.

Having an idea seems a very easy thing to do, yet planning all the processes behind it is what can get you the great title of an entrepreneur. As times passed and everything evolved around us, on a faster and sudden pace during the industrialization era, a business nowadays needs not only to answer to a need (the main concept in fact of getting profits), but also to be different, to attract, to mesmerize potential clients and so to speak, to be innovative.



If we look up the meaning of **innovation**, we'd get the baseline of being the implementation of a new or significantly improved product, service or process that creates value for the business, government or society in general.

Everyone can be an entrepreneur, that is a fact, but can everyone be a successful one? That totally depends on the innovation you bring to the market, the strategy you have to approach the potential clients, the cost efficiency between producing/offering your business object and getting incomes, and the risks you assume to take to develop your business.

Starting a business should rise from your passions, hobbies, talents, competences and generally something that you already know how to do and like to do.



The main characteristics of an entrepreneur are:

- The passion for the business topic;
- Confident about their abilities and ideas;
- Good planner for a short and long-term;
- Good organiser and manager of various types of resources, or working to become one (financial, materials, people, time, etc.);
- Always up to bring improvements and open towards updating and upgrading;
- Strong with not giving up at the first bump;
- With a great ability to focus and keep going;
- With a continuous desire to invest in own education;
- Possessing or developed communication and selling skills;
- Curious, flexible and adaptable;
- A team player and individual dreamer;
- Definitely comfortable with taking risks and potential failure;
- Persistent, hard-worker;
- Sociable, with a positive attitude, optimist but realist;
- Energetic, self-disciplined, constant and determined;
- Original and creative, up for experimentation, future oriented;
- With a pro-leading attitude, oriented to performances.

The list can go on because the entrepreneur needs to know a bit of everything that goes on in the business. The key fact though is knowing you don't have to perform all that (asking for "help" by having employees).

This is rather the general ideal profile of an entrepreneur and there are many aspects of it which can be learned or developed with self-discipline. To be honest, you will never be 100% ready for a business as not everything depends on you, and that is exactly the beauty of it.

You get challenges everyday that you need to find fast and convenient solutions both for you (keeping the profit going) and for the people you get in contact with (suppliers, customers, employees).

Make a list with your qualities and features that can help you generally in a business and specific for the idea you have. Compare your list with the profile mentioned above and see which are the aspects where you should work more to improve them.



Think of methods or persons who could support you in doing that. Think about the resources you would need and where you could get those from (partners, employees). Ask people around how they see you and use those qualities for your entrepreneurial profile.

The first step in becoming an entrepreneur is doing a deep analysis of yourself and your context, and sees if you are really up for the challenge. Don't get scared right in the beginning though. Many things are fixable with external support. Keep reading!

To take or not to take the risks?

This step is perhaps the most important one in getting in the business sector. You need to genuinely analyse your potential and capacities if the business suits you from the side of leading it.

Being objective with yourself can help you be aware about taking the risks you would not normally take. A great majority of people that fail in their business do not do so because they are not good at the object of it, but because they were not truly ready to having had this step done.



Management is an aspect you can learn and you may acquire it before. Many items will be learned for sure while leading your business, however your personality needs to match the general profile and definition of an entrepreneur – a business involves risks, dedication, time, efforts, leading, daring.

Are you up for it for real? Then go get it done! Are you not? It might not be your thing or just not be your time yet. Re-evaluate your position on a regular basis as you develop and evolve as a person as days go by.

In the minds of many, many people “business = profit” which is true until the point where you have to work for that. Profit doesn’t fall out of the sky just because you opened a company, and neither do the clients that could bring you that profit.

There are lots of preparations that need to be done and planning throughout for it (business plan, strategies) and before getting to that, be sure it is worth it for you. Think about the pros and cons, about the benefits and risks you would have to take. This is your chance to be as optimistic and pessimistic as possible, and see if it worth for you to go on or if you would truly enjoy going through this process.

What are the main reasons people want to open a business?

- *El dorado* for the profit – unemployment, need of having a bigger income, being financially independent;
- Desire to be the own boss and work for oneself rather than for others;
- Low/lack of satisfaction in the current job;
- Searching for something new to revive their professional path;
- The example of others that succeeded;
- Need of a change, getting rid of the routine;
- A great idea or set of ideas that seem to be catchy on the market.

What benefits could we get by becoming entrepreneurs?

- No limits in the type of activities you want to do, your social position or financial status – everything is 100% dependable on you and how much you want to evolve;
- You have the power to take your own decisions, no need to follow others’ orders or methods;
- You can further develop yourself personally and professionally beyond the limits imposed by the business where you’d work as an employee;
- You can start making money for yourself rather than for others;



- You can turn your own ideas into practice and see the end result on the first hand;
- You can choose the persons you want to work with, both as suppliers and clients or as employees;
- You don't have the risk of the instability given by the potential demission or unemployment (there are financial risks but are predictable in a certain way);
- You have the choice of the working place and can give you a flexibility of your working schedule;
- You get higher rewards for the things you do, not just at the financial level, but also at the personal one (confidence, self esteem, recognition and validation, etc.);
- You feel important, listened to and relevant among your clients, suppliers, employees;
- You have the main chance to take advantage of different types of business opportunities;
- You have no routine and can't get stuck in a singular position;
- You have the chance to create your future, just the way you want it;
- You can demonstrate to the others your talents and strength to do something;
- You choose the management style that is more suitable for you;
- You choose your clients and how to satisfy their needs with your business' object;
- You can involve your entire family in the process, including your children as part of their education in senses of entrepreneurship, financial independency, work responsibility and sense of being actively part of the family.



It all seems great, but what are the challenges?

- You have a very high level of responsibility and risks to take to make the business go; it is no longer just you, but also your family and your employees that are at stake;
- You bear the responsibility for all the decisions you take and these can affect you also in your private life (your family, your savings, etc.);
- Your level of insecurity may be higher, especially in the beginning, as you put all your time and resources into it;
- You may have to work a longer time than as an employee in the beginning, to make sure everything works, so you have less personal time;
- You may feel a lot of pressure and stress on you, even if the things go well, as you have the tendency to think a lot about *tomorrow*;
- You cannot estimate the changes in legislation or how the business environment would be and how would that affect you, no matter how many risk planning and back-up solutions you may think of;
- You may have the feeling of failing others and yourself in case of not obtaining what you hoped for;
- You risk losing your money, social status, self esteem and confidence, the respect of the business partners, support from family and friends;
- You will feel drastic changes in the lifestyle and time management that can lead to too many responsibilities, stress, lack of safety, lack of free time whenever you may feel like it;
- You cannot know it all and cannot be everywhere at the same time so you need to depend on your employees and external experts, which, if you don't select properly will rather challenge you more than help you.

These are quite general examples for both pros and cons. You need to think in practice directly at your situation and see what benefits becoming an entrepreneur would bring you and what might not work. Draw the line at the end of it and make your decision based on *you*.

If it would be to put in comparison being an entrepreneur or being an employee, it could very easily give you the insights of your personality. Neither of the options is bad as long as you feel comfortable with it.

Some people are made to lead, while some are made to follow, and they both do great in doing so. Having an entrepreneur-oriented personality does not guarantee your success, while being an employee doesn't make you a "lazy" person. We need both leaders and followers to get things working. We depend on each other.

Check these out and see on which side you identify more at the moment:



Entrepreneur	Employee
Your incomes are variable and totally dependable on the amount of work you invest in it = unlimited potential of incomes.	You get a fixed salary which does not change; you have chances of getting bonuses too = fixed potential of incomes.
You may face loses, depending on the market tendencies and evolutions, or based on wrong calls. You may loose everything you worked for. Or you may double it.	The way the business goes does not affect directly your income, but it can make you feel insecure about it and get unemployed. You can search for another job though.
You are your own boss and you can choose whatever method you like to try.	You have a boss which tells you how to do your job.
You can have a flexible schedule which can allow you to work less or more, depending on your mood or desired level of getting involved.	You have a fixed schedule that you need to respect, no matter what. You are not obliged to work extra than your schedule.
Your work can become very interesting as it can vary and does not allow a true routine to take place.	Your work can be of a routine, based on fixed procedures which may not let you experiment much.
Many responsibilities at the management level, which affect the entire business.	Responsibilities only related to your job position, not for the entire thing.
You are fully responsible for choosing the team you work with and make it functional, optimal and successful.	You may work around team members and still do your job, in case you are not compatible with them.
You pay taxes for profit/income, salaries, you have costs to maintain the business going up.	You don't have additional costs to do your job, as the company should offer you everything.
You develop competences and reach higher potentials in your personal and professional lives.	You use the competences connected to your work and limit the potential growth per total.
Your competition can "kick" you from anywhere and you depend totally on the clients you have. Clients can be very loyal and supportive though.	You compete only internally with other team mates to get a promotion, it is a rather safe position and you don't risk that much of loosing it if you do your job right.



The following questions may help you see as well if you are ready to become an entrepreneur at the moment. Be honest with yourself. Likewise with the table before, mark the statements where you identify yourself and evaluate at the end where you stand:

- I am ready to work more than 40 hours/week, on a regular basis, sometimes also during the weekends, and have less holidays;
- I have support from friends and family for my decision of opening a business;
- I am aware I need to initially invest money in my business, money that I may not be able to get back so I feel comfortable with potentially losing that money;
- I don't feel the benefits of a work contract and a stable job work for me;
- I am capable of assuming responsibility for the entire business, I can admit when things go wrong and bear the consequences of what might happen;
- I see the potential in me to make my work more profitable;
- I am very proud of myself when I end successfully a project I've been working on and investing my all in it;
- My energy level is constantly high on a long term, the things I do don't consume me rapidly not make me want to get over with the tasks as soon as possible;
- I like the freedom of doing tasks my way and taking decisions on that, I don't like that much being told what and how to do;
- I consider myself fully responsible if I have success or if I fail. I don't put the blame on others for what I do wrong and I know how to praise myself and others for when I or they do a great job;
- I thrive for the success even if that means I have to dedicate more of my time and energy for it;
- I am keen on organising and management aspects and I understand the processes and steps behind a task. I understand the need of planning my work before I get started;
- I am able to get my tasks done even if I find myself in a confusing or uncertain situation. I know to manage my way around to find what I need to know and get the tasks done;
- I have/had models of entrepreneurs around me and I am/was able to learn few things from them;
- I believe I can do more with my abilities;
- People trust my abilities, my decisions, my process of doing tasks and see my honesty while I work;
- I push myself to finish the projects I start, despite difficulties I can face;



- I would do my best to finish what I start regardless of other people trying to discourage me;
- I am good with finding solutions in crisis times and I can take fast decisions on that;
- I know many people and friends in the business world that could support me with advices to develop my business.

If for the majority of the questions you gave a positive answer, then you are ready. If the majority are negative, you may want to reconsider this option for a while. If you have an about half-half for the questions, you have some qualities of an entrepreneur, yet you are not entirely ready for it. Identify the questions with a negative answer and think what you could do to make that better.

Remember, you may not feel ready now, but that doesn't mean you can't be ready in 6-12 months or 10-20 years. Re-evaluate yourself whenever the idea of having your own business crosses your mind.

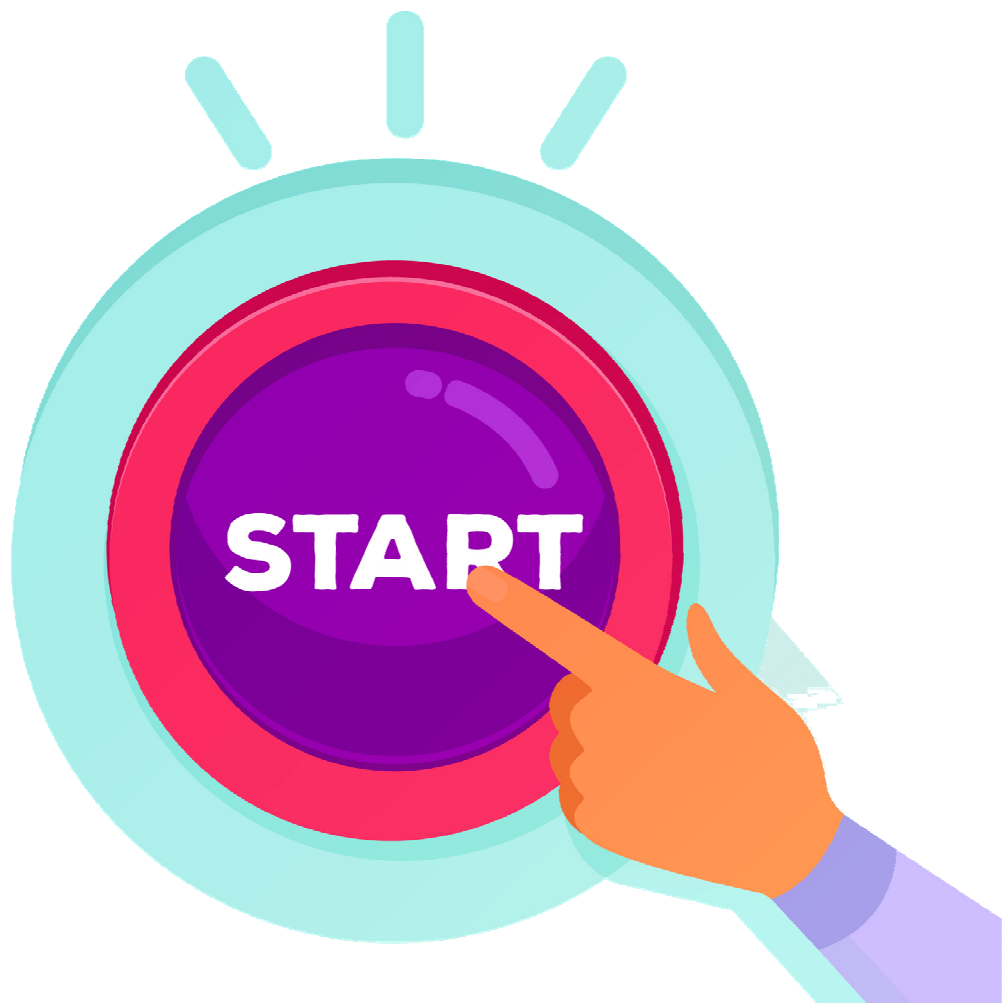
Are you ready?

We've given some questions here and there on the pages before and yet there are some more important aspects we need to have them well defined.

- Need – do you have well defined and studied the need you want to address?
- Solution – is your business idea really helping the clients solve their problem?
- Motivation – are you truly eager to get deeply committed to your cause, even if on the way you may face obstacles?
- Expertise – do you have sufficient knowledge, education (not necessary from schools) and practice in the chosen field?
- Dream – is the business idea your dream or are you pushed into something you know (outside pressure, seeing ideas that work for others), but you don't feel necessarily passionate about?
- Clearance – is it clear to you what you want to do, do you have all the aspects written down?
- Reality – is what you want achievable and relevant for the others? Do you have the capacity to make it real through your abilities?
- Energy – could you get your daily energy from your business or would it drain you? Do you need a team or can you do it individually? What would make you lose your interest towards it?



- Strategy – are you capable of seeing your business on the long run with concrete details and planning? Can you follow plans and steps?
- Help – to whom could you turn to in case you need advices or someone to listen to you?
- Investments – are you ready financially to give away your savings and make it work? Can you sacrifice them further for getting what you want?
- Satisfaction – what are the things that make you happy and feel fulfilled?



THE DREAM BEHIND IT ALL

Up to this point you should be able to have already a clear picture in your mind whether you could be or not an entrepreneur in the current state. If you've reached this far you are more likely to be at least still tempted by this opportunity. We will continue with the big aspects you should be taking into consideration while opening a business.

The idea

We might have the tendency to try to copy the ideas from businesses that already work. Let's remember though you need to be able to do it with your abilities in order not to fail it from its very beginning.

So it seems all the great ideas have been already taken and there is nothing innovative you could bring to the market. You might be right about that, yet not entirely. The way you are is what could make your business unique: ways of approaching clients, the quality or difference you can offer, the atmosphere, the care for the customer. These are only few of the aspects that could differentiate you from your competitors, even if you sell the same service or product.



Write down the ideas you have. Are they connected with each other or self-standing? Would there be any way to connect them in one business, even if it's at a later stage (strategic planning of organic development)? If not, which one would you like to totally focus onto at this point? Which one is currently the most appealing to you?

Too many ideas may indicate that you are not more educated on a topic than on others, and you would eventually need to choose one and work on improving yourself for it. Too few ideas and very generic, or even no idea at all may indicate quite clearly that you are not ready for the business sector from an entrepreneur's point of view. Perhaps at this point you should investigate more, grow on the educational path and improve generally yourself. One way to define them would be to research these aspects:

- Know yourself and what are your competences, what are your passions, what did you do so far successfully (paid or unpaid).
- Look into the current market and see what are the products or services offered; is there anything in particular you are good at that you can do on your own? Is there something specific that is demanded, yet not so many offer? Could you jump in and provide the market with that product or service?
- Skip through the newspapers, mass-media or general advertising; is there something that seems appealing to you that you could do?
- Search for businesses ideas online or with friends, engaging with other business persons; select the ones you'd feel up for them and how could you include your work in the market.
- Perhaps the most important and essential: interact with potential clients; what is it that they need and you could offer?

Now let's narrow down the list. Do you remember we mentioned what should the business be based on? The main parts were on one hand the **needs of the clients**, while on the other the competences and **what we can offer**.

Take the list with your characteristics and compare it to the resulted ideas – do they match? Does your profile fit in the requirements of the business ideas? Could you follow through this opportunity? Is it feasible with your abilities and the stage of life you are in now? What is the exact thing you want to do, as concrete as possible?

Evaluating a business idea is essential at this point. More than 80% of businesses tend to fail in the first years because of improper choice of business object, mostly related to not knowing deeply the chosen subject.

Besides the plenty of (practical) information you should have on the topic, you may take into consideration also its potential in the future and what perspectives the idea could take. Is it realistic to be put in practice? The idea must represent an attractive future situation as well as it must be doable from your side.



As brilliant the idea may seem, if you don't have the needed resources to get it started (competences, financial resources), you will not be able to go too far with it. Get better prepared – maybe you can get a similar job somewhere and learn more in practice what it is, do an internship, study a bit more, do courses, save more money, find ways to finance the business from elsewhere.

It's recommended not to count from the beginning on abilities and expertise of others (partners or employees) as you may not have the resources to access that. The only person you have 100% committed to it is yourself. If you get external support that is great and very helpful, just make sure you can totally count on it, reason why you can always count on you as you won't back down.

Besides the motivation and your preparation for the business idea, there are other factors to take into consideration while planning a business:

- How long would it take to create a significant value?
- Could it support a constant income with a minimum that you desire?
- Does it have a growth potential and the capacity to create additional profit opportunities?
- Can it generate funds to self-support and sustain the growth?

Remember: Everyone has ideas, yet an entrepreneur should have practical and profitable ones! The key to successful businesses is to offer services or products that satisfied needs not yet identified or exploited or in ways not yet identified or exploited. What could be improved from what you see around you? What would others want to make their life easier or better with?

Once decided on your idea, it is time to define it and expand it as much as possible in details of what you want to do:

- Detailed description of the product or service;
- Specific characteristics that make your idea same or different from what there is already on the market;
- If there is any previous specific authorisation or licences in order to get your business started;
- If your idea is in accordance to the laws (location, production, security, sanitary measures, etc.);
- What are the minimum standards required by the law.

The description in this phase will help you analyse better the context as you would know what you want. Do not worry if on the way your description will slightly change here and there, and adjust it whenever needed. You might get new ideas or discover more aspects that could be beneficial for you business along this journey.



With the idea established and having a clearer context of what we want to do, it is time to check what the market and the whole environment have to say.

The context

You just found the greatest ideas of them all. You are passionate about it, you have the talent and competences to do it, you thought about its potential in the future to make profit out of it, it is realistic from all its perspectives. Don't jump any further now, as you would need to verify the context of your business idea and see if it's actually viable from all points of view, mainly external ones not directly related to you.

You need to analyse and think critically every aspect, try to foresee the unpredictable and plan accordingly. Note everything down; you cannot know what piece of information could be useful for you further on.



The P.E.S.T.E.L. analysis helps you see the local, regional, national, international context of where you could open the business and support you into making it profitable:

- **Political** – how and to what extent a government can impact the economy, such as policies and laws, political (in)stability at the local, regional, national, international cooperation, foreign trade policies, taxes policies, labour laws, trade restrictions, etc.; you need to be able to respond not only to the current legislation, but also to anticipate, as much as possible, what could change in the next years.
- **Economical** – how profitable your business can actually get and its maximum potential limits; what is the economic growth, how high are the interest rates, the exchange rates, the inflation and its timing, what taxation policies can support or prevent you from getting more profit, how is your target group spending their income generally and in particular on similar services or products like yours; are there any specific policies you could benefit from? What salaries ranges are there in the area and what is the (un)employment rate there?
- **Social** – the attitudes, mentalities and beliefs of the people; what is the persona of your target area (population growth, age distribution, health consciousness, education and career attitude, etc.); what education opportunities are there in the area (for potential employees and customers), how flexible is the working force in terms of mobility, who are the people you should work with?
- **Technological** – how would the development of new technologies influence your business; how would the technology affect the production of your good, the way you serve your clients or interact with your partners, the way the distribution would go and how the communication would take place between the involved parties? How easy is it for you to access new technology and incorporate it in your business? What kind of technology would you need at the minimum and how much would that cost you? How much would a new advanced technology affect you on the long run if you can't invest quickly in getting it?
- **Environmental** – the impact your business has on the surrounding environment; from where would you take your raw materials and how does that affect the environment? Would producing or providing your service impact a lot the pollution? What could you do to reduce it? What is the environment ethical direction you would follow? How can you make your business function and develop in a sustainable way? What would be your resulted carbon footprint and how could you reduce it? Are your products safe for usage for humans and for the environment? How would you test what you offer?
- **Legal** – the law context of your business; health and safety, advertising standards, equal opportunities (age, gender, race, religion, etc.), consumers' rights, product labelling and safety; authorisations and documentation needed to your business functional; labour, production, environmental or any other laws that directly and indirectly affect your business; specificities of export-import, if the case; fiscal code features; potential law exemptions that may be in your favour; remember that here you can include as well what we mentioned in the beginning regarding your ethical views on the business.



The list of question for each can get bigger and bigger. It is up to you to find all the possible questions you can for each section and so to get deeper into your context and particularity of your idea. If it's not feasible from all the P.E.S.T.E.L. points of view simultaneously, perhaps you should think to change the location, the targeted group or any other factor that may not seem that favourable, while checking it by changing one aspect, the rest remain the same or changes as well accordingly.

The Porter's 5 forces analysis comes handy when you want to analyse the market you would like to launch your business on. As the name says, there are 5 sections:

- **Rivalry between players or how loose/intense is the competition** – this force gives you an insight on the number of competitors and their ability to threaten your business. It is important to study your competition and know each one what they offer and to what extend you have similar services or products, as this may give you the power of entrance to the market as a new comer. The more they are, the less power you have. Both suppliers and buyers need one's competition in case they cannot close the initial deal and need to swap. When the rivalry is low, you have a great entrance power and you can achieve higher sales and profits.
- **Access for the new players or how easy/difficult is to break the entrance barriers** – the power you may have when entering the market is also given by the difficulty level of new entrants to access it. The more players there are on the market, the easiest it may be for you to access it as customers are plenty and have a great variety to choose from (they are open on switching). If you have to spend a significant low amount of time and money to enter the market, the more your position may be weakened even if you are an effective competitor. The stronger the barriers are the better market you may find with more selective costumers, loyal to the chosen brand.
- **Substitute products or how easy/difficult would be for your competitors to offer the exact same product or service as you, yet for a better price** – the customers may have the tendency to go not for the quality, but for the cheapest product possible and that can be a threat to what you offer. It is the additional value that you can bring on the market that make the customers choose you over the competitors, as it is highly likely a customer to go for the same tool or service, or get the same service yet with less financial involvement.
- **Clients' negotiation power or how less/much do the clients really need you** – if you identified properly the need of the market you want to address, than you should have no worries about it; what it can worry you is the frequency they would need your product and service which eventually affects their buying power and so your pricing. How significant is their purchase to you and how much would it cost them to switch you up with a competitor? The smaller and more powerful a client is the more power it holds.
- **Suppliers' negotiation power or how few/many suppliers you could have** – how easy could it be for you to obtain your raw material and at what costs? If you have only one supplier then you depend 100% on them and their pricing



conditions, as well as on their delivery, which is not very recommendable. It is not just about the number of suppliers but also about the quality of services or goods they provide you, which affect consequently what you deliver to your clients. How much would it eventually cost you to change from one supplier to another in case of risky periods or no longer agreements with the current one? The fewer the suppliers are and the more companies depend on them, the more power the suppliers have and control the whole market (size, price, quality).

These 5 forces are constantly pushing and tearing apart the market in all directions. The pressure on it might not be constant or equal and so one or more of the 5 can be highly at risk or on the contrary, very beneficial to your business. It is important to regularly check and analyse the market, and be flexible and open towards changes that can support your business grow or maintain what you have.

Try to find as many solutions as possible for each force, even if you don't access them all in the beginning. It is recommendable yet that you do have 2-3 options for each and run with them in parallel as that will stabilize your business better. Is there a thing that is not working? While you work to remediate it, you have the other 2 options viable and functioning. Alternatives are always better to be running in parallel as that would not put you in a great danger of not fulfilling your clients' needs.

Analyse, do survey, interviews, questionnaire, polls and anything else that can help you keep the real track of the market. This is precious information you can use on your current or potential clients. This analysis can point you the direction you could take.

The S.W.O.T. analysis will allow you to see yourself in comparison to the others and show you the points where you should improve and those where you should push more for further growth. It is based both on internal and external factors, and they can be static or dynamic.

You may easily try to analyse yourself at the personal level through S.W.O.T. too, as it may give you some insights that can be helpful for the business purposes. This will show you also the potential you have in planning and managing a business. Extend the questions to whatever you may see fit:

	<i>Helpful in achieving objectives</i>	<i>Harmful in achieving objectives</i>
	STRENGTHS	WEAKNESSES
<i>Internal origin (attributes of the organisation)</i>	What are you the best at? What intellectual property do you own that can help you with this business?	What is it that you are not so good at and needs certain improvement? What are you missing? What else would you need, but don't have?



	<p>What specific skills do the current workforce need that can contribute to the business?</p> <p>What resources do you have to start and manage the business?</p> <p>What connections and alliances do you have?</p> <p>What is your bargain power with suppliers and intermediaries?</p> <p>What are your assets?</p> <p>How is your business different from your competitors?</p> <p>What is your unique selling proposition?</p>	<p>What are you doing wrong?</p> <p>What disadvantages do you have compared to your competitors?</p> <p>What are you the worst at doing?</p> <p>Is your intellectual property outdated?</p> <p>What training does your workforce lack?</p> <p>What is your financial position?</p> <p>What connections should you have, but you don't?</p>
	OPPORTUNITIES	THREATS
<i>External origin (attributes of the environment)</i>	<p>Which are the weak points of your competitors?</p> <p>Which weaknesses in your competitors can you use to your advantage?</p> <p>What funds could you access or who could support you?</p> <p>What technology could you have access to?</p> <p>Are there new markets you could enter? What are their characteristics?</p> <p>What changes in the external environment can you exploit in your favour?</p> <p>What is it that your competitors do well that you could adopt and implement in your business too?</p>	<p>What new laws could influence and affect you, and how?</p> <p>Who is your current competition and what is it that they do? What do they offer?</p> <p>Is there an already structured market? What are its features and what could stop you from entering it?</p> <p>What could your competitors do that could hurt your business?</p> <p>What social changes might threaten you?</p> <p>How will this economic cycle affect you?</p> <p>Would the changing technology affect your business? How?</p> <p>What could be the financial threats that could close you?</p>



The strengths and opportunities are the aspects you should develop and emphasize, while the weaknesses and threats show you the areas where you need improvement, changes or support/help.

The strengths and weaknesses are rather static and internal, and we can have an influence on them – we can make it work. The opportunities and threats are at the opposite pole, and they are dynamic (can change any moment) and external, so we cannot control the way they evolve – it is what it is.

In the case of all these 3 analysis, feel free to expand your knowledge and read more about them. You might find more questions, examples or ideas you can easily adapt to your business prospect at this particular stage.

You are still at the starting point and, to be honest, not even there yet – you are in the training zone. You still have time to change and improve your odds. If you found already things that would support you and you can control the potential negative impact on you, it is great. If you can't, breath in and calm down – you still have time to get it right.

You didn't start your business yet. Sit on it and work it through until you get it to be favourable for you. Rethink and re-plan everything on paper before even starting the business. This is the time and place where you can still do that. Once you start and if you set it off in the wrong direction, it may be difficult to correct things on the way.

The context and the environment might be constantly updating, even if on a slow motion. Anything is possible as long as you identify the right place for you on the market. If you could face many problems with the way it is now, better not start it and re-do everything with different contexts or wait for its best time to pop up.

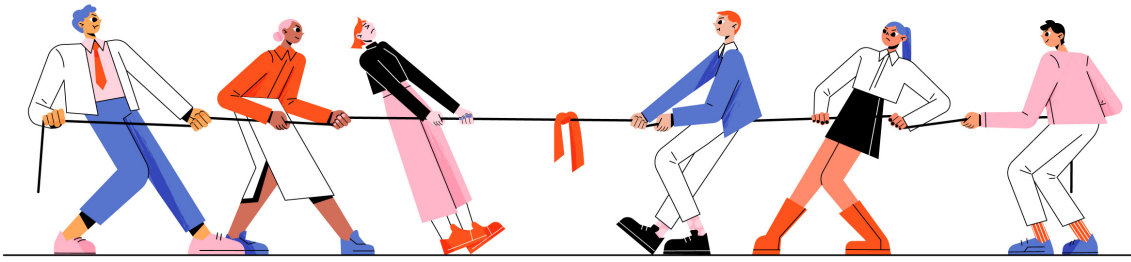
Risk analysis and the competitors

The previous analyses are a major base for the risk analysis we are to talk about. It also gives a lot of information about our competitors so the thing left for us to do is put them in order for an evaluation from a different perspective.

A **risk analysis** defines the possibility of unlikely events to happen, which could disturb or interrupt your activity, as well as the potential reactions to prevent or solve the situation, if they do happen. The hazarded events may affect on a short or a long term, yet creating potential effects that could prevent you from going back in business for a while.

Why is it important? Because it can prepare you, your business and your people with a fast and concrete response in case things happen. This could reduce costs or time to be spent out of the market, overall diminishing the financial impact on your business.





The risk analysis can be a tool that supports the expansion in certain ways. It prepares you for the “what ifs” and so you know where to act before. It can also help you in identifying opportunities to fix or improve things in a timely manner, while taking into consideration the potential adverse effects as a unique perspective of your boosting business. What do we mean by that? Check the weaknesses and threats from S.W.O.T. and consider how those can be transformed in strengths or opportunities for you.

The risk analysis supports your monitoring process and helps you evaluate your results in terms of quantity and quality. What inputs does it offer?

- Enhancing and promoting compliances – engages staff in the best way, supports the financial management, minimises loses, etc.;
- Generating new mechanisms of crucial decisions – encourages brainstorming, team work, goal oriented decisions, supports as well new opportunities to grow;
- Enhancing financial strength – mitigates measures and minimizes risks, creates a financial stability;
- Strengthening operational efficiency – eliminates or minimizes useless workload, improves procedures and simplifies employees’ work, improves the time of work;
- Inspiring the contingency plan – finds answers to all sort of “what ifs”;
- Supporting the attraction of external investors – shows the real situation and helps them understand the future of the company; gains trust and support for being a safe place;
- Protecting your people – avoids putting your workforce in danger and allows them to perform at their best their tasks;
- Tailoring the business around the context – allows you to improve your offer while predicting different variables in the business environment.

When to use the risk analysis? Pretty much all the time. Adapt and update it with the change of times. It sure helps you in the beginning, but also when you want to decide to step up or make big changes, increase safety measures and decrease risk occurrences, or when independent events such as natural disasters strike.



The four parts of a risk assessment are:

- Identifying risks and hazards

Mind the mental – stress, bullying, bad atmosphere, incompatible work groups, etc –, physical – anything that can endanger physically the body through injuries, malfunctions, improper usage, etc. –, bio or chemical hazards – diseases, biological waste, solutions, etc. – of your workplace. Other types of risks include human, operational, reputational, procedural, projection, financial, technical, natural, political, structural, etc. risks.

Most often these are risks created by the human resource. It is therefore important to have a good training for machinery usage, safety and protection, storing, handling materials, etc. that can avoid the avoidable.

Ask around your employees and see what difficulties they see potentially happening while performing their jobs. There might be risks that come with the experience in the field and to be hidden on a first glance that you may not be that aware of.

- Analyzing your encounters

Take all those risks and analyse when, how, why, whom would involve, where, for how long, etc. they could occur. What would be their results in terms of personal and material damages? Whatever question comes to your mind to help you determine the contexts in which these could happen are helpful to be answered.

Analyse the likelihood to happen and once more the different contexts of it. The value of the risk could be calculated as:

$$\text{risk value} = \text{probability of happening} \times \text{cost of event}$$

- Generating solutions and methodology of how to do it

Brainstorm on ideas to prevent the risks from happening – control and safety measures, working procedures, protection equipment, etc.

Find as many solutions as possible for the identified risks and choose the ones most appropriate for your context and your availability to do that.

Main ways to manage the risks are by investing initially more in creating a safe environment, avoiding the risk (prevent wherever possible), sharing the risk (divide responsibilities and gains from it), accepting the risk (you can't do anything about preventing it, yet you can do your best to minimize its impact), controlling the risk (preventative actions – apprise whatever can be foreclosed, detective actions – identify new points that could go wrong).

- Updating and reviewing frequently

There might be issues that you haven't thought about before and yet they happen. Or those things you predicted but there could be different approaches taken once they happened.



Solve the created situation on the spot and once the context gets calmer, gather your team and analyse the causes and prevention measures, and think of solutions to be fixed if it is to happen again. You now have the practical experience of having tried various actions so for the next time you'd know better and faster what to do if it is to repeat itself.

In order to keep track of all these aspects you can use the risk assessment matrix. You saw before the way to count the risk value and here is where you can use it. Let's see the matrix' contents:

Consequence \ Likelihood	Insignificant Risk is easily mitigated by normal day to day process	Minor Delays up to 10% of schedule. Additional costs up to 10% of budget	Moderate Delays up to 30% of schedule. Additional costs up to 30% of budget	Major Delays up to 50% of schedule. Additional costs up to 50% of budget	Catastrophic Project abandoned
Certain >90% chances	High	High	Extreme	Extreme	Extreme
Likely 50%-90% chance	Moderate	High	High	Extreme	Extreme
Moderate 10%-50% chance	Low	Moderate	High	Extreme	Extreme
Unlikely 3%-10% chance	Low	Low	Moderate	High	Extreme
Rare >3% chance	Low	Low	Moderate	High	High

The red areas are very critique ones that needs to be seriously taken and not postponed, while as we go to the green areas, these are aspects that may not affect us much, yet they do need to be taken into consideration and solved if, when appeared.

Another way to deal with it is following the urgency matrix of Eisenhower:

	priority	non-priority
urgent	do	delegate
non-urgent	plan	eliminate

Let's get to the **competitors' analysis**, another major tool that can work in your favour. The business from this point of view is much likely comparable with a sport match. The coach and technicians will study their opponent's moves, watch their matches, analyse tactics and reactions, study players, etc. This will give the insights on how to win points and make the other team lose some by forced errors.



So what is this analysis about? It gives you a process of identifying the competitors of your market and researching their strategies in business, mainly marketing, strengths and weaknesses, the approached market, trends in the field and benchmarks for growth. This tool can give you additional points for your S.W.O.T analysis, at the personal and business level and vice versa. More than that, it shows:

- **The strengths and weaknesses** give you a clear inside of where you stand in comparison to them, how strong your brand is or where you position yourself on the market from the client's perspective.
- **The market research** will show you every company that shares the target group with you directly or indirectly. It is very important to be aware who your competition is, how many they are, where they act, what is their clients' persona, etc. This can give you the opportunity to find underserved parts of the market, gaps in offer-need demand, unmet needs, etc.
- **The trends** will point you to the direction towards where the domain is moving. This can help you anticipate your next moves or even those of your competitors, and bring something new to the market. Keep in mind though that it should be something that fits you, your values, your objectives, your business per se. Copy what is suitable to replicate and put your personal fingerprint on it to offer tailored support to your customers.
- **Growing reference points** should include from smaller to bigger competitors. These can give you insights of do's and don'ts, as well as can be your models in case of best practices. Mind the new entries all the time as they are the ones that are desperate, just like you are in the beginning, to "break" the market with the best possible and innovative offer ever.

This analysis is useful in the beginning before launching a business, however every now and then it comes handy to help you grow. Pretty much like the risk analysis, it should be updated frequently whenever something new and important pops up.

What should it contain as information?

- A list of competitors – walk around your geographical area, ask your acquaintances who is their provider, do surveys or search online (more challenging nowadays with vast presences); separate them in direct (sellers of a similar product or service to a similar target group), indirect (sellers of a similar product or service but to an target group similar to yours) and replacement competitors (sellers of a different category, but somehow satisfying your clients' needs – the hardest to identify); 10-12 should be enough to focus on;
- Competitor matrix – use a table with defined characteristics and list there your competitors so you can see in comparison their features and perhaps notice trends;
- Gather information – be the detective in looking for information that could populate your matrix and satisfy your points of interests (company history, location, size, approach to clients, customer care, online presence, etc.);



- Their clients' profile – identify who they address by reviewing their mission, types of messages they base their campaigns on, who interacts with them on social media, etc; use this information to build the profile;
- Focus on the 4 P's (detailed in the next section of Marketing): product (what, features, advantages, disadvantages, etc. – check reviews about them), price (pricing model, prices range, quality-price, etc.), promotion (how is it done, their unique selling proposition, story of the company, brand, etc.), place (where physical or online, directly or through intermediates, etc);
- S.W.O.T. all the way – both yours and theirs is useful as you can compare them and identify the things you do good and those that you could improve.

Once you have all these details put into the competitors' matrix, it will be easier for you to follow, compare and analyse the data. Plan your development based on what you discovered. Track these changes so you can later see if they had a positive impact or not.

Marketing

"A business has just 2 functions: marketing and innovation. Marketing and innovation produce results. The rest are just costs." (Peter Drucker)



Marketing could be defined as the actions one takes to make its products or goods more visible, enjoyed more by the consumer and in time becoming more profitable. This aspect of a business is equally important to your product or service, as without it, you wouldn't be able to sell it in the lack of reaching customers.

The selling process is therefore directly supported by a good marketing, and so this aspect should play an important role while planning your business, especially in its beginnings. Without this planning your company has low chances of development on the medium and long run, and your placement on the market could suffer too. Knowing what you want plays the key element of marketing.

Marketing should be included in your daily activities and here's a simple way to do that:

- **Clear identity, easy to be recognised and not mistaken for someone else (branding)** – you should be able to communicate clearly what you offer in terms of products or services, and advantages compared to your competitors. The process of constructing your image is in fact called branding and it helps you differentiate yourself from others. Initially if you invest enough time to create a strong image it will become part of a natural process in the selling aspect as you're recognized. It will speak for you, represent you, assure the quality you are offering and will make sure that you are automatically referred to when your product or service is being offered or talked about. The brand doesn't have to bear your company's name.
- **Clear connection with your targeted market** – the population you want to address to and convert them into your clients should be extremely well defined and detailed. Who is your end user and who is the primary beneficiary of your business? By this we refer to, for example you are a book shop that sells school text books. You may think about the fact that your clients are the pupils that need the manuals, when in fact your primary clients should be the schools or teachers that eventually send their pupils to buy from you. This perspective is set only to enlarge your potential clientele so look it up from all points of views.
- **Emotions sell** – the purchase in a big majority of cases (75%) is based on the emotion felt in the moment of hearing an ad or the actual buying action. The biggest challenge in marketing is understanding what your clients want and how they want to be approached to be convinced to buy. The advantages of your product or service should be clear for the buyer and these are the benefits you offer along with your business' activity. It is not that much about how useful this product is for me, but rather what benefits it brings me. You need to aim at their sensitive part in order to be able to offer a marketing campaign that would convince them to buy. The logo altogether with your branding aspects is the first image the buyer comes in contact with and that should tell and sell a story.
- **Realistic and simple marketing plan** – your plan should define and send clear images about what you want to offer. It is highly important to go along the 4P's of product (what you want to sell), price (how much does it cost for the buyer so it covers your costs and gives you profit), placement (where you want to sell it) and promotion (how would you reach your targeted market). A marketing plan with



clear objectives and actions should start bringing you results faster than you may think.

These four steps should support your initial entering on the market by increasing the clientele number, growth in sales and profits, which gives you and your company an added value.

A great support in preparing the marketing plan is going deeper in the 4P's of placement, product, promotion and price, along with the market.

- **The Market**

The placement depends a lot on the area (town, region, etc.) where you want to start with offering your product or services. How high is the request in the selected area of what you want to sell? Is it something consumed daily or every now and then? Is there something specific as to one product or service they acquire or are there also derivatives of it that you could offer later on? How often do they consume and in what quantities at once?

Answering this kind of questions would give us the general prospect of the market. Now take into consideration there are also competitors around. So it is time to investigate and evaluate deeper how many competitors there are already in the selected area, what do they sell, who are their suppliers, how many points of selling there are, quantities they sell, prices they have, frequency of selling-buying.

Stroll around the area and collect all this information as well as other secondary ones such as the presentation way, clients' opinions, your own impression on the product or service (purchase it and review it).

- **Placement**

Once correctly identified the market and your competitors, and researched thoroughly the products you can offer you have already identified various venues where you could sell your products or services.

You know the prices, the quality of the products, you know about the competitors' distribution chain and so you have all the needed information to put a finger on the places for your business.

How would you distribute your services or products in the identified location? Would you need certain authorisations or could you manage with smaller cars? How often would you need the delivery to be made and what's the distance/time taken to do that? Where would you store your products and how can you assure the maintenance of their quality until they are sold? Ask yourself all kinds of questions fit to your idea that would help you identify all the details of bringing your product or service to your clients.

- **Product**

Now that we have the placement cleared out, it is important to identify specifically the product or service we want to offer, in accordance to what is requested and needed versus the offer and volume of the market.



Gather data around with the help of friends or by yourself talking to sellers. Your competitors here have a great importance in you deciding what products to offer depending on what the market requests, consumes and needs by types of products.

In case you may have a different perspective on a product or service that you would like to sell, feel free to interact with the vendors and ask if there were any potential requests on these matters or their opinion if this would sell (they know their costumers).

What should we check more specifically? Types, complementary products or services, quality level, packaging (colours, shapes, materials of packaging), distribution (frequency, respected delivery), presentation mode (is it trustworthy, does it guarantee quality).

- **Promotion**

First thing first is identifying the different and most suitable methods of promoting or the easiest ways to reach the heart of our buyer (remember they are more likely to buy based on emotions). Once you have this in mind, you may start thinking about the actual channels of promotion.

Would you open and have your own store (what specificities should it have) or go through partners? Regardless of the placement you choose, make sure the brand gets to be known by its qualities or what it offers, rather than by the name of your company.

If your company is called ABC Ltd. is very unlikely to attract people or to inspire confidence in the product, while if you name your brand as "Mamma's home food" for a restaurant or catering services, it should catch more attention.

We want to establish an emotional connection with the buyer that is identifiable through the message (name of your brand or product's/service's brand) and visual presentation (an image directly linking with the message you chose). Be careful with the chosen images and messages as they will represent you and your company on a longer term.

Feel free to get support from experts in the field and to create a strong image from the very beginning. It might require an additional cost which may not be too little for the beginning, but it will bring you only benefits in time.

Especially while getting on the marker but also now and then, come up with promotions that would make you different than your competitors. Is it returnable, does it have a warranty if the buyers are not satisfied? Could you obtain direct feedback from your buyers by offering free samples in the exchange of an opinion or filling in a questionnaire? Could your selling partners offer you this kind of information from their clients as well as from the managerial points of view?

- **Price**

How can you identify the right price for you? If you offer a general product or service, the price should be an average one as it is on the market already. Can you reduce certain costs to make your price beat your competitors' without reducing the quality of the product or service? Then do so. Would it cost you more than your competitors? Then think about what costs you could reduce, perhaps from the placement. This is the way to decide the **price based on the competitors.**



Would your price cover all your costs and give us a profit too? The first incomes might not be sufficient to cover all your costs and would take a greater time to recover your initial investment so don't think about that just yet. But the price and the lowest amount that you need to sell should cover everything you spend to create the product and sell it (raw materials, rent, utilities, salaries, etc.). Your profit is a must to be included in it when counting the price otherwise you cannot gain financial benefits. This is the way to decide the **price based on costs**.



Could you offer something different and unique about your products or services to the market that would attract clients, without necessary intervening in your competitors' market? Perhaps a different approach on your services or different ingredients in your products could make that difference in offering something new that gives you an open market just for yourself. This could also offer you the chance to increase the price as being the only or among the very few offering it. This is the way to decide the **price based on value**.

Ideally your price should have all these three criteria into consideration. The advancement of technology can make you invest more initially in technology, but on the longer term to give you lower costs so it worth to take this into consideration. Or the raw material may be obtained, at the same quality, from different suppliers, but different prices. It worth as well having a look at it in order to reduce your costs to the minimum possible, without decreasing the quality, and thus increasing your profit.

Equally important in marketing we have the client's 4C's tightly connected: consumption, costs, convenience and communication.



- **Clients**

At the beginning of the road you make various plans and have expectations related to the number of customers gained from the very first day. But in order to do so an accurate planning is in order here as well.

You have everything planned concerning the product or service, the contact with your potential clients and price. What you need to think of now is the launching aspect. What is your competition doing and what could you do more to bring new customers?

What difference could you bring in your products or services you offer as its types were already discussed above. But have you thought of different placement offers? Once with the pandemics the home/office delivery has increased tremendously. Could you offer the delivery service as well based on singular orders or recurrent ones? Could you propose to sell a higher quantity at once in order to offer a discount to your customers? You may decrease a bit the price of the sold item, but you would gain time and money from not making the distribution more times, but once, and would decrease your price in comparison to your competition.

It is essential to make various personas for your clients and to identify different categories of customers. This is important for creating different marketing campaigns to reach all of them in their unique way of emotional need. Start with the category you consider the easiest one to become your clients that could be easily become loyal ones, yet don't neglect the rest, but address them in time.

Place yourself in the shoes of each category and think like them: how would you want to be approached, what product or service do you need, how much are you willing to spend on it? Think about everything you can make different and see if it's applicable to your business. This would bring you more and more customers with time because different is attractive for a try out and if you're good, they'll come back to you.

- **Consumption**

The requests and needs of the client give us the consumption profile. These refer to the benefits your product or service can bring to them such as quality, brand, payment and delivery deadline, post-selling services, warranties, etc.

- **Costs**

The buying power is tightly connected to the benefits they would get for buying from you in exchange for the cost you make them pay. The value of what you offer should give them the trust they receive a maximum one equivalent for the price they pay.

- **Convenience**

This refers to the client's comfort in obtaining your product or service such as being nearby a shop, having them delivered to them, the speed of obtaining what they need or time of waiting for the delivery of the product. Whatever is connected to give faster, simpler, easier your product without having them making extra efforts is what we're taking into consideration here.



- **Communication**

Your openness and capacity of transmitting the benefits of the products or services offered is an important aspect the clients look for. It can be easily obtained by you through constant clients' satisfaction level regarding your products as well as of the offer that satisfies their needs.



To end the marketing topic, here are some suggestions and conclusions:

- Know in every aspect or detail your product or service;
- The messages that you address to your clients should be easy to understand and process, without underestimating them though;
- Your clients are your first hand information providers of how your products suit them the best; listen to their feedbacks and improve constantly by adapting to their experience;
- Count the prices carefully in order to have included the costs that you have and a profit;
- The promotional messages should be differentiated by different categories of clients; make the persona (gender, age, education, income, etc.) for each category and adjust the message towards it;
- Whatever money you earn should be wisely invested, especially in the beginning; don't spend them without properly thinking of future-oriented or regular aspects; the most frequent error of beginning entrepreneurs is to buy themselves items that do not increase the value of their company; keep the money in the business and continue to invest to reduce your costs or improve your product or services;



- The promises you do to your clients and partners should be respected highly; by not delivering what you said you would, will only decrease the trust they have in you and you get high chances of being “promoted” further in a negative way; one of the best commercials used from ancient times is the “mouth to mouth” kind done by your clients, both good or bad;
- Your competition is already on the market and may have some advantages compared to you (knowing the market, having already its clients); don’t underestimate them nor treat them with superiority; just focus on your thing and providing your clients the best you can offer.
- Check our “Online promotion” guide from the same series as this one. It will help you get more insights about what marketing is and how to plan and target your selling.

Selling and distribution

Selling along with distribution are as well important factors to be taken into consideration while preparing for the launch of your business.

So how do you prepare your sale? First, you need to look into the market. Regardless of how great and innovative your product or service is, if there is no potential client to be buying it (lack of need and demand) then all your efforts are for nothing. You need to identify the proper market for you.

We could compare the market with a network which can be big, large, inexhaustible that keeps self-regenerating and changes the needs with time and continuously by self-update. You might very well find your support people (suppliers, distributors, producers, experts, etc.) just outside of your comfort zone and along with them your clients and your competition.

Identifying a market should start with identifying yourself. What are the things or persons you are dedicated to? What services or products you already offer to the others (most likely for free at this point)? What goes well and what doesn’t work in your professional life? How do you plan to become better, come up with new things and develop yourself?

Once you know all these things about you, you can start asking questions regarding your market which will help you understand the forces inside it. You need to research deeply about it and get to know it as the back of your hand before preparing your selling message. This is called a **prospect**.

What is the difference between a prospect and a client? Well, a prospect is a potential buyer, while the client is the person or company capable of taking the decision to buy. The client is the one that also has the desire to financially invest in your product or service. The prospect matches your offer and your company becomes your client.

Let’s see few tips that can help you convert your prospects into clients:



- **Ask questions then listen.** Don't interfere in having an actual dialogue, rather go for asking personal questions that could provide you information about the person and give you insights if they can actually become a client or not.
- **Influence centres.** These are your most informed, highly loyal and very satisfied clients you have. They will offer recommendations and great reviews that will bring you or convince new clients to join.
- **References.** In the previous example we mentioned the "elite" of your clients however you can use all of them to support you in the expansion of your network. Engage, be curious, talk around, make yourself known. Give your clients' name (with previous permission of course) to your prospects so they can check the reference from someone they know.
- **Create your own network.** You can be the binder between your clients. While asking a reference for your business, ask them as well about what they do or where they work, and offer in exchange references to them when meeting with your network. Recommend them around even in your network and create a strong bond between the people you hold close to in a business.
- **Pareto's principle.** The Italian economist created a mathematical formula known as 80/20. Converted into the business sector, it means you should focus on that 20% of your clients that really matter, the ones that are active and eager to support your business. A recommendation from these clients have a much more validity than anyone else's and can bring you a higher rate of converting prospects into clients.



A very important aspect of the sales process is the way the sale is being treated. Of course the sale itself is important and closing the deal is what brings you profit, but you should go beyond daily chores as sending offers and closing the deals. We are talking about building on relations with the clients. An old and loyal client (therefore a satisfied one) can bring you much more profit (direct buyer or recommending you to others) than new ones.

Thinking on the long run and strengthening your relations with clients means taking into account their needs and desires. That doesn't mean you have to adapt everything to what they need, but is important when you cannot offer them the product or service they need, one of your collaborators might. Provide information and support to find the solution generator for their problem, even if that is not you. Why should you do this? Because you care about your clients. Don't force the selling if you cannot offer what they need.

And so we come back to the importance of research, preparation and planning, all being based on the core value – your client, their needs, your growing relation with them:

- **Research.** Does the prospect you want to approach really needs your product or service? Could you educate them in terms of understanding the importance of having your product or service? Could you present your offer as a solution generator to their problem? Can you identify other elements that could influence the buying decision? It's all about you adding value through your products or services to them, while creating a strong base for your relation.
- **Selling strategy.** If your research points you to a potential sale, it is time to develop a plan on how to do it. Keep track of the persons you met with and the information they provided you. Make sure you offer all sorts of information on different criteria panels (technical, aspects, ways of usage, colours, sizes, etc.). The contact reference you need to opt for is the person that has the power of decision. Think about families where the person who cooks is the one who should be approached for selling food products or utensils, while the person that cleans should be offered cleaning devices or detergents. The typical stereotyping of gender roles here may puzzle you and could give you a wrong start. Just be open to discover your client based on the information they provide (you listen). One person is the one who closes the deal but the decision may be taken by various others unknown by you in the beginning.
- **The right call.** Remember we are talking about giving an added value to your customer along with the product or service you sell. Gather information continuously about them so you can supply solutions to perhaps more problems they have, that initially you didn't know about. **Listen actively** – they will tell you what they need and give you lots of details if you listen and note down; what you have to say next is not that relevant as the valuable information they provide you freely. **Show them that you understood** – verbally by rephrasing their words, or non-verbally through your body. Be fully engaged in the conversation. **Ask questions** – you can guide the discussion towards the aspects you are interested in and connected to your offer (as main



category and details); identify their need and specificities of the solution they are looking for.

- **The offer.** If you gathered all the information you needed and you ran them along with what you offer, wherever there's a match, there's a sale. It is still important to make the proposal and specify the actual offer (price, conditions, terms, delivery, etc.). Don't be afraid to reinforce how your product or service solves their problem (what will it solve and how). Present the advantages and differences from the competitors (emphasizing what you have to offer, not what the others lack) and why your offer suits them. Make your entire proposal reflect the price as being the true value for what you give.
- **The deal.** You sign the contract or you sell on the spot. This is just the beginning and not the end of the relation.
- **Delivery.** It is now your time to deliver what you promised, following the criteria agreed upon, in the given deadlines, within the promised quality and specificities. If the process of delivering is taking much time, update and keep informed your clients on the progress, perhaps even show intermediary work and get their approval before finalising. Strong emphasis on the relation with the client is recommended throughout this entire process.
- **The after math.** Ask your clients for feedback once the official transaction was done. How helpful was the product or service? Are there positive and negative things they could say about it so you could extend or improve it? Don't disregard the critics – these are the ones that can help you improve.

The distribution of your product or service is as well part of the marketing strategy. How so? Because the way you deliver has an impact too on your clients. The quality of the services, the packaging, delivery or the customer care are things that matter in the eyes of a client and make a difference in your future sales.

One of your responsibilities is to be able to provide the product or service in the final version as soon as possible. That means if you depend on suppliers to carry on your activity, you should make sure your stocks are enough or that their delays won't put you in trouble.

The distribution process can be done by yourself, if you have the means to (you have a showroom, your own clientele – lower price), or externally through intermediaries (contacts of collaborators – increased price). The reasons behind this call are financial or logistic: how much would it cost you to deliver vs. external approach and how does that reflect in the final price, how much clients do you have vs. others have, how much each would reduce the timing, how much personnel could you allocate vs. the others have, etc.

How would you choose your distribution process?

- **Based on clients** – characteristics (number, concentration in an area, average consumption, etc.), needs (physical-online store, hours of operation, types of products or services, sale support, etc.), segments (size, buying-selling behaviour);



- **Based on producers** – resources (direct sale, equipment, people), objectives (customer care, loyalty, profit), production line size (capacity, working times), the control over the direct marketing;
- **Based on competitors** – features (number, concentration, types, already gained clients), tactics (distribution methods, relations along the distribution process);
- **Based on intermediaries** – features (number, costs, functions, traditions), availability (exclusive, territorial restrictions);
- **Based on the product** – value (unit price), complexity (technical features, specificities), outage (expiring date, how much it can be shelved or stored and conditions), lots (frequency, unit weight, group division), requested services (packaging, labelling), life cycles (introduction – few cycles, maturity – many cycles);
- **Based on the environment** – territorial restrictions (cannot be sold in a specific area), dual distribution (direct and intermediaries), exclusivity.

A mix of these in accordance to what your business is about is what you should choose. You can try various options and see which ones bring you the best results. Once decided, this will give you the distribution strategy that includes channels, types, amount, involvement in the process, control over, flexibility or logistics.

Think about your product or service. Where could a direct distribution happen: fairs and trades, corporate collaborations, own shops, online commerce, delivery, etc, while in an indirect one you could approach: store chains, en-gross sellers, en-detail sellers, etc. Identify specifically by types and names of places (indirect ones) that could support you in the process.

Clients' profile and gaining new ones

Happy customers make the entrepreneurs happy too, but what makes actually the customers happy?

Are your clients satisfied, loyal and returning to you? Do you have stable, competent, passionate about their work, trustful, motivated to offer the client a special experience kind of employees? If you answer yes to all of these, most likely your customers are happy, your employees are happy and so are you.

In order to support the client in determining the experience they want and the value they want to receive when purchasing, it is important you to offer a qualitative product or service that solves the client's need or problem (you generate a result for them), that you offer a high end experience when obtaining the product or service from you (qualitative customer care), at a reasonable price for them (affordable without tearing apart their budget to get their problem solved).



Your competition may give the same products and services as you do, yet what can differentiate you from them is the quality of the customer care you offer, the extra benefits that come with the purchase and even the post-buying relation, while the overall experience is constant and assures quality, assistance, care, coherence within the relation with one customer as for them all.

Your employees or yourself, if you work on your own, are the ones who represent the image and the professionalism of the company. The behaviour should be unitary and shown equally to all the customers and potential ones. The company's policies regarding clients should consist of a minimum set of competences, moral values that go in line with your own (and of the employees) and personality traits that work the best for you and for the company itself.



It is true the competences are the easiest to manage as these can be improved through learning and education, yet the personal aspects and adherence to the common values should be something you need to look for in your employees from the very beginning. The people you recruit should be compatible with you on the personal level, not just be experts professionally.

The personal aspects are what make a difference between someone looking for a job for the salary it offers and one looking for a career path and professional growth, of course along with the salary. The motivation at the individual level gives the quality of the work they provide to you, to your company and to your clients.

Make a list of the aspects you consider a must and critical, over which you cannot just overpass, and the aspects less important that would be good to have, but not that relevant to affect the image in front of the clients.



Loyal and satisfied employees work better and give more from the personal level of their energy. Make sure they are satisfied, happy with their work and environment, that they are coordinated by someone who knows what they're doing and has a high emotional intelligence to deal with the employees as people, that is trustful and cares about others. They are important to your business so make them feel this way.

Talk to them, ask for feedback and try to improve their working conditions or offer personal growth space within and outside the working hours. Get to the core of their motivation and use that to help them reach their objectives. This will help you grow your business too.

Your competitors may offer the same financial benefits, could offer equal value to their clients, yet what can make you stand out is the experience you offer to your employees while they work. Can they grow inside your company, how much would you invest in their education and professional development, what is the relation with the superiors, how safe is the job, how qualitative is the management, how independent or dependent are they when it is to make a decision, can they get their salaries on time, can you deliver your promises to your clients in a timely manner?

Go beyond and look everything from their perspective as this would help you provide them the best experience which will result in your growth too. More about this though in the chapter dedicated to employees.

If the human resource is well assured and taken care of, the next item on your check list for making your customers happy is what you offer additional to the product or service you sell. Where are you located and how easy is it to be accessed? Do you have a parking lot or do you make delivery? Could it be purchased online or just face to face? How easy and fast is the actual buying process? Do you offer a wider variety of products or services or would they need to go somewhere else too to get their problem completely solved? Do you offer discounts for loyal customers or sales for higher quantities?

Try to analyse where you could be offering all sorts of facilities for your clients and see as well what your competition does about it. "Steal" ideas from them if they are applicable to you and adjust them to your convenience.

Give different benefits in accordance to the category of clients you identified (basic, regular, average, premium, etc.). Give them reasons to come back to you and ask for more of what you offer. Ask for feedback from them and deliver through improved products and services, not only for the premium categories, but also for the basics. Increase your own value and they will increase their purchase from you too.

Give the clients what they need, not what you think they need or want. Satisfying them fully is essential for a repeated come back. Try to understand your client and gain their trust through a good sales agent before the actual sell. Quality over quantity in terms of customer care is relevant for a business growth.

"Because that's how it was done so far" is not a good reason for you to do it if it's not relevant, helpful or with a growing potential for you. Take the risk to bring something new and innovative and accept the challenge to be different (within the laws of course).



The experience you offer to your client while in the process of buying from you can be the better trigger than the product or service itself. Again we say, the emotions play a crucial part in gaining new clients and loyalty in the ones you have. They count as persons not because they bring you the income and they should feel that in connection with you.

The competition might start copying you after a while if you do something good. Don't be afraid of this and just stick to your values and quality you offered that made you gain those clients. Try to surpass yourself and bring innovation frequently and your competition may not keep up with you in this rhythm.

Now that we've seen the way the relation with a client or potential clientele works, it is time to sketch up a typical profile for each category of target groups. How to build your clients' persona or profile? By taking into consideration these aspects:

- Personal features – age, gender, likes, needs, interests, passions, hobbies, values, challenges, fears, objections to buy, lifestyle, personality;
- Social features - social status, education level, relationship and family members status, general behaviour, goals;
- Geographical features – location, access to physical or online, accessibility to them, channels to reach them, presence on social media;
- Economical features – student/employed/retired/unemployed, amount of income, availability to spend, field of activity, sources of information, reasons to buy, buying-spending habits, growth prospects.

You know in theory what must be done, you know with whom (the profile), so let's see the how in practice:

$$\textit{number of contacts} \times \textit{conversion percentage} = \textit{number of clients}$$

The clients' number is a result which can only be changed if you take an action on what's before it. The contacts are people that hear about you (website, social media, mass-media, advertisement, etc.). The conversion percentage is represented by the number of contacts that buy from you (which transforms them into your clients).

Bringing new customers should be a creative process of various ideas of how can you attract them to visit or come to you in the first place. Give something free, a sample, a test, walk them through your process – anything that would make them come to you. Once they are there and they are engaged in it it's far more likely they will buy something.

What would help you keep interested the clients that once bought from you? Offering them also a post-buying care. A free maintenance, a check-up, a free product or service (that costs you bare minimum) and even just a call to check-up and evaluate their satisfaction makes a big difference.

Think about all the aspects that define your clients as a person/business and as a consumer. Go around their need to solve a problem as well as being emotionally stable and satisfied.



Online appearance

You reached the point of your work where you have everything analysed and planned accordingly. You think about launching your business and seek for methods to do so. Well the online environment is an excellent context from where you don't want to miss out.

The face to face promotion and networking for clients remains important as people want and like to connect with "real" people (so they can identify and compare to them), yet the online world can support your efforts in reaching a wider market.

We live in a very technological era where a big majority of us have access to a computer or mobile device connected to internet permanently. The usage of internet daily has a very high rate among population of all ages. A vast majority of them is using the internet for information or education.

The tendency to research and look for a product online is becoming more and more present as it gives the comfort and convenience to the buyer of not being pressured by the functioning schedule of a place or crowded stores. More and more people purchase products and services online after their research.

So how can you use the online promotion in the benefits of your business? Here we have some tips for useful and widely used instruments:

- **Social networks**

Facebook, Instagram, Twitter, YouTube, LinkedIn, TikTok are just few of the social networks you could be present on that could help you increase your reach and thus your prospects.

These are a very favourable, expanded and interactive environment that could ease the presentation of your business, promotion of what you sell, communication with clients and potential customers, actual selling-buying experiences, researching or with informative-educative purposes of your followers regarding what you offer.

Facebook is among the biggest networks at the moment and facilitates the interaction between two or more parts via texts, photos, videos, games or apps. Getting yourself a professional page (not a personal account) for your business can help you spread the word around about what you do. The name you choose for the page should represent you and your brand and easy to access and remember. Avoid clichés that could take your visitors to your competitors' pages rather than yours.

Make sure you offer all the contact details on your page as well as put descriptions of what you do and what you offer. Make often posts (80%) about it explaining the benefits you offer, show the "how it's done" process, visual descriptions (videos, photos), share information behind the technology of the products or services you offer, anything that can inform and educate your followers about what you offer, *without* pushing constantly the selling process (20%).



Build yourself a strategy and a planning for the frequency, types of posts and contents, and stick to it for consistency on the long run. This will get you visibility and brand awareness, potential clients and even a potential context where you can test new products or services, or gain feedback from users.

Instagram functions mainly on photos and videos and same as Facebook, by making a business page would give you lots of potential visibility in the online environment. Hashtags (#) are quite useful in descriptions of your posts as these can help the potential viewer identify content of their own interest.

Connect your Instagram to your Facebook account for an eased management of the networks, yet try to avoid posting the exact same thing in both places. Adapt the content type to each platform for an increased visibility.

Twitter is mainly destined for text posts also known as micro-blogging. It allows you using a certain number of characters (currently 280 with space included) in order to concentrate the message in a short format. You can add photos and links to a Twit as well. It has an increased speed of reaction and so it led to a quite selective niche of users. Likewise Facebook and Instagram, you can open a professional page for your business.

LinkedIn is a social network oriented mostly to the professional area. Its idea was to have a larger network of people that can support you in your professional career by collaborating or hiring/looking for a job.

It also has the possibility to post articles or videos about a certain topic that has a high qualitative informative purpose and that can be helpful in the business world. You can interact with persons and business likewise, search for employees, investors, suppliers or collaborators. It's like scrolling through a big human resource data in accordance to your filters in order to find the support you need.

Now we might have presented different platforms that you can use for the online promotion, however this does not mean you have to be present on all of them. Just choose of whose format fits best your business' direction. Yet if you do choose to be on one or another, remember that consistency is important for your followers.

Keep an integrated communication strategy for all the platforms you choose and make sure you create and post content frequently and regularly, keep in contact with your followers, answer comments or messages and provide a close user experience.



- **The website and/or the blog**

The website is indispensable nowadays for a company that respects itself. It's the digital home of your business and can be easily considered a business card. It offers information, interaction, promotion and selling.

Pick a name that would be intuitive for the customer to know it's you (your company or brand's name), that is easy to remember, yet difficult to be mistaken to another. Buy the domain (.com is the most general one) and the hosting service in order to look professional.

Think about a simpler structure and design that is user friendly and pleasant to the viewer. Populate it with text (written carefully, checked by grammar or spelling errors) on the pages you decide to have and update them whenever needed.

If you can post something as news every 2-3 days it is even better as your clients can keep being informed with your help. Offer a place for interaction, comments or feedback through a forum or comment section. Anticipate the desire of your visitor and offer them an eased access to information and purchasing.

The blog is a communication instrument through which you offer wider information about a topic. You can present your company, or your products or services not necessarily for the primary reason to sell, but to inform and educate, interact with the visitors and create a bond with them.

If in the beginning you may not afford to have a website, chose freely a blog. There are various hosting opportunities for free. Likewise, if you are not an expert in web designing and you don't have the money yet to seek professional support on this matter, you can use presets of various platforms such as WordPress or Wix to create your website or blog for free.

Don't focus too much on the templates, but more to make it user friendly, clear and clean, and with a nice, appealing visual impact from the very first opening.

- **E-Marketing**

E-marketing or e-mail marketing is the online action of promoting your company via e-mail. This is possible through newsletters, where you can present news from the field you activate in, information about products or services (as general educational ones) or information about the products or services you sell. You can announce launching of new products or just keeping your data base updated with frequent information and sale offers (weekly, monthly, quarterly).

It may take you a while to create your data base and this can be done through your social media networks, website or blog, as well as through direct interaction with customers. You may even have the possibility to buy such data bases.

In case the data bases you buy offer additional information regarding the members, separate them in different clientele persona and create a message adjusted for their category.



- **SEO and SEM**

You are now present on various social networks, you have your website and blog out so the clients can reach you through various channels. But how can you reach more potential clients, as in people you don't know and they don't know about you, through internet?

By using SEO (search engine optimization) or SEM (search engine marketing) you can get a higher visibility among the users that search for information and may not know about you yet.

So what is **SEO**? The search engine optimization is the process through which you can become more visible in search engine results. This is done by using various keywords that help the search engines identify that what you have offered on your page is of an interest for the searcher. As better optimized you have your page, as upper you will appear on the search results. You increase the volume and quality of the traffic on your website organically.

What about **SEM**? The search engine marketing seeks the same high positioning in the results offered and increased traffic to your page, yet this is done by paying ads to appear upper in the results. For example, a SEM platform is Adwords from Google (one of the most used search engines worldwide), which can help you build a paid campaign to target and be shown to more relevant people.

SEO is the cheapest solution (it is free), it gives results only after a carefully planed text writing and on a longer run. You need to create consistency and offer high qualitative information so the search engine to show you as upper as possible in the results page. On the other side once the results have been achieved (the words searched are associated to your page), these will keep showing you up in the search results as being "recommended" by the engine and the costs are 0. This approach is recommended anyhow, regardless that you'd choose SEM or not at a certain point.

SEM is an expensive solution (you need to pay to be positioned), yet its results are immediate. On the other hand the result of the high positioning is happening only for the period you paid for.

Choosing between SEO and SEM totally depends on your business, available resources and desired results.

Let's see some practical tips for the presence online of your business:

- Be active online. Post on social networks, interact with your visitors, respond to comments, maintain your blog activity high, update frequently your website. A page that looks inactive will make your potential customers think you are no longer providing products or services;
- We insist once more on having a strategy and a planning for the social networks and general presence online. Maintain your consistency in posting on the long run. If you can't commit from the beginning to frequent actions, start with a 1-2 times per week and increase it step by step. Get your followers accustomed to a certain



pace and keep up to it so they can come back to find out the updates when they expect them.

- Interact with the visitors and answer questions or comments politely even for a negative side of theirs. You can gain new customers or keep loyal the ones you have (offering high qualitative customer care).
- The online is an environment proper for selling however that does not mean the only thing you post about is the promotion of your product or service. Make sure the proposal is visible and has a fast link to the purchasing page, yet offer rather frequent information and education (80% of the posts) and less abundant information about your offer (20%). Win their trust with the customer care you offer.
- Have a person responsible for managing the online appearance for a continuity and prompt replies, as well as for a unitary aspect.
- Look for information posted by others (collaborators or suppliers, even your competitors) and re-share or write your own materials that apply to your case too.
- Share information about the team behind – your employees. Let your visitors know whom they are talking with, who is the one that provides them support or to whom they ask for advice. Present your team and make sure to post updates about them every now and then, photos from the joint activities or even private life (with the approval of your members of course).
- Make sure all your pages are connected to each other, that is, you have all your social networks linked to your web and vice versa. Include even all these links in your business email signature, on business cards or flyers and informative brochures, or any other material that can get you in direct or indirect contact with potential clients or partners.
- Get real time feedback from your visitors. Don't be afraid to ask for their opinions through comments or reactions. Use the information to provide a better service.
- Measure your results from the online networks. Most of them have their free analytics that can support you in seeing what traffic you had, what kind of interactions visitors had to your page, reach and engagement, views of your materials, etc.
- Ask for reviews from your clients and collaborators, requesting to share what they liked about your product or service, customer care, general experience, what they'd recommend to others and why. The new visitors could relate easier to them in taking the decision of buying from you, if they see opinions from real users.
- Check our "Online promotion" guide from the same series as this one. It will help you get more insights about what your online appearance (branding, channels, website, etc.) is and how to plan and target your selling and relation with the customers via online tools.



TYPES OF ENTERPRISES

Generalities

There are many ways one could divide the types of businesses such as by object of activity, type of activity you offer, target group or legal forms or establishments.

By object of activities we would have three types:

- **Services** – performing activities or serving in the interest or usage of someone else; examples: tourism, restaurants, IT;
- **Commerce** – the exchange of goods by obtaining goods (buying or producing) and selling them further; examples: shoe stores, pottery store, general food stores;
- **Production** – the process of obtaining goods manufactured or with the support of the technology, by processing raw materials and giving them another shape in the format of the good to be sold; examples: bakery, tailors, glass-makers.

There is of course the hybrid type which can combine 2 or all the types of activities. It is quite common the production to have as well the commerce activity, even if they sell it as well to intermediaries.

By type of activities we would have five shapes:

- **Free commerce** – no specific qualification, as you just sell or intermediate the activity (including services);
- **Handicrafts activities** – you produce objects that require a pre-apprentice period in order to get it done (tailor, baker, carpenter, etc.); these are based more on the vocational type of jobs;
- **Production** – similar to handicrafts, without requiring a specific vocational inclination, but require pre-preparation and practical knowledge in the field;
- **Well-regulated activities** – you require specific qualification (lawyers, doctors, construction, etc.); are based more on what you learn to do (higher education);
- **Concessions** – you require a specific authorisation from the local authorities or government (taxi, communication, etc).

The target groups can be divided into three main categories as following:

- **B2B (business to business)** – your clients are mainly other enterprises, in most of the case being the intermediary between you and the final clients;



- **B2C (business to customer)** – you have the direct contact with your clients, as final consumers;
- **B2G (business to government) or G2B (government to business)** – your object of activity is in direct connection with the official authorities at the local, regional or national level.

From the legal forms of establishment's point of view the things are quite different. The laws of each country define the types of enterprises one can open and lead. Most of the times it depends on the field you want to work in, the capital you initially want to invest in it, size of the company you aim at or taxation levels.



Resulted from our research, the most common types of entities would be:

- **Private companies limited by shares or limited liability company (LTDs or LLCs)** – the company is managed by individuals (one or more associates), which are responsible in front of the law only with the sum initially invested or later supplemented (the social capital); no personal assets of the individuals would have to suffer in case of a bankruptcy, yet whatever was already invested in the company would be gone.
- **Public limited companies or publicly traded companies (PLCs or PTCs)** – similar to the LTDs in the way of functioning and management, yet the share capital is much higher; it can be listed to the stock exchanges and anyone can buy any of its shares and so it can have different public investors.
- **General partnerships (GPs)** – an entity resulted from the partnership of at least two persons, with joint liability and responsibility for the created company; all the associates take responsibility in front of the law including with their personal assets, if the case; **Limited partnerships (LPs)** – similar to the general partnership, yet formed out of at least one GP and one LP (that comes with a limited liability); while GPs have the management authority the LPs don't, and neither are to be held responsible for the debts resulted from the GP's management actions; LPs do get a



return on their investment similar to a dividend (percentage distribution of the profits in accordance to the possessed shares); GPs hold therefore the liability for financial losses, have a high economical risks, yet they manage the business.

- **Holding companies (HCs)** – we could call these more as the “mother” of several smaller ones by controlling them; it does not produce goods or sell something on its own, but rather acts like investors or shareholders in other companies; on the opposite pole we have **the subsidiary company (SCs)**, or the “children” of the holding; generally are with a limited liability or can be even governmental-lead; they act on their own for liability or taxes though.
- **Individual entrepreneurship** – the individual or groups of individuals (in some countries) bears the entire responsibility for this entity; there is no much difference between the person and the entity in front of the law, and so they have the liability with all their assets; it can hire staff or collaborate with others like any other type of company.

Of course, at national levels these can be divided into more specific types or their characteristics may be more nuanced. It is up to you to check the laws and particularities of your region and country on this matter.

Let’s see some advantages between the company (LTDs as the most recommended type of this entity for the purpose of our course) and going solo as an individual entrepreneur:

Company	
Advantages	Disadvantages
You can partner-up or go solo (unique associate)	You share the profits with the partners, in case you are more associates
You have limited responsibility, including money wise (just the capital)	Harder procedures, more bureaucracy and documents, longer time to establish it
You can get investors	You need to make sure you separate your personal money from the company’s and not mix them
You can hire yourself or other people to help you grow the business	You offer benefits for hiring people, pay their taxes
Taxation is generally lower than individual	You cannot take out the money when you please, even if you paid a tax for it, only at the end of the financial year



Individual	
Advantages	Disadvantages
Fast opening procedures and less bureaucracy	Using the personal assets for any liability that cannot be covered from the enterprise
Cheap and fast to open/close	You can very easily lose the personal money in it
You can hire employees	Might be a bit more difficult to have external investors or get bank credits
The accountancy is generally simpler than the companies', you could be doing it even alone to a certain degree	You'd need to keep yourself updated with any type of changes that might arise connected to this type
You control the profit based on the amount of time you invest in	Your profit is directly connected to how much you can produce as income, so it might require a lot of time and work
After the taxation you can take the money out and spend it as you wish immediately, without having to wait for the end of the year	Taxes might be higher than as those for the companies
You take fully the decisions as you wish	Fully responsible in front of the law with your entire patrimony as a natural person

Here are some questions that might help you decide on the type suitable for you:

- Do you wish to go solo or in partnership (including potential investors)?
- How large are you expecting your business to grow over time?
- How can you finance your entity?
- Are you open for shareholders or stick issues?
- How would you share your profits with potential partners? How much would it cost you in taxes to have the full profit for yourself?



- Up to what degree do you want to be responsible for your business in front of the law?
- What are the taxes that you would need to pay and when, how often?
- What options for external funding could you have access to?

We recommend you to search the laws of your country and see specifically which type of entity you are allowed to open, as well as which would be the most convenient for what you want to do. Ask fiscal experts for assistance with no hesitation – that’s their job!

Particular study cases

The majority of the countries have the same type of entities, yet they are known under different names. Let’s see the cases of Romania and Italy.

ROMANIA

Societăți comerciale (Companies)

- *Societatea în nume colectiv (S.N.C.):* general partnership
- *Societatea în comandită simplă (S.C.S.):* limited partnership
- *Societatea în comandită pe acțiuni (S.C.A.):* company limited by shares
- *Societatea pe acțiuni (S.A.):* joint-stock company, public limited company
- *Societate cu răspundere limitată (S.R.L.):* limited liability company

Societate cooperativă (cooperative partnerships)

- *Societate cooperativă meșteșugărești/ de consum/ de valorificare/ agricole, etc.:* cooperative partnerships for handicrafts/ consumption/ valorisation/ agricultural, etc.

Întreprinderi economice (natural persons’ economic activities, no juridical personality)

- *Persoană Fizică Autorizată (P.F.A.):* self-employed
- *Întreprindere Individuală (I.I.):* an economical entity organised by an natural person
- *Întreprindere Familială (I.F.):* economical partnership within a family



ITALY

Forme individuali (Individuals)

- *Stabilizzatore*: chief
- *Artigiano*: artisan, handcraft master
- *Lavoratore autonomo*: self-employer
- *Libero professionista*: freelancer
- *Imprenditore*: sole trader

Società di persone (Partnerships)

- *S.s. (Società semplice)*: general partnership (non commercial)
- *S.n.c. (Società in nome collettivo)*: general partnership (commercial)
- *S.a.s. (Società in accomandita semplice)*: limited partnership

Società di capitali (Companies):

- *S.p.a. (Società per azioni)*: public limited company
- *S.a.p.a. (Società in accomandita per azioni)*: publicly traded partnership
- *S.c.p.a. (Società consortile per azioni)*
- *S.c.a.r.l. (Società consortile a responsabilità limitata)*
- *S.r.l. (Società a responsabilità limitata)*: private company limited by shares
- *S.r.l.s. (Società a responsabilità limitata semplificata)*:

Cooperative (Cooperatives):

- *S.c.r.l. (Società cooperativa a responsabilità limitata)*: cooperative limited (liability) company



GETTING A BUSINESS RUNNING

Management

The **management** represents a dynamic process based on a set of definite rules, which organises and utilises proper resources in a controlled and structured manner in order to obtain well defined results.

There are several types of micro-managements, which together form a complete process: time (everything gets done in timely manner), material resources (you have sufficient materials or equipments, they function properly, etc.), financial, human resources (people are available in real time, they know their role and can do it, etc.), control and quality (obtaining the maximum results with the minimum efforts and resources), etc.

The management is important because you:

- **Plan** (anticipating steps for reaching the objectives): you have a clear aim, objectives and strategies, you have attributed specific activities and resources, you have working schemes and clear relations in between the activities, you have a time scheduling for fulfilling the objectives;
- **Organize** (allocating resources and determining processes): organizational structures, roles of team members, policies, procedures and techniques, delegation tools, defining standards of work, allocation of resources (material, financial, human) to activities;
- **Implement and coordinate** (you make sure everything is done according to the plan): preparing and implementing activities, recruiting and instructing the personnel, supervision, monitoring and evaluation;
- **Control** (you make sure actions go in according to the plan and monitor the progress): what you monitor and standards, monitoring and evaluation of progress;
- **Lead** (you direct the people, take decisions): who decides in what, how the decisions are being taken and who gets informed, coordination of joint works and teams.

As you can see, the management is a sort of a tool which helps you run your business smoothly. Of course it has various departments and each need experience and expertise, but for the beginning it is important to learn a bit of everything. Why so? Because when you'll start hiring people for key management positions, you will know what to look for and what to ask.

We'll get a bit deeper into some aspects of management you should include and have in your business no matter what. The vast majority of these have been touched one way or



another already, but it is crucial to gather them and point their importance once more. These are aspects every entrepreneur (dreamer, long time perspective) should have in mind because without the management mindset (structure and order), you wouldn't be able to reach too far, regardless of how good you are at in your field (know-how).



Procedures and automation

Money loves order. That means you should create as many working procedures and automation systems as possible. When everyone knows what they have to do and how, there is a low chance the system to fail. If there is the case a replacement to be done, the new person will know what and how to do by just following the procedures already in order.

A good manager creates the order, planning, strategy, goes over details and puts everything in place. A good business is a business where you have the control over how it goes. Not over the clients, suppliers or partners, but how the business per whole goes, its processes. A good planning allows you to make things happen for you, not to happen to you.

Let's see what you could make procedures for and which systems can be automated: anything and everything that can be done in a repetitive way can be documented. This is highly valuable for obtaining the same type and quality of results.

When do you realize you'd need a procedure? When you want to achieve something yet you don't remember how it was done. If a thing was once done and ended, but then you



encounter it one more time along your way, that's when you know you need a procedure with concrete steps of how to do it and how the end result should be like.

Likewise in job descriptions, procedures can be as well divided into "departments". Identify the places where you'd need clear procedures and assign them to specific roles. A procedure can offer different variations for certain steps, depending on the alternatives they have (ex. different final size, colour, etc.).

You can think of procedures from the simplest thing to do like how to create an offer or what should an invoice contain, up to how to create a certain product. Their two essential roles is to be a check list (what do you have to do) and a training (how do you do this in steps) in order to create a unity inside your company where everybody does the same.

Initially you may think you already know how you do one thing or another, but think about the times where you will start having employees and if you want them to do *exactly* as you would do it, they need clear instructions.

Keep in mind that the procedures are flexible. They should allow you to change whatever new thing comes on or an error is being identified and needs to be changed.

Along the way with elaborating the procedures is also the automation of certain things, like creating standard templates that would apply every time you would need to do something (ex. a certificate's information, an inventory, an invoice, a response email to a specific problem of the customers, etc.); in case of documents destined for public, you can create an image that goes hand in hand with your brand.

Procedures are the "user guide" of your business. They should simplify everything not complicate them. Go for short and basic explanations that show the processes in terms of repetitive things, such as the roles (WHO makes those actions), procedures (WHAT do they do – checklist) and trainings (HOW do you do the actions – videos, courses, books, etc.).

Strategic management and risk prevention

A business plan is part of a strategic management, which also helps the prevention of risks. The planning is essential in the life of a business and it answers to what, when, where, by whom, how, with what resources must be done.

We talked already about the risk matrix which is to be incorporated in any strategic management plan. But what is this concept though? The strategic management is an on-going process with its phases of planning, monitoring and analysis, and evaluation the necessities of the company while meeting the set objectives.

The benefits of the strategic management are to give certain stability in terms of financial and non-financial aspects. It helps you think and analyze the future of the company, while planning the further steps to assure its continuity in a highly qualitative standard.

You must clearly understand and decide on your business':

- **Vision:** the destination towards you go to with your business (why you started the business, what was the purpose, what would you like to leave behind you, what do you want to offer to the clients); imagine and idealize it how would it be; this is one



of the top things you should guide yourself through when recruiting as well – without the identification of the candidates to your vision, the continuation in this way is pointless (they will not have a great engagement);

- **Mission:** how will you put in action the vision; when formulating it you should take into consideration what is the objective of your business, what is the domain or field of action you want to activate in, and what are the respective values;
- **Values:** what values or points of cultures are reflected in the work you provide, the one that guides you in leading and managing the business; 10-12 is the ideal number, yet you can decide what suits you the best: 2-3 personal values as a business owner, 2-3 business principles and values that help you get success, 2-3 that describe your clients and why should they buy from you, 2-3 important for your team, the joint things important for the team; whatever value you choose, should also be explained from your point of view.

Based on these three core elements you should guide your whole business once you start it. These will give you concrete directions and paths towards success.



Internal and external communication

Communication is everywhere around us and defines the relations we have with each other. Its definition would be *"a transfer of information from a sender (expeditor) to a receiver (recipient), in the conditions of having the same meaning of the message's content at both subjects."* Whenever the message is equally processed and understood, then we have an effective communication.

Why is the communication important in a business? We use it for interacting with our suppliers and partners, when trying to sell to clients, when trying to hire a team and work



within it. We tend to talk more than we listen, yet listening is as highly important in this equation as the speaking is. In the vast majority of the cases the business fails due to the lack of proper communication that is, both speaking and listening.

The communication is the method through which we transfer information, share opinions and feelings, instruct or influence the others. Inside our company as well as externally, the communication is a quintessential piece of our business' success.

The internal communication refers to the communication inside our business between employees and working teams, between managers and directors, everywhere up and down, left and right the hierarchical levels. It contains the verbal communication, but also the written one such as procedures, emails, internal rules, plans, strategies, situations, financial documents, etc.



The external communication refers to the communication between your company (per whole) and the groups outside it, yet tightly connected to the business, such as suppliers, clients, the community, partners, authorities, etc. The main external communication procedures are those connected to sales and marketing (advertisement, promotion, communication with third parties, public relations, brand).

So why is the communication relevant in our business? Because through it we implement the activities of our plan, make ourselves known, get to be able to sell our products or services, interact with the prospects and clients, inform and educate the community, as well as deliver high quality products or services through the support of a functional team.

More about it and the way to communicate with the clients can be found in a dedicated chapter of our parallel course "Online promotion".



Monitoring and evaluating

As much as we'd want not to, things change while we implement our plan and we must adapt on the go. In order to prevent massive crisis when such changes need to happen and totally take you out of the track, the handy processes are the ones of monitoring and evaluation.

Monitoring is the process through which we follow and analyse if the objectives are respected, the way the coordination and organisation function and give results, the way decisions have been taken and their results, tasks' and responsibilities' division, team's work and general human resource management, and any other aspect we set in our plan, that is traceable (everything should be).

You collect all sorts of data (statistics, qualitative information, diaries, observations, feedbacks, interviews, questionnaires, etc.) and start their analysis which helps you to regularly check the evolution of the plan in accordance to the original set objectives. Items to be monitored are resources (human, material, financial, informational, time), activities (calendars and planning, standards), decision taking process (which, who takes decisions).

Monitoring happens at the same time with the activity. With a correct monitoring process we can see the progress, identify potential problems, and we get the support of evaluating the status.



Evaluation is the process through which you analyse the monitored items and check the impact the actions you took created. The evaluation is set on indicators (qualitative, quantitative, financial, of process, of impact), which are direct, objective, practical and directly connected to the results. A good evaluation will reveal as well the recommendations for the future which to lead to a better planning.

These two processes are important as some things may surface *forced* (issues appeared that need to be solved) or *willingly* (there is a new method, way of doing something). Important thing to mention here is that the changes, regardless as forced or willingly, should not deviate us substantially from our set objectives, as in not leading us to a complete different path. If this is the case, then a new planning and objectives are in order.

Ethics

The responsibilities of an entrepreneur manifest towards their own business, the associated and partners, employees, community where it activates including the clients, the business environment, state authorities and institutions, and the environment.

- Be yourself the ethic model for the rest and they'll follow. Not to mention you should select employees following the same ethics and values as you, they will copy the behaviour as finding it as the one to be.
- Treat your employees in a correct and respectful way. They are your equals when it comes to your business' growth and only together you can achieve more. You get what you give.
- Have an ethics code (in writing) and someone supervising that is happening (a committee made out of employees). Have a meeting to discuss it and take everyone's inputs on it. Be sure it includes the consequences too. It should not limit the employees, but rather create a safe working space.
- Discuss frequently these matters with your employees and update it whenever the case.

Main core values you can include are: trust, professionalism, competence, integrity, correctness, flexibility, consistence, transparency, collaboration, confidentiality, public interest, preoccupation and initiative, environment's protection, etc.

Human resources

Having proper and suitable human resources to help you with the business is relevant for your sanity and growth of the profit. The more the merrier (but useful and actually needed) because regardless of how creative and innovative you are, in the end you are just one person that cannot handle everything, or not in the right way anyway.



A painful process though, recruiting and selecting employees that match your values, is essential and your guaranty for success. It is indeed a time consuming process, yet equally needed.

Just because someone has a great self presentation, it does not mean it's the best candidate for your company. It takes up to 3 months (generally accepted timeframe) to understand if the candidate has indeed the mentioned competences, if they can integrate and perform in your environment, etc.

On the other hand, the suitable candidates for you may not always perform the best at the interview stage nor may they have direct experience or studies as requested. Being anxious in an interview just shows the emotional reaction to pressure, not the quality of the person or the performance they could have. You would be anxious as well especially if you lack experience in presenting yourselves to interviews.

Just as we should work with the emotional touch of our clients, we can apply this to you while choosing your employees. It's a matter of 5-10 minutes during which you can realize what triggers them emotionally in a positive and encouraging way, but then the evaluation of the professional part starts and goes beyond the personal connection.

The decision on doing the first employments is a big step. Should you go for part-time or full-time? Would this position matter more than the other? Where to start and how to start? Let's check that out.

Profiling

Profiling is a relevant step in hiring people. It gives you the information about what you are looking for (positions, departments) and who you are looking for (who can perform the tasks).

This is an on-going process of identifying the right candidates, sketching the performance profile, having the interview and evaluating the candidates, having the emotional control during the interview, negotiating the offer and taking the decision of recruiting, integrating the new employees in the company and repeat.

Identifying the most suitable candidate surfaces from identifying the needs you have in terms of tasks to be fulfilled. For this an organizational chart and job descriptions are required.

The organizational chart shows you the hierarchy as well as the relation between the departments. You may not need a big chart in the beginning, yet it is useful to have a wide one from the start so you know where you want to reach. You want to know what responsibilities are out there, even if in the beginning you will most likely fill in all the positions or with a very limited number of people.

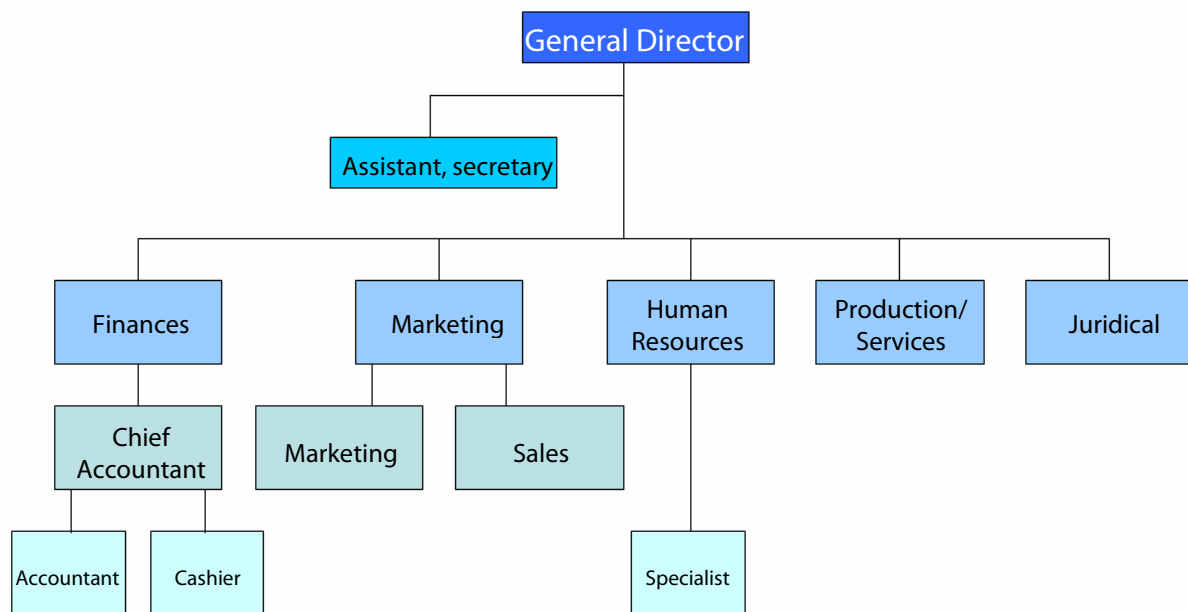
It is important for you to know what is being required, which are the responsibilities of each position and who needs to deal with them (assuming the responsibility for it) that once you can hire more people, they will just take over and continue the work done so far.

The main domains that should function in a company are: general management and leading, financial management, marketing, sales and communication, production/selling



(your main source of income). While you grow, you can incorporate human resources or juridical departments or expand the main activities in sub-departments.

Below there's a general example of how such a chart can look like, in order to have visible the departments and the connections in between. You decide on the positions and departments but once more, think big and in perspective. Create for each position afterwards a job description.



This is how you create your systems inside your business and how you start elaborating procedures that are to simplify your work later on. By writing job descriptions for each position and working procedures, whoever comes new can continue the work flawlessly and so you can take care of other aspects once the position is filled in by someone else.

Step by step you need to take yourself out of the equation and replace those positions with external people. You should be an entrepreneur, not an employee in your business and the only way to do that is by working for your business, not within it.

Recruiting

A well done recruiting process can save time and brings an added value to us meanwhile.

When do we identify the need to recruit? When we develop the strategy of the company and aim for a growth, when the current personnel decides to leave, depending on the season or internal promotions.

What else does it matter in the recruitment process? You must not think only from your perspective, but also of the candidates'. Why would they want to work with you? The employer brand or the employment image your company has is made out of everyone's opinion about you: your current and former employees, clients, suppliers, etc.



Unlike the company's brand (logo, visual identity), your **employer's brand** shows information about the personality, values and core organisational culture. A strong employer brand attracts high profile candidates and increases the retention rate of the employees.

What should you offer them? Real and detailed information about you, a personalized communication, models and examples, information about managerial procedures that differentiates you from the competitors when choosing where to go.



Here are four tips on how to develop our employer's brand:

- The brand is being built and promoted through original ads, interactive and appealing publicity, by using professional tools for the recruitment (specialized career sites or companies);
- The marketing plan includes actions to reach the active and passive candidates through mass-media;
- The mass-media is your ally as well in promoting you through interviews, reportages, articles, where you talk about your company, your current and future direction in business;
- Social media networks are a perfect place to become visible, expand your visibility and raise awareness regarding your brand and ads in the targeted market area.



Let's focus now on **methods to recruit** by attracting and identifying the suitable candidates. The external recruitment means you are bringing people from the outside of your company so they can have prior performances or the potential to get results, competences and experience in a similar position. The internal recruitment refers to advancing or change of departments of the employees you already have.

The ad is just another selling offer having as a client your potential employee. You must catch the attention towards the opportunity you offer. A first tip would be to place yourself in the shoes of the perfect candidate. What would you like to see in terms of information provided? What would convince you to apply?

The job is basically the product you want to "sell" to your client and it makes no difference in having a good marketing and communication strategy. The way you present your company and demands are equal to the way you go through their CVs and decide if they suit you or not. Play fair!

What should the ad contain?

- Information related to the **company** and the organization's culture – how things are being handled internally, about the reputation, the employer brand;
- Your **audience** needs to be clearly identified. Put the details of your employee's profile in as detailed as possible;
- The **title of the job** should be clear and give a first heads-up to the responsibilities the person is to have;
- The **responsibilities** should be detailed too; they need to know what they sign up for and if they fit in the requirements;
- Focus on providing aspects and **opportunities** for the employee to grow within your business – what will they learn, what will they do, what will they become; you grow together;
- **Contact data** and **deadline for applications**, perhaps even the process of selecting, are important information to give as well.

Needless to say the information should be presented in a clear, relevant way. Neither of you want to waste your time with unsuitable candidates/jobs.

Be careful with the size of the text, structure it clearly as much as possible – no need for romance literature, go for concise points. Mind the numbers for specific criteria such as perhaps years of experience.

It's worth to be taken in consideration for later, that managers should be recruited too. They are the ones that run the business with or for you. Their experience might be a tremendous help for your development and gives you the possibility to manage other things. Delegation of responsibilities is the key! They may not do things as you would, but they became experts for a reason. Let them do the job you hire them for.

This is your selling offer for the job, just like you would sell to your clients, so let's see some tips for a good ad:



- Design – reflects the employer brand (marketing, internal communication, human resource’s points of view);
- Audience – the profile of the person you are looking for;
- Responsibilities, contact data, deadlines;
- Requirements for application – CV, cover letter, portfolio, etc.

The way you present the information should be clear and relevant, the text should be descriptive but not a novel (mind the length, include number details, state your requirements if specific).

Avoid clichés, false competences, too rigid recruiting barriers or way too technical language. The ad has to be clear and impress through its contents, not how it sounds.



Now let’s see a bit about **channels of recruiting** your personnel. The social media has gained a lot of popularity in the past few years and they have a tendency to be a pretty often “requirement” when it is about recruiting employees.

Here is where you will find your potential personnel or have the possibility to study different profiles that could match your jobs and so you can send offers. LinkedIn, as we said before, is one of the main professional networks for the business world of offers and demands of jobs. Facebook is gaining also an advantage on this side with its special



dedicated feature. Twitter can be as well a good network for announcing it, while Instagram is really catchy for the persons greatly visually oriented.

Other channels may include:

- Your own website and online profiles – especially if you have specific jobs opened, put them on; in case you don't have anything open, we'd still recommend you to have a section where you give your details for interested persons to send their CVs and if they are suitable for your company you may take them into account or keep their data for whenever you may have an opening;
- Recruiting companies and human resource experts – this is their job and what they do best; more than that, they will do the primary pre-selections, which can save you some time;
- Recommendations and networking – same as with the clients, you may never know whom could you get recommended to if you just open your mouth and spread the word;
- Specific job websites – the nowadays alternative for the typical newspaper job column, it offers you a quite wide space for your ad;
- Fairs and trades – the unemployment offices from your area may organise such events quite frequently and this is as well a way to get in contact with potential employees and gather their information; most of the times they can even come directly with CVs in order to apply; do not have already interviews in this particular point, however. Accept everything, go through after;
- Student networks and organisations – if you are looking to investing in the young generation, these are the places to go to; remember though that while being a student their time might be limited, so consider them mainly for a part-time kind of jobs, with possibilities to go full-time if they are available, or in the future;
- Online mass-media, local TV and radios, local advertisement – general or dedicated business newspapers and magazines can promote your ad (sometimes paid); the traditional media such as TV and radio can also be an ally in your recruiting campaign, as well as placing ads on billboards around can increase the visibility of your process;
- Forums and various online interactive spaces – go to places where they talk about your domain and check the most active members, their replies, the way they interact; feel free to contact them or even post directly your offer;
- Unemployment handling governmental offices – the local agency is collecting such information and they already have a vast data base of people; they can send potential employees specific for your requirements from what they have.

These are the aspects that handle the external relations towards your job offer. Let's see now internally how we deal with it by going to the **job description** itself.



In order to understand your candidate's profile way of matching your opening you should have clear in your mind what you want for that position. The job description is a primary resource used in creating the ad.

The job description should have elements such as expected results on the short and medium run, competences, responsibilities, interactions and hierarchy, values and motivation:

- WHAT – tasks, responsibilities;
- HOW – methods, tools, instruments;
- WHY – products, services;
- WHO – skills, knowledge, abilities (includes studies and external habitudes, experience, personality).

The job description should aim to describe the job itself and the **expected results**, not the person and their competences. You select the people in accordance to the job, not the other way around where you have the person and give them something to do. The focus here is on DOING (results) rather than HAVING (abilities).

An interesting approach for interviewing is the performance profile proposed by Power Hiring – Lou Adler, where you have:

- SMART performance objectives, where the expected results from a job is TO DO;
- Needed competences to get those results is TO HAVE;
- Motivation and values that suit the company is TO WANT.

SMART is actually an acronym that stands for (slightly different than the project management one):

- Specific – details about what should be done;
- Measurable – easy to quantify, measure, results in numbers, percents;
- Active – action verbs that lead to doing something;
- Results to be obtained – what should be obtained, in the most realistic possible way;
- Time – how long does it take to fulfil the objectives (weeks, months, deadlines);

The environment is also essential and it describes the culture of the company, the rhythm of the work and advancement, the available resources or the pressure level.

Each job description has 4-6 performance objectives that define the success of that job, such as the relations with other colleagues, reaching the targets, team management, problem-conflict solving, etc. Let's see an example:



Position/ department	Name of the job / department it belongs to
Reporting to (superior hierarchical level)	The next superior in hierarchy (as position)
Supervision	If there are any members this job coordinates (subordinators) and their positions/departments
Starting date	...
Contacts	Inside the company: the department, colleagues, other departments in tight connection Outside the company: clients, suppliers, partners, etc.
Main objective of the job	What is the main result that is to be achieved (SMART way)
Tasks and responsibilities	All the activities this person needs to do in order to achieve the set objective
Critical competences for performance	The must-have competences in order to perform the tasks (education, experience, know-how, etc.)
Values and motivation	What should this person have in order to be able to perform and to develop
Requirements	Minimum studies, experiences, specificities, technical aspects
Company's offer	How can you support the growth of the person inside the company

The interviewing phase is important here because you should focus on the competences for the job and the results they could bring, not how good they are at being interviewed. More about it bit lower, in the interviewing section.

The **competences** required so the results to be achieved are therefore relevant in a job description. They define the knowledge, abilities and skills, and attitudes that make the capacity of a person efficient in order to achieve something.

The most requested and needed competences, at a general level, are: team spirit, communication, human resources management, clients oriented, results oriented, solving problems, planning and organizing, leadership, etc. Along these, there will of course those



particularly needed for your business, as well as those that make the person an expert on that position.

We talked before about how your business has its **values and principles** and how the people you select to work with you should adhere to the same ones in order to have a unity and harmony internally inside the team, and externally with the clients, suppliers or partners.

When it comes to the job description, we talk about the perception of the employees related to their field. These could include: social acceptance (reputation, respect from/ towards the others regardless of status), ethics and need to do what's right, the organisational structure and support, the independency and freedom, the power, influence and responsibility.

Remember that you worked on your vision, mission and values for the company. Use them when recruiting!

Interviewing and selecting

Preparing the interview requires some steps from your side:

- You have your job description ready;
- You know what you want and how many people;
- You have clear the selection criteria;
- You have a paper to put down notes from the interview;
- You have handy their CV and cover letter, as well as you've read it before at least once to make sure you have the information fresh in your mind;
- You allocated enough time before and after the interview in order to avoid sudden interruptions.

Regardless of having a face to face or phone/online interview, it is important to create the best space possible with no disturbances, comfort and space that invite to an open communication, and very important is the assurance related to confidentiality.

Have nearby your evaluation system, question list that you want to ask (be open to introduce new ones or skip those that would be irrelevant or already answered) – competences, experiences, minimum requirements you have, values and motivations –, the potential to reach the SMART results based on past experience, the minimum and maximum time allocated.

In order to support the **selecting process**, when it comes to the values of the candidate, it is important to go for information regarding how they felt in a specific context, so to understand their reaction, their position, their feelings.



Ask about a situation they went through (recommended) or place a hypothetical question about a situation they could face in your business. What kind of questions could you be using here?

- What made you react in this way?
- What surprised you in that result?
- Is this the way you prefer to work generally? Why/Why not?
- Were your merits been recognized?
- Why do you think the situation was handled in that way?
- What was the hardest part of that context and why?
- If you were to decide the steps, how would you have done it?
- What was your biggest professional and personal frustration lived so far?
- How could you describe the working environment (internally, externally, your comfort, aesthetics, etc.)?

Like any other discussion or document, an interview has as well similar **steps**. First, you connect with the personal and build on a relation. It is important that the atmosphere is relaxed and open. Remember, you are evaluating the person's abilities to do the job, not how experienced they are in being interviewed. It's quite normal to be anxious in the beginning, but it's up to you to get that atmosphere a friendly one (not aiming for friends, just a relaxed atmosphere). About 2% of the time should be allocated for this step.

The introduction should the transiting part towards the job, and here is where you can tell about the company and what you aim for, and the open position in brief details. Around 3% of the time should be dedicated for this.

Now we pass to the most important part of the interview and the reason for you meeting them: evaluating their competences, getting information related their suitability for your job offer and company per se. Needless to say this holds the widest time and around 85% of it should be destined for this section.

The quality of the questions depends on your planning, yet also on the candidate's answers. Formulate concrete and clear questions, focus on one question at the time and not popping up multiple ones (they might not touch all with answers unwillingly), and go for the alternation of closed (yes/no, objective simple answers – looking for confirmation or precise information) and open questions (free answers – encouraging the candidate, asking for situations, looking for feelings and opinions, reactions and solutions).

The STAR model can help you gather the most relevant information during an interview:

- **Situation:** request information regarding a context where they had to use a specific competence (ex. describe a situation where..., give me an example of a situation when..., describe the most important...);



- **Task (theme, topic):** What were the tasks and what were the expected results?
- **Action:** What were the taken steps towards achieving that goal?
- **Result:** What was the result?

Choose before the interview the most important 4-5 competences (for a 1h-1.5h interview) you want to know about. Don't ask about everything in the job description.

We are getting close to the end of it with the confirmation and verification of the obtained information (about 5%), and the closure where you verify that you covered all the aspects needed, you give the possibility for the candidate to ask questions and express the terms of being announced about the result (5%).

We encourage providing an answer to each of your candidate regardless if it's a positive or negative one. It may not be what you're looking for at the moment, but in time who knows how your path would intersect so keep that door open.

The most common types of interviews nowadays are the face to face ones or via a video call. The phone one is still being used however if you can't have them physically in front of you, at least the video call can give you the opportunity to interact better while seeing each other.

Remember we mentioned that in order to sell something while having a discussion with a prospect, you should *listen*? It is the same case here. You should speak 30% tops and here we include the questions, while 70% is about you listening to what the candidate says.

Now that the interview is over, it is time to **evaluate and select** the candidates. How do you do that? By checking the notes you took (that doesn't mean you are noting down everything they say, just the essentials); emphasize their competences rather than the self "selling" technique; the competences have been described and put in reasonable context out of which you can take out the relevant aspects for you; use questionnaires (technical verification, personality ones), references or a second interview; evaluation grids with grades from 1 to 5 and descriptive sections.



The communication during the interviewing process is equally important from both sides. On the one hand the way you speak, react (mimics, tone and volume of your voice) or interact (positions, gestures, reactions, replies) can send the candidate the message of how invested you are in selecting and in interviewing this person in particular, while on the other hand, your interlocutor's verbal interaction, reactions and interactions tell you how compatible would they be in the company (in terms of achieving results most of all).

When evaluating the candidates, remember to go for the **competences** – do they anticipate problems or understand the needs of the clients, are they details oriented or see the big picture, would they perform good in teams or individually, would they give their best to achieve the results in a timely manner and with a high-end quality, etc. – and not personality – seemed arrogant or stubborn, doesn't look like a team player, smart, etc.

The trick here is to gather information from as concrete examples as possible. The contexts, and the responses and reactions are what give you valuable information so give the opportunity to explain themselves.

Make your own system of taking notes in the way that in the end to be easier and faster to evaluate a candidate. Don't let yourself controlled by a dominant personality and avoid subjectivity.

Selection tips:

- Friends among the employees, not employees from your friends – the temptation to look for trust-worthy people among the ones you already know (friends, family) is rather high. The risks though are higher when your authority comes to question. You may become too exigent or on the contrary not exigent enough, which may lead to a break in your personal relation. Go through the regular channels for opening the recruitment process and in case a friend or relative would indeed apply for a job, treat them equally like anyone else even from the interview period. Be objective. If you want to “donate” money to them, you don't need to do it through a hiring contract.
- While the good relations among the team work are important, don't search for people just like you – the values must be the same as yours, but perspectives, actions, reactions should be different. That what brings you growth and diversity. Any similarity with the hobbies or personal preferences should be disregarded when choosing people. Sure, they can help afterwards for strengthening the team, yet these should not be among the reasons to select them. The compatibility should surface from the approach connected to tasks, responsibilities, reaching targets together.
- A great and important must-have is learning as fast as possible the evaluation and selection based on the competences – these are the ones that will bring you results, not how happy you could be while barbequing together because you both like it.
- Involving the already present team in selecting someone new is essential and crucial – you don't select a new employee for yourself, but for the business, where an entire team is working. The person should blend it smoothly and bring an



added value to the team (common values). More than that, having more opinions on the matter would give you more objective reasons to look at a candidate. The more the merrier here as well because they may see things you may be missed or didn't see that relevant for you, but which could be for them as part of their tasks. In the end, a good compatibility among the team members leads to a fast integration of the new member so the transition to the actual work goes smoother.

- The ideal candidate's profile is tailored based on the needs of the company and expected results, not the other way around – the objectives, tasks and responsibilities of the job are what matter and based on these you select the suitable member. If the candidate offers a greater potential or is suitable for another position, feel free to explore this idea internally and with the person in cause, but only if that position actually exists/is required.

Once chosen the best options for you, you can prepare a **pre-offer** where to define the terms of the collaboration, talk about responsibilities and benefits, and give an opportunity for negotiation.

The offer is done and accepted, you have decided on the last terms such as when to start and here comes the day of it. It falls under your responsibility (direct and indirect) to make sure the **new employee integrates** fast and smooth in the team. This will lead to an increased productivity for the new ones, acceleration the results and improving the retention process.

You decide on few SMART performance objectives for the **trial time** (about 3 months), such as performance (results that lead to a successful integration in the company), competences, learning (job, role, team, company itself), relating (internal and external networking, support network). During this time you make sure that you monitor the level of achieving the results, the faced challenges and the identified solutions.

At the end of the trial period, you can compare the initial planning with the current state of the set results, what should there be done to get a higher success in their job, what could have been done differently by now for a faster and more efficient integration process, or what is each inclined to do for this relation to function at its best.

Tips before ending the employee section:

- The interviewers should know what to do, ask proper questions while having in mind the end result. A training is highly recommended if they're not already experts in human resources.
- Insist on what they did and achieve so far, not on the quantity of experience or studies.
- Same way as you are searching for a candidate, they are looking for a job. You both can take the decision to accept or refuse an offer. You are being evaluated for selection as well in this process.
- Take notes for the questions you ask. It will help you remember things in details while you go to the selection procedure.



- Ask clear questions; in case the answer is not satisfying with the details you were expecting, ask additional questions on the matter; regardless of the answers, maintain your professional attitude.
- Look for areas of interests in your candidate such as initiative, team working abilities, reaching objectives, technical competences, managerial or organising abilities, leadership, etc. in connection to the main atmosphere and value of your company.
- Although it is humane to judge people on the first impression, try to avoid doing so in the professional matters; they may be anxious and they may not totally reflect who they are while being interviewed. Avoid going by the “human contact” where the candidate has a charming personality, the first impression and the looks is good, the hand shake or the shown confidence, assertiveness or extroversion, nor the verbal communication per se. Review your notes and their CV/cover letter for clarifying certain aspects, and then take a decision.
- Being interviewed is equal to having to give a public speech from the anxiety’s point of view. Same goes with firing someone (you) or negotiating a raise (them). It’s not that natural for most of us.
- Offer the possibility to ask questions, during it or at the end of the interview. Again we say, you are being evaluated to and it’s in your interest to see what the others think about your offer or business.
- End the interview with offering details about the next steps of the selection: when to expect further information, the way they’ll be contacted, etc.
- Don’t jump to making offers. You both need time to think about how the interview went.

Financing

Intro to finances

This might be perhaps the scariest chapter for all potential entrepreneurs out there, but it shouldn’t push you away. You don’t have to be an expert in economy nor be an accountant, as you can always collaborate with one if you need. But it’s truly essential that you understand the financing parts of your business, otherwise you will never be truly prosperous at what you do: a business, aiming for profit.

Knowing the basics of economy and understanding the most used vocabulary, documentation and how the business is lead from the money perspective is in fact the way your business is managed. No matter how many clients, suppliers or good employees you may end up having, without a balance between incomes and expenditure, you may end up very soon with financial difficulties. Don’t let yourself discouraged by the



numerous new terms you may encounter. It is important to understand the steps of the process, even if it takes a longer time for that.

Understanding this part does not substitute the role of a specialized and trained accountant who keeps being updated about the laws, changes and important notifications connected to businesses from the fiscal point of view.

If you haven't studied economics or accountancy, do seek for the help of an accountant as it will definitely reduce your time with your papers and save you from potential troubles with the laws for not paying certain taxes. However, it is very important to mention that this does not absolve you of not knowing the process. You are the one fully responsible for your enterprise, not your accountant!

Ready? Let's go!



First budget: financial and non-financial resources

Financing the business in order to get it started can be a quite stressful moment in the planning process. If you cannot support financially the initial phase and the self-sustainability for several months after, the business will fail before it even gets properly started. Do not worry though. There are various ways to do so.

The first step is of course the information and research. What would you need in order to start and support yourself on the market until you make profit? Is it money, human resources, equipment, a space? What is it that you need? Put them on a list, regardless if you have them already. Don't forget about the taxes, authorisations or other state related actions. This can help you also take your time and labour for example into account when deciding on the price.



Let's see a quick list of the things that you may need. Feel free though to adapt it to your context and idea:

- Equipment and machineries, tools – production, IT, maintenance and repairing, amortisation;
- Raw materials, consumables, rests of materials that can no longer be used;
- Space – rent, utilities, storage, offices;
- Human resources – salaries, bonuses, benefits, commissions, taxes, insurance, training;
- Furniture – offices, storage;
- Relation with the bank, investors – commissions, interests, exchange rate differences, credits;
- External services, subcontractors – accountancy, promotion (marketing, promotional materials, ads, etc.), web presence (domain, hosting, web design, maintenance), transportation, delivery, packaging;
- Discounts and sales of your products or services;
- Relation with the state – taxes, authorisations, etc.

Now that you have your list after a very deep brainstorming session (you may even ask friends to help you point out things that you may need), arrange them by their category and see what you have and what you need. Now from the list of the things you still need, think about potential alternative sources from where to obtain them. Could you borrow them, obtain a sponsorship, have people to help you out, could you get a barter (exchange of products or services without a financial payment)? Which are the items on your list that would require financial investment?

The process of financing should follow these steps:

- Identifying the needs – concrete sums (total up what you gathered);
- Defining the timeline – for how long do you need it, when do you estimate you could start giving back or finish giving it back completely;
- Identifying the warranties – what could you offer as a back-up plan in case you cannot get profit, but the finances not to be lost completely;
- Identifying the control – how much would you be eager to have control over your business vs. your investors;
- Identifying the available sources of financing – we'll be getting there too;
- Counting the funds and costs for each financing source – how much could you get from where and in which conditions (interests, deadline), how much would it cost



you to access that source, how much do you have per total and is there something that is missing?;

- Prioritizing the most profitable source of financing – which is the cheapest, with the best return terms.

Shortly, it's worth mentioning the differences between the costs and the investments:

- The **costs** are those expenses you do in order to have your current activity undergone; they are formed of the regular costs that you have to be able to perform, which gives you the purpose to continue your work and provide with your product or service.



- The **investments** are a type of expenses you do in order to develop or grow your business and so to bring you more profit; it can be in terms of buying more machines, expanding the production line, hiring more people, moving to another space closer to your clients.



You have the list of the items you need and the list of steps to consider the financial sources. Match the list and see which source can cover which need and how. What are the items that could be delayed in the process and when could you get the finances? Which source is the one you can delay the most in returning it? Are there any non-returnable funds you can access?

If the lists of sources do not cover entirely the list of needs, retake the steps and look for further sources or adjust the needs list, without compromising the start though.

So what are your set-up costs?

- Estimate the initial investment needed in equipments, authorisations, productions, etc.;
- Anticipate the money equivalent of your working capital (initial stocks, raw materials, etc), incomes from clients;
- Evaluate the monthly costs for services and support activities, or overheads (rent, utilities, salaries, etc);
- Estimate the development costs (ex. increased capacity of production or number of services offered in the following years);
- Count in details the need of financing based on a timely manner (monthly, quarterly, yearly) to utilize the best source in the best timing.

Sources of financing, sources of income

Alright, we now have very clearly in our heads what we want to do and what types of resources we would need. What sources of incomes could we have and who could support us in the process, be it as a loan or non-refundable ones?



The main sources are:

- Your savings, family and friends' support – the best source of financing as most likely you won't have to pay an interest for this loan or they can even give it to you for free;
- The social capital – the money you initially put as a starting point in your business can be spent to get it started;
- Bank loans – best to look for something on a longer term, which can give you as well a higher sum to start with; check various banks' offers and decide the best one for you;
- A line of credit – this is a flexible loan from a bank or financial institution, that makes available for you a specific amount of money that you can access whenever you need;
- Credit cards – likewise the lines of credit, this can offer you a monthly or quarterly flexibility;
- Investors and partners – could be demanding shares or just providing you with support which is returnable one way or another; often they can bring with know-how and expertise;
- Grants – governmental or EU funds that can be returned or not, depending on the conditions; could look like an easy way to get a specific sum, yet it comes with various conditions imposed by the financier; expect to be asked to cover as well a part of the money by yourself (up to 50% in some cases);
- Free or grant-aided consulting – aimed at supporting the development of the business by accessing funds or grants;
- The profit you reinvest – once you start producing money more than to cover your basic needs, you can think of setting aside a fund out of which eventually to support the development of your business.

Which sources should you choose? The ones that give you enough financial stability and personal tranquillity. Remember though that an entrepreneur is a person that assumes risks in order to achieve something.

Now let's see your incomes that shall be generated once you start. Of course the main source is the sale of your products or services. Yet there are some additional ones:

- Favourable exchange rates;
- Bank deposits and interests;
- Grants and external financial support (subventions, subsidies);
- Online monetization;



- Offering training to other companies with your know-how (different than your main activity);
- Renting or selling old equipment, space, etc. (different than your main activity).

Think about the specificities of your business and alternative ways that you can bring profit it, based on the resources you have, without diminishing your focus on the main activity.

Finances' ABC

The accountancy of an enterprise refers to the record of all documents related to financial transactions. What type of documents are we talking about? The **documents** are contracts, invoices, bills, receipts, POS payments, bank transactions, and the list may go on, made by the entity or in the name of it, with purposes connected to its activity.

These may as well be separated into two parts if you like: **financial** (actual payments like invoices, bills) and **non-financial** (supportive documents that don't imply the direct payment, but promise the payment, document or support it), like contracts.

Remember! The money spent from the entity cannot be registered without having a document proving the cost! Make sure you keep all the documents tidy, clean and ordered.

An important part in all this process is in fact to keep track of all your money transactions, based on the documents you have. Keeping a daily or frequently track of these is called the **primary accountancy**. This helps you knowing at any time about your stock, your products or services, about the cash you have, payments done or to be done, etc., and is definitely to make your life easier, even if it seems complicated at this point.

Keep all the documents in one place (a box, tray, envelop, etc.), be them financial or non-financial, as that will reduce the chances of you losing or not finding them when you should. Recording an invoice from 2 years ago because you found it now in this year's accountancy is not an option.

Let's move a bit deeper into the terms. There are 2 big types of actions involving your entity: the **incomes**, or what you receive, and the **outcomes**, or what you spend. The difference between them gives you the **profit**. If the outcomes (what you spend) are higher than the incomes (what you get), you are losing money (**loss**), while if the incomes (what you get) are higher than the outcomes (what you spend), you are earning money (**profit**).

$$\text{incomes} - \text{outcomes} = \text{profit}$$

The incomes refer to every money you bring to the company, the most important being the sales. The incomes can be daily (whatever you get during 1 day), monthly (the sum-up of all days of work) and yearly (the sum-ups of the monthly received money). The sales for 1 calendar year represent in fact the **turnover** for that year. The turnover is the indicator that helps you measure the size of your enterprise.



A tricky part that people tend to confuse here is the difference between incomes (money that you register as to be getting, a promise of buying from you) and actual cashing it in or the **proceeds** (money you actually get). If you issue an invoice, but the client pays only the next month, then you have generated an income in your accountancy (based on the invoice), yet you do not actually have the payment for that (no money flow in yet). The incomes may be higher than the proceeds or equal when you cash everything in, yet the proceeds may never be higher than the incomes (if you do, you did not register all the incomes).

$$\text{incomes} \geq \text{proceeds}$$

Same goes with the outcomes (money that you register as to be paying, a promise to pay your supplier) and actual **payments** (money you actually pay). You may have engaged to do a payment, yet not to have done it yet. This is the case of buying from suppliers and paying it perhaps all at the end of the month, in one bill only. Likewise the proceeds, the payments should not be higher than the outcomes (results in not registering all the documents), while the outcomes can be higher or equal to the payments at a certain point.

$$\text{outcomes} \geq \text{payments}$$



Why is this important to be aware of? First because you might have to pay the **taxes** for your incomes (for the invoices you issue) before cashing it out. The tax is the amount of money you owe to the state for having sold a good/service, for having employees, etc. Second, because that would affect your actual **liquidity or cash-flow**. What is the liquidity? The actual money (cash or in the bank) that you physically have, excluding any type of income that you registered, but yet not received.



The main problem of the companies that go bankrupt is exactly the lack of liquidity. If you have orders and issued invoices, yet which you did not get paid for, you risk blocking the entire chain as you cannot pay your suppliers either, they cannot provide you further the raw materials so you cannot produce, and so eventually you cannot generate incomes. You should be able to estimate a cash-flow for the next 6-12, even 18 months.

As mentioned in the forms of enterprises, there are various types of entities you could open. Why is this relevant here? Because based on the type of it, you have as well the accountancy. There are two types of keeping it:

- **The simple entry:** freelancers, self-employed, independent activities, renting, vocational based entities, etc.;
- **The double entry:** LTDs/LLCs, PLCs, etc.

For the simple entry there are also 2 types:

- **Income norm:** fixed amount of a tax (it does not depend on how much you sell);
- **Real system:** recording all the financial documents and the tax depends on the profit you have.

You may still ask yourself what is the difference between the simple and the double entry type of accountancy. Here it is:

- Simple entry: the incomes = the proceeds, the outcomes = payments; for this you need a **global register of incomes and outcomes**, their difference resulting directly the profit; you will also need to have a **register for the stocks**, where the case;
- Double entry: system of accountancy recordings, for each transaction needing to be recorded in at least two counts. All the recordings are based on the justifiable documents such as **the invoice, the receipt, cash register receipt, the consume note, reception note, the contract**. For example, issuing the invoice to your client goes in one account (clients), while getting it paid goes in another account (cash or bank).

Big words happening to be in this last explanation. Let's check them out:

The global register of incomes and outcomes is a table alike tool to help you keep track of your incomes (and how much your proceeds are, if the payment is done in more instalments) and outcomes (and how much your payment is, if it is done in more instalments).

The stock register is similar to the global one, and keeps track of your stocks or inventory, on the one hand of what you use as equipment to produce, while on the other the materials you use for production.

The stocks represent the objects you have to support your activity, such as office furniture, working equipment, ITC devices, or the raw materials (the goods you need to



use in order to obtain your final product/service that you sell). We'll be back with more details about this below.

The invoice and the receipt (including from the cash register) serve to register the transactions done/planned (invoice) and their actual proceed/payment (receipt). These documents must have at least the following identification elements: seller (name, fiscal domicile, fiscal code, share capital) and the buyer (name, address, fiscal/personal code).

The consume note is related to the inventory and is a document attesting the amount of products/raw material taken from the inventory and given in usage. For example, if you have five boxes of papers and you need to use three at the moment, the consumption note will specify the date and quantity that you took from the inventory. This is going to help to keep track of when and how much you spent (3) and how much you have left marked in the inventory (2).

The reception note is used when you receive goods or raw materials, and same as the consumption one, specifies for each element the quantity you received. These notes come very handy especially if the invoice contains a bigger quantity and you receive your goods in several instalments (easy to keep track of how many you still have to get).

The contract is the document that stipulates the conditions of buying/selling a good or services between at least two parts, such as those of quantity, quality, specificities and technicalities, duration, deadline, payment and sums, rights and responsibilities, and any other details that are necessary for setting the terms of the exchange.

Keeping the records can be done both by pen on paper or by using softwares. The latest is of course the easiest one as it can automate many of your operations and gives you for sure correct calculations.

Let's move on now. We mentioned before that the documents to be recorded are of any type that is in connection with the activity you develop for your entity. Why is that relevant, you may ask? It definitely is as you cannot register just any type of expenditures you do for example, for personal purposes.

The costs have to be done in order to support the product or service you provide and their coherence must be traceable through the documentation recorded. For example, you cannot record a purchase of a professional oven for a business that deals with music. There is neither a direct connection nor a reason of why would you need an oven to be able to make your job properly in the field of music.

The two types of outcomes we may have can be spread into the **fixed outcomes**, or the ones you have to pay even if you don't sell (the rent, utilities, the salaries or collaborators, promotion, etc.), and **variable outcomes**, or those that can be adjusted to the sales you make (raw materials, packaging, transportation, taxes based on the turnover, etc.). The latest are variable because they can increase if your sales increase, or decrease of your sales decrease.

The rate of return is a very important number you should take into consideration. This is the minimum sales that you need to do in order to cover all your costs.

$$incomes - outcomes = 0$$



How does this actually help you? It is important to know your rate of return as going with it below 0 it means you will lose money (outcomes bigger than incomes), while whatever is above 0 will be part of your profit (incomes bigger than outcomes).

As mentioned above, the stocks or the inventory are a great part of your accountancy and it includes the physical products or equipments you have. The management of the inventory can consist of **raw materials** (you will use them to produce something), the **resulted products** (products that you made) or **goods** (products you sell as an intermediary).

In the accountancy you have these inventories, separated by their types, just as you would have a physical depot for each type. And of course, for everything that enters or leaves the inventories, you need documents that you purchased/sold or produced.



What types of papers do you need to keep track of your inventory?

Invoice – buying the raw materials from suppliers (reception note for the quantity you received, even if it's the same as of the invoice) -> Inventory register with the raw materials (how much goes in, how much goes out).



Consumption note – you take out of the raw materials inventory and bring it to production (how much of each raw material resulted in how much of your product) -> Inventory register with the products (how much goes in resulted from what you produced, how much goes out resulted from what you sell).

Receipts – you sale the goods -> taking the sold products out of the inventory with products; should have an equivalent in money, as your incomes.

Alright, now we'll "make the money talk" for us. Of course, through keeping its evidence in documentation, for which we have two options: **the cash book** (every operation that you do through cash) and the **bank register** (every operation that you do through the bank).

Every transaction made through the company shall be registered in the day it was performed, be it as an income or outcome. The biggest control you have of your company is in fact the money transactions. Whatever income or outcome you have, its equivalent must be visible (being added as an income or deducted as a payment) in your "piggy bank" (be it cash or through bank).

Remember the **cash register**? It is not the same as the cash book. The cash register is giving you the receipts as proofs that you sold something, while the **cash book** tells you how much money you have, in cash, from which you can pay invoices or add up from the incomes.

How about the **working procedures** from the management chapter, do you remember those? It is the same in the case of the accountancy – you can write down the steps you take for each of the actions you do on the daily/monthly base and so, if you do not have the time to do it, someone can easily follow the steps you wrote in the procedure and get the job done for the primary accountancy.

Keeping all the documents in order and as up-to-date as possible (daily for a high flow or frequently for a lower flow of transactions) will help you know in real time everything that happens in your business, as well as understanding that foreign language the accountants talk to you when it comes to the financial part.

How easy is it to see the on-going of the business? By reading the **trial balance** (in whichever point you need or monthly, quarterly, at half of the year, at the end of the year) and through the **balance sheet** (at the end of the year as a sum-up of all your transactions).

The trial balance is the source of information related to what you have on debit (what you brought in) and on credit (what you took out). The debit represents for example the incomes, while the credit represents paying suppliers or taxes. At the end of the transactions, what you put in should equal what you take out (you cannot take more than what you have).

A **monthly balance** can help you see what supplies you still need to pay or what is the relation between the incomes and the proceeds and who still owes you money. **The balance sheet** is pretty much the summary (as totals) of your whole activity of the year.



Sum-up financial dictionary

Term	Explanation
Accountancy	Registering and keeping in an order the documents related to financial transactions.
Document	All the financial and non-financial documents that show how much you earned or spent in your business. Ex: invoices, bills, receipts, POS payments, bank transactions, contracts, buying/selling offers, technical descriptions, etc.
Financial document	Any document that states as the proof of the payment done. Ex: invoices, bills, receipts, POS payments, bank transactions, etc.
Non-financial document	Any document supporting a payment, yet which does not imply the payment to have been done. It can support or document a process of payment. Ex: contracts, lists of needed resources, documentation with technical specificities needed for a product/service, report for receiving a good/service, acquisition supporting documents (documentation behind it), buying/selling offers, etc.
Primary accountancy	Daily or regular recording of the documents.
Income	All the money that you expect to gain for your company. Ex: selling products/services, grants.
Outcome	All the money that you expect to pay for your company. Ex: suppliers, goods, taxes, bank commissions, etc.
Loss	The negative difference between the incomes and the outcomes for the same period of time.
Profit	The positive difference between the incomes and the outcomes for the same period of time.



Term	Explanation
Turnover	All the incomes reported for a specific period of time, generally at the end of the year.
Proceed	The amount of money you cash in for an invoice, order, etc. (the income gets paid) for example, from clients.
Payment	The amount of money you cash out for an invoice, order, etc. (the outcome gets paid) for example, for paying suppliers.
Tax	<p>The percentage or fixed amount of money that you need to pay to the state for having sold a good/service.</p> <p>Ex: tax per profit, tax per income, tax per health system registration, tax for salaries, etc.</p>
Liquidity, cash-flow	The actual money you have received or left after you paid something. The incomes that are not proceeds or the outcomes without payments do not belong in the liquidity until they are being processed.
Simple entry	There is only one record about the incomes/proceeds or outcomes/payments. It matters more when the cash is in/out, rather than when the invoice is issued.
Double entry	Each transaction goes through at least two accounts. The incomes and outcomes are registered separately than the proceeds and payments.
Income norm	Paying a fixed taxed, no matter how much you sell
Real system	Paying taxes depending on the profit you get, after having recorded all the incomes and outcomes
Global register of incomes and outcomes	A table where you keep track of your incomes (and how much your proceeds are, if the payment is done in more instalments) and outcomes (and how much your payment is, if it is done in more instalments).
Stock register	A table where you keep track of your stocks or inventory to see what equipment you use to produce or materials you use for production.



Term	Explanation
Stock	The objects you have to support your activity (equipment, furniture, ITC devices, etc) or raw material needed for the production.
Invoice	A document stating the buying or selling action that the other part accepted already.
Receipt	A document that certifies that the invoice has been cashed in/out.
Consume note	An inventory related document that shows the amount of products or raw materials you take out for consumption or given in usage (ex. equipment).
Reception note	An inventory related document that shows the amount of products or raw materials you bring in for later consumption/ transformation into a product or to be given in usage (ex. equipment).
Contract	A document that stipulates the conditions of buying/selling a good or services between at least two parts, such as those of quantity, quality, specificities and technicalities, duration, deadline, payment and sums, rights and responsibilities, and any other details that are necessary for setting the terms of the exchange.
Fixed outcome	The outcome that cannot be reduced or not paid (ex. rent, utilities, salaries, etc.).
Variable outcome	The outcome that depends on and changes with your selling activity, as in, the higher sell you have, the income becomes proportionally (you spent for suppliers, transportation, packaging, taxes, etc.), while the lower your sell is, the lower these outcomes are (if you didn't sell, you still have the products so you don't need more raw material or you don't pay taxes).
Rate of return	A number representing the minimum sale that you need to do in order to have all your costs covered. Is higher it gets over 0, as bigger your profit is, while going negative means you are losing money.



Term	Explanation
Cash register	The machine issuing a receipt that a product or service was sold.
Cash book	A register with every operation you do by using cash (proceeds or payments) and the actual money you have available in cash.
Bank register	A register with every operation you do by using a bank account (proceeds or payments) and the actual money you have available in the bank.
Working procedures	A set of guidelines and internal rules that support your working process (steps of how to do a certain thing, respecting the indications of quality, timeline, methods, etc.).
Trial balance	A document giving you information related to what you have on debit (what you brought in) and on credit (what you took out). The debit represents for example the incomes, while the credit represents paying suppliers or taxes.
Balance sheet	A document that shows the general category kind of incomes and outcomes as a summary for an entire calendar year.

Alright, we've reached the end of this high-brain demanding chapter. There are many terms and much information to focus on, yet feel free to come back to it whenever you like. You don't have to remember them by heart, although after starting using them in your current activity, they'll become friendlier in sight.



THE BUSINESS PLAN

All the analysis work done so far is going to be a crucial part of constructing the business plan, however it may not necessary conclude all the information noted down, but rather their conclusions.

A business plan is a document that can help investors, banks or collaborators to support you financially, out of which they can easily extract the main idea of what, how and in how much time you want to do it.

The business proposal is a rather simple document, highly concrete with concentrated essence that can provide on a quick scan the information needed to give a fast answer of yes or no for the raised interest. We could easily compare it to your CV which also you do not extend it on dozens of pages, but keep it short and concise.

Now we are not saying that all the information you worked for to gather is not important and is useless, because it is not. You are still to build your business strategy for at least 3-5 years if not even looking beyond 10-15 or even 20 years on the long run.

Use all the information to project your trajectory, set objectives and plan actions to be taken in order to achieve all these. The business strategy is not something we will get in many details here, but it's the expanded version of the business plan, being able to provide various deeper information, analysis and prospects.

A business strategy is based on developing the topics of:

- Reasons to launch the business – what is the opportunity for it, why this idea and not something else;
- A short summary and a content;
- Objectives on the short and long term, in connection with the reasoning;
- Product or service you want to offer – description, technicality, characteristics, benefits, advantages, etc.
- Market – needs and demands, characteristics, market segments, target group and their persona;
- Clients – detailed and specific profile as person, as part of collective, as consumer;
- Competitors – who they are, how many, what they offer, differences between you and them, positioning on the market, what they lack and you could provide, potential threats to you, who are their clients, etc.;
- Legal context – what bureaucracy you need to follow through to open it and to keep it “alive”, authorisations and their costs where the case, time to obtain it, etc.;





- Location – where would you set it up, infrastructure needed, online vs. offline, connection with suppliers, distribution to customers, employee spaces, depot spaces, etc.;
- Suppliers – who they are, how many are they, what do they offer in terms of prices and quality, how can you cooperate with them, the actual supplying aspect, payments, etc.;
- Organisation and management – working procedures, working systems and documents, internal and external approaches, potential and desired growth, departments needed now vs. later after expansion, organizational chart of employees, etc.;
- Resources of any kind – what is needed to start (material, finances, human, time, expertise, experience, etc.), from where they could be obtained, who could support you, etc.;
- Employees and the human resources department – needed departments and number of people (now vs. after expansion), roles and tasks, profile for each position, salaries and benefits, competences and expertise required, etc.;
- Marketing and promotion – visibility on the market, communication and relation with the client, consumer oriented approaches for increased sale, relation with the customer, publicity and promotion measures, product or service – distribution – price – promotion, packaging and delivery, etc.;
- Price policy – regular price, discounts and offers, various levels of customers and benefits, warranties, profit margin, fixed and variable costs, etc.;



The Business Model Canvas of Business Model Foundry AG (strategyzer.com) proposes a business structure on the following sectors:

- Key partners – who are they, what are the motivations for the partnership;
- Key activities – what key activities does your value proposition require, what activities are the most important in distribution channels, customer relations, revenue streams, etc.;
- Value proposition – what core value do you deliver to the customers, which customers needs are you satisfying;
- Customer relationship – what relationship the targeted customers expects you to establish, how can you integrate that into your business in terms of costs and format;
- Customer segment – which classes are you creating values for, who is your most important customer;
- Key resources – what key resources does your value proposition require, what resources are the most important in distribution channels, customer relations, revenue streams, etc.;
- Distribution channel – through which channels do your customers want to be reached, which channels work the best, how much do they cost, how can they be integrated into your and your customers’ routines;
- Cost structure – what are the most of the costs in your business, which key resources/activities are the most expensive;
- Revenue stream – for what value are your customers willing to pay, what and how do they recently pay, how would they prefer to pay, how much does every revenue stream contribute to the overall revenues

A suggestion for you is following a table-description, meaning you could put in the table the things you need to take into account and based on that to transform it into a text to be delivered to banks, investors, creditors, etc. Here’s a model:

Objective	Action	Estimated impact	Dates	Responsible



The objectives could be targeting: clients, products or services, sales and online sales, secondary offices, known brand and awareness, diversifying the suppliers, reaching more markets, investments and growth of capacity, etc.

Another model would include the description and history of the company, the products/services and the relevant markets, previsions over the market and sales, the management team, and a financial analysis of the company. The implementation details are as well important – how will you do it (responsibilities, budget, deadlines, concrete actions).

So the structure would be:

- Objectives and concept – what is the reason for doing the business plan, what's the aimed result; what do we want to achieve (objectives) in measurable and quantifiable ways; what benefits offers the business (concepts) for the clients and market;
- Summary – market, the product or service, the advantage compared to the competition, needed investment, estimated results for a certain time period; to be done after you finished writing everything so you can sum it up concisely;
- Market's analysis – market, geographical area, consumers' behaviour, market's segments, positioning;
- Demand's analysis – potential demand, actual demand, future demand, evolution of demand;
- Business environment's analysis – economic, cultural, social, technological, juridical, demographical, political, religious factors;
- Company's analysis – management team, company's history, technical and technological capacities, products and services, strengths and weaknesses, strategic objectives, infrastructure, offices;
- Competition's analysis – history of the market, competence's products and services, their resources, the way they operate;
- Marketing strategy – strategies of entering the market, maintaining and increasing your chances, exit from the market; the strategic marketing objectives should define the sales objective, the number of earned clients, the profit objective, the market share, entering various segments and market positioning, launching new products or services, eliminating new products or services;
- Success factors – strong product or service's promotion, capacity to offer low prices, quality of the products or services, ensuring channels and volumes of distribution before you start, capacity to fast changes of the product's characteristics, multiple and/or exclusive distribution channels;
- Economical analysis – fixed and variable costs prognostic, sales prognostic, liquidity flux analysis, profit and loss prognostic, balance sheet prognostic for the next 3-5 years;



- Financial analysis – sources of finances for several months except the incomes.

A plan should be optimistic, but realistic at the same time. A good business plan shows the clear intention of obtaining profit (growth and expansion). It is the compass that will guide you on this path. Communicate it to others once it's done (they understood what's the direction) and it is clear: **WHAT, UNTIL WHEN HOW** must be done, and **WHAT IS THE RESULT** at the end.

These are just examples to see how you can look at your business from various angles and choose the one you think is the most suitable for you. Feel free as well to adapt. Take everything we talked about so far and sum it up in 2-3 pages like a proposal for the public view, and a more extensive format should be maximum 25 pages, tops 50 in case of very detailed and complex processes. While internally, gather together every detail that can help you see the present and the future of your company.

Dare to dream, but in a planned manner!



WHAT ELSE SHOULD YOU KNOW?

Tips and tricks

- As an entrepreneur you don't have employees, you have colleagues. They are an important pillar in your business' growth so treat them as your equals.
- Prepare yourself that a third of your actions at most can be successful as an entrepreneur. For the rest prepare to fail and assume the responsibility for it. You learn as you grow and you grow as you learn.
- The cash-flow is the harsh reality of the empiric money management to the real deal. Everything can look perfect on papers, but without actually having the money you are not advancing nor doing pretty well.
- The cheapest investment you can obtain, as in for free, is from your closed ones (friends and family) as a loan. All the rest will give you loans with interests.
- Financing a company through getting new associated is perhaps the most expensive way to do business. Try to consume all the bank, leasing, loan options in order to protect your business.
- Marketing may seem sophisticated and needed only for higher-ends businesses, but it is not the case. Think carefully and define your potential market, prepare your marketing strategy and act accordingly. You will increase your sales and get new customers along the way.
- Entrepreneurs are not the persons that sell and buy, are those that create jobs and pay taxes. You need to bring an innovation to the table while maintaining as perfectly balanced as possible the whole system.
- Entrepreneurs find solutions for growth through their intelligence, perseverance and networking. Going through the back door to obtain certain benefits will not get you far, or not for long.
- Don't take the decision to open a business based on others' ideas or desires. You bear the responsibility for what you do and so the decision is also yours.
- Know your business field at its best all the time. Read, stay updated, collaborate with experts in the field and give the best out of your capacity to your clients. Your business will evolve as much as you evolve.
- Make sure you follow the six pillars of a successful business: marketing, sales, the team and actions, delivering to the client, your mindset, and the finances.



- The start-ups will always require a different approach than an already functioning business. Your focus should be about 80% in increasing your clients' portfolio.
- It is very tempting to skip the recording of all incomes for which not to pay taxes. However, leaving aside the legal part of it (which is very important), having it all through documents will help you sleep better at night (nothing can happen if a fiscal control comes, if you have everything in order), you know exactly what is happening if you keep them up to date, you can easily ask for loans and credits (based on the real economic activity), you have a great control over your employees, and you can be proud of yourself and of your evolution.
- A newly launched business may not always bring right away the clients and profit you were expecting. You need to have patience and work intensively to promote your business. Think about potential partners that can support you, provide free samples or demonstrations. Get people curious about your business.
- Estimate objectively and critically the benefits and risks. We tend to underestimate the timeline or needed finances from the desire to obtain a lot from the beginning.
- Friends and family are important in your personal life and can be a great support. Not always though getting them involved as partners may function properly. Make sure you have the same ideas, same vision, same direction, that you see things the same way or the differences bring a benefit to the business.
- Be open to collaborate and ask advices from those that managed already a business. The worst thing that can happen is being refused. Try to upgrade your knowledge and skills from the people in the sector too, not just by yourself.
- Do seek the help and counselling of other experts such as accountants, lawyers, consultants. It is not a shame and it is rather impossible to be good at everything.
- Trust your heart and intuition, but verify information. You decide, yet decide informed. You can question everything you come in contact with, but don't reject everything without information.
- The company's money is not your money! Whatever expenses you have as a natural person (your rent, utilities, food, bank loans, etc.) should not use the money of your business. This is where your business fails – when mixing the two "wallets". Keep your money separately and so the costs and expenses.
- Find creative (maybe even brilliant but very easy) ideas that can reduce your costs by replacing something in the chain. The results should be the same if not even better, but the costs can be reduced tremendously. When you don't have money, you tend to find the more diverse and creative ideas to get to the wanted results with a minimum of budget.
- The personality of a business person has three layers: entrepreneur (the dreamer that gives the direction and enthusiasm), the technician (the one that knows how to do the job, works and delivers) and the manager (the one that organizes the business and work). Work all the sides and reduce the technician step by step.



Books and courses recommendations

Books

- Harry Beckwith – Selling the invisible: a field guide to modern marketing
- Edward de Bono – The six thinking hats (lateral thinking)
- Dale Carnegie – The art of public speaking
- Dale Carnegie – Sell like a pro
- Dale Carnegie – Your personal guide to big success
- Sam Carpenter – Work the system
- George Clason – The richest man in Babylon
- Clayton M. Christensen – The innovator’s dilemma
- James Clear – Atomic habits
- T. Harv Eker – Secrets of the millionaire mind
- Scott Galloway – The four
- Michael Gerber – Entrepreneur assessment
- Jeffrey Gitomer – Sales bible
- Jeffrey Gitomer – Little red book of selling
- Seth Godin – All marketers are liars
- Seth Godin – Free prize inside
- Seth Godin – Permission marketing
- Seth Godin – Purple cow
- Seth Godin – This is marketing
- Seth Godin – We are all weird
- Daniel Goleman – Emotional Intelligence
- Dean Graziosi – The better life
- Chris Guillebeau – The \$100 start-up
- Reed Hastings, Erin Meyer – No rules rules
- Napoleon Hill – Think and grow rich



- Ryan Holiday – Growth hacker in marketing
- Ryan Holiday – Trust me I'm lying
- Tom Hopkins – Objections
- Paul Jarvis – Company of one
- Jeff Jarvis – What would Google do?
- Spencer Johnson – Who moved my cheese?
- Robert T. Kiyosaki – Business school
- Robert T. Kyosaki – Cashflow quadrant
- Robert T. Kyosaki – Guide to investing
- Robert T. Kyosaki – Increase your financial IQ
- Robert T. Kyosaki – Rich dad, poor dad
- Robert T. Kyosaki – Who took my money?
- Richard Koch – The 80/20 principle
- Jill Konrath – Selling to big companies
- Martin Lindstrom – Small data
- Florence Littauer – Personality Plus
- John Maxwell – Seven steps to success
- David McAdams – Game-changer
- Michael E. Raynor, Mumtaz Ahmed – The three rules
- Eric Ries – The start-up way
- Eric Ries – The lean start-up
- Anthony Robbins – Creating lasting change
- Anthony Robbins – Time of your life
- Robin Sharma – The greatness guide
- Robin Sharma - Leader without a title
- Dan Schwabel – Personal branding
- Richard Sheridan – Joy, Inc.
- Anik Singal – The circle of profit



- Shane Snow – Dream teams
- Peter B. Stark – The only negotiating guide you'll ever need
- Brian Tracy – Eat that frog
- Brian Tracy – Be a sales superstar
- Brian Tracy – The 100 laws of business success
- Donald Trump – Think like a champion
- Jeff Walker – Launch
- John Warrillow – The automatic customer
- Wendy Wood – Good habits bad habits

Online courses platforms

- soundbeatstime-s-school.teachable.com
- coursera.org
- udemy.com
- canvas.net
- futurelearn.com
- classcentral.com
- edx.org
- pll.harvard.edu

External Support

- Emotional – family, friends, business groups (online, offline), mentors, coaches,
- Financial – savings, friends, family, advance payments from clients, credit from suppliers, investors in social capital,
- Space, cars, equipment (rented/owned),
- Barter or exchange with goods, services or knowledge,
- Ability to negotiate.



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- A. Zbucea – *Tehnici de promovare în afaceri, curs* - Bucharest
- *Manualul femeii întreprinzător* – Bucharest, 2010
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