

# GUIDEBOOK FOR BEGINNER ENTREPRENEURS

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## Preface

Guidebook for beginner entrepreneurs (start-ups) is developed within the Erasmus+ project Student Business e-Academy (SBeA), by project's partners University of Split, Middlesex University London and University of Malaga.

The main goal of the SBeA project is to produce a high-quality, personalized e-learning program for young people interested in entrepreneurship in order to provide them with necessary resources to bring their business ideas to life as well as to prepare them for entering the market. All resources are available via platform [sbea.efst.unist.hr](http://sbea.efst.unist.hr).

Purpose of this guidebook is to offer its' reader a broad understanding of theory and practice about starting a business, approaching the topic from both an academic and a practical perspective. The guidebook will provide the knowledge and understanding of starting a business necessary to enable students to formulate and execute decisions and plans for themselves. Furthermore, it will cover understanding of, and professional skills in, evaluating and building social and business relationships and sources of support to start a business in a variety of settings.

Guidebook is divided into two parts: theoretical part and practical part. The first part, theoretical part, covers areas that are crucial for future business owner to understand, such as marketing, finance and business model development. The second part, the practical one, will give some basic guidelines for setting up and starting business in markets of Croatia, Spain and United Kingdom. Guidebook is developed in three languages (English, Croatian and Spanish), whereas this English version relates to UK market.



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## Innovation

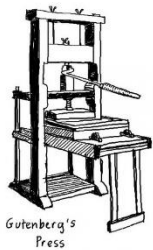
### What is Innovation?

Innovation is a ubiquitous word that widely used and often misunderstood. There are multiple definitions of what innovation is and is not, and this inevitably produces confusion. This confusion impacts on our ability to firstly understand innovation and then act innovatively. What this suggests is that innovation is a complex concept.

Innovation is less about new products or services and more about change. Basically, innovation changes the way we do things rather than what we do. Our basic needs to live are no different today than they were hundreds of years ago. We still get cold or hot, hungry, bored, or lonely. We still need shelter, to be entertained and to have meaning in our lives. Innovation has changed the way we solve these problems, but not the problems themselves. Consequently, we end up with products that never existed before that make it easier to fulfil our needs. As a result, there has been an explosion of changes in the way we live our lives.

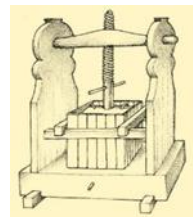
Just 30 years ago there were basically two ways you could send information to someone in another country, either call them by phone or send them a letter. Today there are multiple ways; email, social media, SMS and so on. We are still communicating with each other, that has not changed, but the way we communicate has changed. However, there is still much more to innovation than changing the way we communicate. This alone makes understanding the nature and consequences of innovation important. However, there is much more to innovation than changing how we do things.

These changes do not occur in isolation. One of the most enduring myths of innovation is we understand the history of innovation. By this I mean that we often assume that innovation is linear and fragmented.



It is neither linear nor is it fragmented. As each innovation introduces a change, it not only leads to further innovations but also draws back on previous innovations. Innovation relies on utilising existing knowledge and each time we change something we develop more knowledge, which leads to wider and wider changes. The fact that each and every innovation is connected is also an important factor that helps us understand the complexity that structures the concept of innovation. Furthermore, some innovations only work when another factor comes into play. Around the mid 1400's

Gutenberg developed the moveable type printing press. However, without cheap paper this would not have had much of an impact as books would still be expensive. Fortunately, someone innovated with making cheaper paper around the same time. Yet Gutenberg's printing press wasn't entirely new, but an adaptation of a wine press as the illustrations show. The similarities between a wine press and the printer are striking. Both have a similar frame that holds a wooden screw that applies pressure.



There are other examples of existing innovations being adapted for a different purpose. The fundamental idea behind the water wheel is to transfer energy from one plane (vertical) to another plane (horizontal). The idea of transferring energy like this has been around for about 5000 years. Yet

the adaptation of this innovation to use in car took around 4800 years. The principle of the water wheel is the same as in a car gear system. The car gear system transfers up/down power from car engines (pistons) to circular motion (wheels). This is because all the other parts need to make a car engine had to be discovered before this innovation could be used.

This leads to another myths about innovation. We often have the idea of the independent genius who suddenly has an epiphany and comes up with a great idea that everyone wants. Firstly, big insights occur after long and deep periods of incubation. We never have all the parts of a solution at the same time. Our brain is working behind the scenes constantly processing information. When all the pieces come together the solution pops into our consciousness. The pieces come from all around us. The development of artificial dyes came about because someone was looking for a cure for malaria. Artificial dyes lead to the growth of the chemical industry, and while looking for artificial fertiliser explosives were discovered. The best idea is not always the one adopted. We can see this with many innovations over time. For many years, we had subsonic flight in Concord. Yet despite the time is saved in travelling between cities it was never widely adopted and eventually dropped. This leads to the myth that all innovations are good. Some innovations can be very bad for you.

The notion that innovation is always good cannot be substantiated. There are negative factors from every innovation. Surprisingly your smart phone can be quite dangerous. For while, there were concerns that the microwaves may cause cancers and brain less, dismissed. What makes users from what is going on and electro-magnetic waves from smartphones damage. However, this has since been, more or smartphones dangerous is the way they distract around them. Over the past 10 years there have been rises in the number of pedestrians injured while using their smart phones. In fact, smartphones are considered so dangerous that many countries ban the use of smartphones when driving.



What you will learn in this unit is that innovation is fundamentally about change. It is about looking for more effective and efficient ways of doing things. You will discover that innovation is difficult, messy, and not as common as we might imagine. Some types of innovations are extremely rare and others are very common and that innovation can only happen if all the pieces have to be in the right place at the right time. It is full of misconceptions and by understanding these misconceptions we are able to develop our abilities to be innovative.

## Acting Innovatively

If you were to ask someone if they were creative their response almost always is no. This is because we often confuse creativity with artistic ability like dancing, playing an instrument or painting. Yet this is just one aspect of creativity. As you will learn in this module creativity is simply rearranging existing things into something different that adds value to your or another person's life.

If you think about it you are acting creatively most of your life, without necessarily being artistic. We all have to plan a little; no one can live without some structure to their life. If we did have absolutely no structure we would not be able to do anything. We would be constantly jumping from idea to idea without achieving anything. At the same time, we cannot plan for every second of our lives either. What this means is that while we may have a plan, we never follow it through exactly as planned. We are making subtle changes throughout the day as unexpected events occur. In other words, we are improvising; making up our plans as we go.



In order to improvise we need to be able to be creative and rearrange our actions to respond to the unanticipated events that occur every day around us and to us. The result of this rearrangement on the go is called improvisation. It is creative because it adds value to you by helping you perform better as you adapt your actions to the unanticipated event. It is innovative because it changes what you were doing into something different to what was intended. This is one of the paradoxes of innovation. On one hand innovation appears quite simple, but when you then try to enact innovative behaviours it becomes complex.

As you can see at a personal level we are acting innovatively on a regular basis. This has consequences for our lives. Many of us change our intentions during the course of a day as we react to unanticipated events. These small changes are always about improving our lives. This clearly shows how innovation is about change. Yet, these changes are quite small and naturally personal. The same principle can be applied beyond your personal life.

Almost all the innovative products and services are the result of someone responding to change. The notion that we can always make something better, more effective, or efficient means that we are trying to enact change. As a species, we are addicted to convenience, and consequently we are looking for ways to improve our lives. If you can act innovatively around your personal, then you should be able to act innovatively around and within your business.

What this shows is that that another widely held belief about innovation is a myth. If you think about how you change your plans each day and then extrapolate this out you realise that no matter how or why you are acting innovatively, it is not a linear process. Firstly, you need a reason to innovative; innovation does not happen without a reason. The second important point here is that an innovation only emerges if all the components are available. This is linked to the point in the previous chapter

about printing. The fact that all the necessary components were available to Gutenberg meant that he was able to develop printing.

The ability to adapt and use different objects and processes and recombine them strengthens the argument that creative is simply a remix of existing things into a useful product or service that adds value. This ability is inherent in us all, but if we do not practice then the ability declines. We can see this in the changes in the skills we have. Children who grew up in the 1950's and 1960's had few if any manufacture toys. Many children made toys from the objects around them. Today, as children get older they are less likely to take objectives and fashions toys from them as they gain access to manufactured toys. Other impacts on our creativity comes from our environment. If you ask a 9-year-old if they can draw they will often say yes. Yet by the time they are 12 they will say no. How did they lose this skill? Well actually they didn't, they either stopped drawing or they were discouraged from drawing through negative comments. You can relearn these skills by developing your pattern recognition abilities.

Every object has some physical attributes that can be utilised for many purposes. One exercise you can do is to work out how many different uses are there for a house brick. A house brick was designed for one purpose; to build houses. Yet if you take the time you can come up with many other uses (there is a list 10 possible uses at the end of this guide book). You do this because you can recognise various attributes about a brick; it is rectangle, has holes or indentations, is heavy, waterproof, occupies approximately 1 litre of volume, is durable and many more. These different attributes are the patterns that help you use items for new purposes. As you see in this module, every product or service you use today is the result of someone recognising attributes in something that can be adapted for a different product.



Essentially, acting innovatively ranges from something simple such as responding to an unanticipated event and acting differently, to recognising the attributes of an item and using it for a new purpose. Acting innovatively can range from a simple process requiring little or no planning to a complex and time consuming activity needing extensive and detailed planning.

## Different Levels of Innovation

It is important to recognise that innovation does not happen in a vacuum. A widely held myth is that of the lonely independent inventor. As the previous chapter shows, creativity is the adaptation of existing items into new uses. In other words, all innovation rises out of previous innovations. What this means is that innovation happens for a purpose. The purpose is the desire to make our lives more comfortable, effective, and efficient. This desire to make our lives more comfortable, effective, and efficient is the primary driver of innovation.

There are five aspects to this driver of innovation; technology, changing customer needs, changing business environments, increasingly complex competition, and strategic purpose. Technology is probably one of the most widely recognised aspect as it has the most visible and has the most profound impact on our lives. It is also often the most wide-reaching aspect in that it is the one that affects the



greatest number of people. The most obvious example is the transition of landline telephones to smart phones. The original idea of a telephone was to enable people to talk to each other over various distances. While the smart phone still does this, it has gone on to replace many other items we used to use. How many things can you think of that the smart phone has replaced. You can find an interesting answer to this question [here](#).



Changing customer needs is another aspect that is often quite visible, but perhaps affects fewer people. Customers' needs change for many different reasons, sometimes due to technological change. You can see the link here with smart phones. The original mobile phones were quite large and actually not that mobile, yet still functioned adequately. As their popularity grew customers wanted more from their phones; things like better network coverage and longer lasting batteries. This forced mobile phone companies to develop better functioning mobile phones.

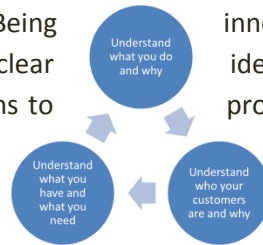
The impact of smart phones on our personal lives is significant. Yet, the original purpose of mobile phones were not for personal use. The idea was to enable companies keep in touch with employees who would be working outside of their offices. Prior to mobile phones, pagers were immensely popular with companies. These would send a short text message to an employee anywhere within the network. However, the employee could not use the pager to reply, and would need to find a phone to respond to the message. These changing business environments also are aspects of the drivers of change. Because business environments change the need to innovate is imperative.

As innovations impact on business environments, businesses become more competitive. Getting the edge is often the difference between success or failure. Technology, changing customer demands and business environments all create competition and to respond businesses need to engage in differentiating business practices. These differentiating business practices often lead to the development and implementation of innovative actions to remain competitive. Businesses that do not innovate, no matter how big or small rarely survive.

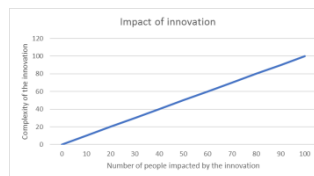
The above 4 aspects can be encapsulated within the idea of strategic purpose, the fifth aspect. The strategic purpose of all companies is to survive. To do this business's may have to develop or embrace innovations. They may be responses to technological changes, changing customer demands, changing business environments, or growing competition. Strategic purpose is part of the driver for innovative actions as business seek to survive and grow.

However, the above paragraphs suggest a linear approach to the development of innovation, but as we have pointed out before this is not the case. Innovation is occurring for different reasons at different levels of complexity creating different outcomes. One or more of the aspects may be behind the drive for a company to innovate. While these aspects indicate the imperative to innovate the level to which you can innovate is determined by four key factors; core competencies, core weaknesses, understanding the problem, and your short and long-term objectives.

To what extent you need to innovate depends on a wide range of factors. In other words, at what level can you act innovatively. The starting point would be to look at your core competencies. You need to determine what you are good at, what can you do. Unless you work within your abilities it would very difficult to develop innovations. That does not mean that your competencies don't improve over time and with learning. But if you are missing a key skill or cannot access critical knowledge then the innovation is not going to work. Equally, you also need to be aware of your core weaknesses. Ironically most people ignore their core weaknesses. As a result, your weaknesses tend to pop up and interfere with your ability to be innovative. Being innovative is as much about what you do as it is about what you do not do. Having a clear idea of what the problem is you are trying to resolve is vital. Customers buy solutions to problems. If someone is hungry it is not just food you are selling them, a fast food shop does not just sell food. It sells a whole lot of other things as well, such as convenience, understanding of values and quality. Understanding the problem, you are solving for your customers enables you to identify innovative solutions. Finally, your longer-term objectives will influence the degree to which you should act innovatively. If you have set up a business for a quick growth before you sell it than you are unlikely to invest in innovation once the business starts trading. Innovation maybe critical to get it started, but once it is going it becomes less critical. If you started in your business for a long-term purpose then innovation becomes critical.



Acting innovatively around and changes that improve the business in notion of acting innovatively you can innovation affects increasingly more more complex the innovation is the



within your business should bring some way. As you extrapolate the see a ripple effect where the people as the complexity rises. The more people are affected.

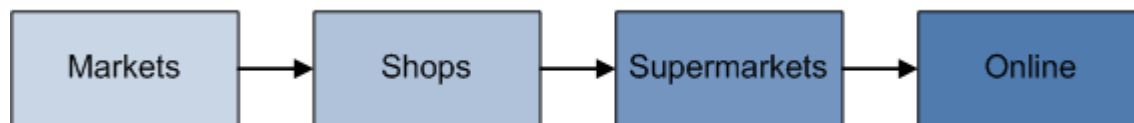
## Managing Innovation

The purpose of innovating is to improve a product or service. In other words, you are looking for a specific outcome. Schumpeter, one of the earliest authors on innovation suggested that there were five outcomes from innovation; a new or improved product, the introduction of better production methods, the creation of new markets, the development of new supply sources and new forms of competition that change the shape on an industry. So, like everything else within your business managing innovation is just as important as managing your finances or staff.

Essentially this chapter pulls together the previous three chapters; understanding what innovation is enables you to identify opportunities to innovate, acting innovatively provides you with the tools to innovate and identifying the levels gives you the framework or boundaries within which you can act innovatively. If you manage these under a strategic plan you should be able to enable innovations within your business that enhance its survival.

The importance of innovating within a business should not be underestimated. From a business perspective innovation is one of the key factors that distinguishes the difference between success and failure. In the past 15 years the characteristics of business have changed significantly. We have moved

from having thousands of businesses with millions of customers to having millions of businesses with thousands of customers. Methods of doing business have changed beyond recognition and the shift of power from the company to the consumer has been substantial. The picture below is indicative of one aspect and shows how shopping has changed by embracing the innovations of the time.



All of this mean that you need to manage your innovation processes. To enact and take advantage of innovations, whether developed by you or externally, you need to understand the constraints of the system. Managing innovation means that you must develop a strategy that enables you to be flexible enough to adapt the technology to suit the situation.

Innovation becomes a necessity when there is a difference between your overall business objectives and what you might achieve if you continue with your current procedures in relation to your competitors. There are many examples of how organisations have failed to innovate in response to changes in their markets. [Eastman Kodak](#) and [Nokia](#) are widely quoted examples of large businesses being out-innovated by their competitors. Imagine how many smaller businesses have failed due to not innovating.

Your strategy for innovation needs to be an integral part of your overall business strategy, irrespective of the size of your business. The starting point is to look at the levels of uncertainty that you may face. The levels of uncertainty extend from clear vision of what will happen with little uncertainty. In this case you can determine quite easily what actions you need to take. For example, the number of uses for a mobile or smart phone is increasing and most businesses will be effected by this. So, it is fairly easy to predict what will happen. At the other end of the scale is real ambiguity. This is where there is no foundation for predicting the future. This makes it extremely difficult to work out what action is needed. For example, wearable technology is being developed, but exactly what that will look like or how it will function is unclear.

There are many tools you could innovation strategy. The three most strategic landscape map, and a covered in the business planning you think about possible situations consider potential solutions.

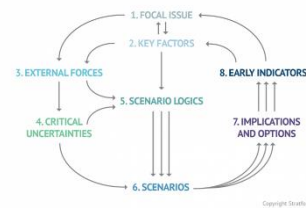
To make a strategy, first think you will need are ...	Examples	How often your company the plan?
Project	Identify what is important and you do it, when you can do it, and when you can't do it.	11
Process	Identify what is important and you do it, when you can do it, and when you can't do it.	11
Location	Identify what is important and you do it, when you can do it, and when you can't do it.	11
Time	Identify what is important and you do it, when you can do it, and when you can't do it.	11
Cost	Identify what is important and you do it, when you can do it, and when you can't do it.	11
Quality	Identify what is important and you do it, when you can do it, and when you can't do it.	11
Customer	Identify what is important and you do it, when you can do it, and when you can't do it.	11
Competition	Identify what is important and you do it, when you can do it, and when you can't do it.	11
Government	Identify what is important and you do it, when you can do it, and when you can't do it.	11
Technology	Identify what is important and you do it, when you can do it, and when you can't do it.	11
Environment	Identify what is important and you do it, when you can do it, and when you can't do it.	11
Resources	Identify what is important and you do it, when you can do it, and when you can't do it.	11
People	Identify what is important and you do it, when you can do it, and when you can't do it.	11
Capital	Identify what is important and you do it, when you can do it, and when you can't do it.	11

consider using to enable your common tools are scenario planning, a business canvas model. The last one is module. Scenario planning is where that your business may face and then Scenario planning helps you focus on

futures that are probable and discover factors that enable you to make decisions about your future development. It can help you identify concepts that could be either beneficial or catastrophic. Strategic

landscape mapping is a variation to scenario planning in that it outcomes, but takes a more it is most useful where there is a opportunities and threats and use a mind map framework, or develop your innovation strategy.

THE EIGHT-STEP SCENARIO PLANNING PROCESS



of mind mapping. It is similar considers possible future structured approach. However, significant number uncertainty is high. You may something like a Gantt chart to

It should be apparent that innovation is the key to success in business. In order to out compete your competitors, you need to out innovate them. This is not about coming up with some life changing invention; it is about finding ways using the skills, knowledge, and resources around you to do the things you do every day more effectively and efficiently. Innovation ranges across the entire spectrum of doing business. It can be a small change in the way you make your bread if you are a baker, or the way pick products off shelves for your customers if you are an online retailer. Perhaps you are a [bored young boy](#) who loves arcade games, whose innovations and creativity led to a [worldwide foundation](#) that encourages and develops innovation and creativity amongst young children. Whatever your situation, you need to manage your implementation of innovation.

## Venture Development

I want to be an entrepreneur, what can I do??

If you think that entrepreneurship may be an option for your future and you want to know a bit about what it means and how to find and direct your business idea, through this guide you'll find some hints that may help you in this venture.

### Step 1: Am I an entrepreneur?

First of all, let's understand what means being an entrepreneur. Following the Cambridge Dictionary, an entrepreneur is "someone who starts their own business, especially when this involves risks". So, the first step to be a potential entrepreneur means that we want to create our own business and, in second place, that we are ready to accept some risk.

Actually, entrepreneur has many definitions and as a concept it has been addressed by different disciplines. Schumpeter<sup>1</sup> described the role of the entrepreneur as a radical market innovator who brings about creative destruction through innovation. He argued that industries within societies are replaced by other industries over time. The process of replacement of one industry (destruction) by another more modern industry (creation) is creative destruction.

Besides, the link between entrepreneur and innovation does not necessarily imply that an entrepreneur is someone who starts a new business. It also refers to someone within an organisation who takes on the

<sup>1</sup> [https://en.wikipedia.org/wiki/Joseph\\_Schumpeter](https://en.wikipedia.org/wiki/Joseph_Schumpeter)

task of introducing changes. Large organisations are currently looking for entrepreneurs: people who are capable of transforming an industry.

So, now we have different views about what means being an entrepreneur. Let's go back to something we mentioned in the beginning: risk. Being an entrepreneur involves taking some risks. The better way of decreasing, it is being well prepared. For an entrepreneur, that means having some useful skills that will help you prevent, face and get over most of them. Below you'll find a "skills checklist" built from an article from professors Michael H. Morris, Justin W. Webb, Jun Fu and Sujata Singhal<sup>2</sup>, that you should look carefully. Analyze yourself!

Table 1: Entrepreneur's skills checklist

Do I...	Description	Yes	No
<b>...recognize opportunities?</b>	Capacity to perceive changed conditions or overlooked possibilities in the environment that represent potential sources of profit or return to a Venture.		
<b>...assess opportunities?</b>	Ability to evaluate the content structure of opportunities to accurately determine their relative attractiveness.		
<b>...manage risk?</b>	Taking of actions that reduce the probability of a risk occurring or reduce the potential impact if the risk were to occur.		
<b>...convey a compelling vision?</b>	The ability to conceive an image of a future organizational state and to articulate that image in a manner that empowers followers to enact it.		
<b>...have tenacity and perseverance?</b>	Ability to sustain goal-directed action and energy when confronting difficulties and obstacles that impede goal achievement.		
<b>...solve problems in a creative way?</b>	The ability to relate previously unrelated objects or variables to produce novel and appropriate or useful outcomes.		
<b>...leverage resources?</b>	Skills at accessing resources one does not necessarily own or control to accomplish personal ends.		
<b>...have guerrilla skills?</b>	The capacity to take advantage of one's surroundings, employ unconventional, low-cost tactics not recognized by others, and do more with less.		
<b>...have the ability of creating value?</b>	Capabilities of developing new products, services, and/or business models that generate revenues exceeding their costs and produce sufficient user benefits to bring about a fair return.		
<b>...maintain focus?</b>	Ability to balance an emphasis on goal achievement and the strategic direction of the organization while addressing the need to identify and pursue actions to improve the fit between an organization and developments in the external Environment.		
<b>...keep resilience?</b>	Ability to cope with stresses and disturbances such that one remains well, recovers, or even thrives in the face of adversity.		
<b>...maintain self-efficacy?</b>	Ability to maintain a sense of self-confidence regarding one's ability to accomplish a particular task or attain a level of performance.		
<b>...know how to build and use networks?</b>	Social interaction skills that enable an individual to establish, develop and maintain sets of relationships with others who assist them in advancing their work or career		

Don't worry if you don't have "yes" everywhere, just identify your lacks and work hard to acquire them! Anyway, the most important skills are:

<sup>2</sup> Morris, M. H., Webb, J. W., Fu, J., Shingal, S., (2013). **A Competency-Based Perspective on Entrepreneurship Education: Conceptual and Empirical Insights**, *Journal of Business Management*, 21 Issue 3, 352-369.

- Opportunity Recognition
- Creative Problem Solving / Imaginativeness
- Value Creation

Focus on them first!!

## Step 2: Finding an idea

Now that you have identified your skills as entrepreneur, let's go forward and find a business idea. Everybody has ideas, even good ideas, but not all of them are business ideas. So, how to detect them? The first thing to take into account is that business ideas are always based on an unresolved problem or need. We always start with the human part of any innovation. We might find:

- A poorly satisfied need due to the deficiency of the other offers or because there is a better way of addressing it.
- A satisfied need that could be addressed more efficiently.
- New needs arising as a result of social changes, lifestyles, etc.

We can find different ideas in different areas. You could explore:

- Repetition of other people's experiences: this is the reflex effect of new businesses, frequently occurring in periods of economic growth.
- New business opportunities in markets that are poorly supplied newly created or have high percentage growth.
- Technical knowledge of specific markets, sectors or businesses.
- The experience of a future business person who has been an employee or manager at another company and wants to go out on their own.
- When there is an innovative product that is expected to generate a market.
- When the type of activity is so simple that any person can set up a business in that area.

Innovation doesn't mean just invention. When invention happens it's usually called "radical innovation", it means introducing an utterly revolutionary idea to the market, but it rarely happens. The creative process that generates a new business idea is inspired by the information we gather; it transforms solutions we've seen before and combines them with fresh proposals that have added value. In *The Business Model Navigator*, the authors Oliver Gassmann, Karolin Frankenberger and Michaela Csik<sup>3</sup> discuss a key concept for increasing our ability to create new realities. They refer to creative imitation and the importance of recombination. Innovations are often variations on something that has existed elsewhere, in another industry, market or context.

In short, not all business ideas are business opportunities. Some ideas are:

- Directly usable.

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<sup>3</sup> Gassmann, O., Frankenberger, K., Csik, M., (2014). *The Business Model Navigator: 55 Models That Will Revolutionise Your Business*, Pearson Education Limited.



- Good but not right now. Not suitable for the current market.
- Good but not for us. There might be other agents who are better
- Prepared to seize the opportunity.
- Practically worthless because the need they meet isn't
- Important for the target market.
- Interesting but impractical due to a lack of technical viability.

Only the ideas that are directly usable by us will be considered business ideas.

We recommend you making a list of many ideas (as much as possible) and make a little analysis of them following the previous hints to select the most promising ones! Once you have selected some of them, there is a second analysis you should do. A business idea has to fulfil three conditions:

- We must have identified a market opportunity.
- We must have enough human resources, or access to them.
- We must have the necessary resources and equipment, or access to them.

To help you identify those conditions in your short list of promising business ideas, use the following table (Table 2):

Table 2: Identifying business ideas		
When...	Description	Questions
<b>...does a market opportunity exist?</b>	When there is a demand for a solution to a need and the current offer could be improved or is non-existent.	Who experiences the need or problem we want to resolve? How important is the need or problem? How are they resolving it at the moment? What is the dominant solution? What makes my proposal stand out? Which customer profiles could find my proposal more attractive?
<b>...do we have a suitable team?</b>	When our combined skills and ability make it possible for us to take advantage of the business opportunity	Do I have the equipment I need to get the idea off the ground? Do I have people to provide me with advice, information, stability and support? Does the team have the right technical experience? Who do we know and who knows us?
<b>...do we have the necessary physical and technological resources?</b>	When we have the physical and technological resources required for taking advantage of the business opportunity.	Do I have the resources I need to get the idea off the ground? Do I have adequate knowledge for managing this type of business? Do I have enough information? Is the available time going to be enough? Do I have an appropriate network of contacts? Do I know who the key suppliers are for this type of venture? Are they available? Can I get in touch with them?

### Step 3: Knowing your clients

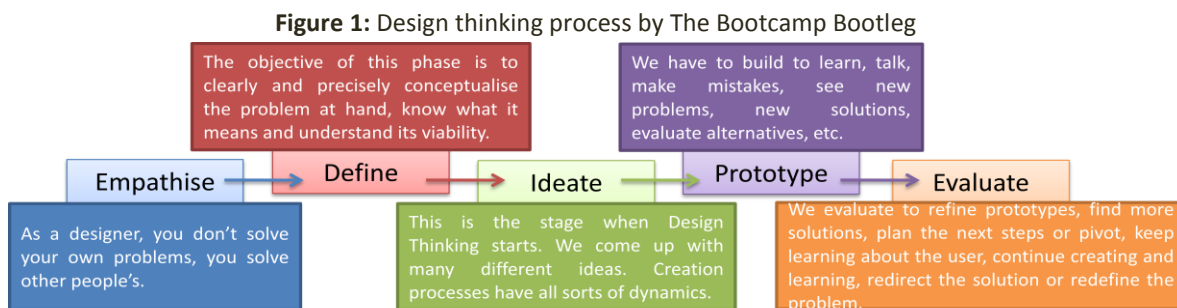
The previous step helped us choosing an idea, so now we have identified a problem to solve. But, how to do it in a manner that benefits the final user as much as possible? The key point is being empathetic. Being empathetic is putting ourselves in someone else's shoes, interpreting someone's experience in such a way that we can understand the motives behind their behaviour and decisions.

We must say that despite the benefits of empathy, there are possibilities for innovation that are not the direct result of interactions with potential users. Radical innovation is the product of the ability to imagine how our lives could be different, and only the people we call visionaries are capable of such insight. However, the one thing is to introduce innovations little by little with the aim of satisfying our customers' desires.

A very useful tool we can use in this point is called "Design Thinking". Design Thinking adopts the methods that designers use to work and solve problems, attempting to meet peoples' needs in a way that is technologically feasible and commercially viable. The theory was first developed in the 70s at the University of Stanford in California (USA). However, it was the consulting firm IDEO<sup>4</sup> that commercialised the methodology and to this day it's still one of the main drivers behind it.

In the words of Tim Brown, CEO of IDEO, design thinking is *"a human-centred approach to innovation that draws from the designer's toolkit to integrate the needs of people, the possibilities of technology, and the requirements for business success."*

The process, by The Bootcamp Bootleg<sup>5</sup>, can be seen in the following Figure:



As you can imagine, the key (and maybe the most complex) step of this process is the first one: Empathise. A tool you can use to improve your knowledge about your clients is the Empathy Map shown in Figure 2.

This Empathy Map provides you a guide of topics to think about through six big questions: What do they think and feel? What do they see? What do they hear? What do they say and do? What frustrates them? What motivates them? The better way of filling it out is printing it in a big sheet and using post-its to

<sup>4</sup> <https://www.ideo.com/eu>

<sup>5</sup> <https://dschool.stanford.edu/resources/the-bootcamp-bootleg>



write down your answers. In figure 2 you'll find a guide to fill it out and in<sup>6</sup> you'll be able to download a blank one.

Once you have filled out the Empathy map, you must analyze the information you gathered. Group similar items in columns and name them freely. We might come up with different columns for each customer type. It's a question of observation and narrowing down our user's personality type.

Another interesting methodology in this sense is the Customer Development Methodology created by Steve Blank<sup>7</sup>. It's based on the following question: *"If companies fail because they lack customers and not because of errors in product development, why are there processes to develop products but no processes to develop customers?"*.

It's principles are:

- Many startup business models aren't quite right at the beginning.
- The iterative process in search of a successful business model is called pivoting.
- Learn from the start, learn over and over.
- You have to focus on the customer and the market from day one.
- Prioritise learning and discovering over execution.

All development revolves around the customer. Find the real market for the company and product by making a pledge to discover and learn from your customers along the way, offering them a product they truly need. This methodology is about matching your customers with your product, reaching the perfect "product fit".

To help you getting that goal, we propose you a canvas developed by Alexander Osterwalder and Yves Pigneur<sup>8</sup>: the Value Proposition Canvas (Figure 3).

This canvas will help you to visualize, design and test how you create value for customers. It has two complementary parts: the Customer Profile and the Value Map. You should start filling out the Customer Profile Diagram. It has three different fields:

- Customer jobs: here try to describe the jobs your customers try to get done. They can be functional, social or emotional.
- Pains: those things that makes hard achieving the previous jobs.
- Gains: Identify what means getting the job done for them.

The Empathy Map may help a lot here!

Then, fill out the Value Map:

- List the products and services your value proposition builds on.

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<sup>6</sup> <http://www2.gov.bc.ca/gov/content/governments/services-for-government/service-experience-digital-delivery/service-design/methods-and-tools/document-and-visualize/empathy-map>

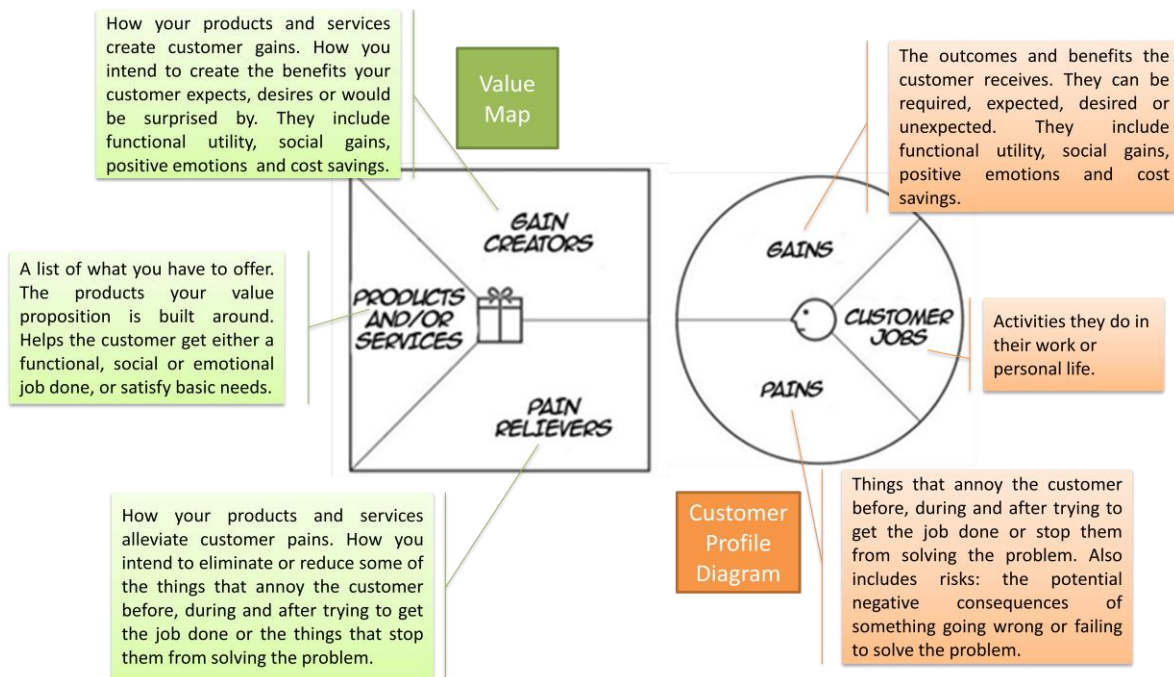
<sup>7</sup> <https://steveblank.com/>

<sup>8</sup> <https://strategyzer.com/canvas/value-proposition-canvas>

- Describe how those products and services are pain relievers; making your customer life's easier.
- Then, describe how your products and services are gain creators.

You should use post-its again to fill it out! Include one topic in each post-it. Once those two canvases are filled out, you'll get your product fit when you match your pain relievers with the customer's pains; and your gain creators with customer expected gains.

**Figure 3: Value Proposition Canvas**



## Step 4: The Business Model

Once we think we have a business idea that could become a business opportunity, i.e. directly usable, then it's time to start thinking about the business model. A company's business model is how it creates, delivers and captures value. The business model is the explanation behind why in a single industry there is a variety of companies all satisfying the same need.

We'll go deeper in the Business Model in Module 5, but maybe before defining your Business Model, you might find useful analyzing the business model of other companies. To find out what a company's business model is, all you have to do is analyse its four defining features:

- Customers
- Value proposition
- Value chain
- Profit mechanism

In Table 3 you'll find a questionnaire that will help you in this task:

Table 3: Finding out the business model of a company		
Feature	Description	Questions
Customers	Who is the target customer?	What customers and customers segments do they mainly serve?
		What kinds of relationships do their customers expect and how do they maintain them?
		Who are their most important customers?
		Who are the other important stakeholders?
		Who influences their customers?
Value proposition	What do they offer to customers?	What people are behind their customers?
		What customer problems do they solve and what needs do they meet?
		What are the products and services they put in place to accomplish this?
		What is the perceived customer value?
		What value or benefit do they create for customers?
Value chain	How do they produce their offerings?	How do their offerings differ from those of their competitors?
		What key resources are behind their offerings and value proposition?
		What competencies and key activities do they need?
		Does their value chain make full use of their core competencies?
		Who are their most important partners?
Profit mechanism	Why does it generate profit?	Who are their most important suppliers and what do they contribute?
		Why will the customer pay for their product or service?
		What are their main sources of income?
		How is the income generated?
		What are customers willing to pay for?
		What are their main costs and the most significant cost drivers?
		What are the main financial risks in their current revenue model?

Later we will go deeper in your Business Model, working in the main aspects to define it.

## Marketing Innovative Products and Services

### Marketing basics

Today, business environment is rapidly changing leaving no time or space for mistakes. So when have an idea of a certain product or service (or both) it necessary to embrace all marketing principles in business activities and processes. *Why?*

According to the [American Marketing Association](#), **marketing** is:

*“the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large”.<sup>9</sup>*

In other words, without knowledge about the company's external and internal environment, it would be practically impossible to plan and create (as well as finally deliver) wanted, or even higher, value to customers. And without customers there will be no sales and no profit.

Main terms in marketing are marketing concept, strategy, processes and mix. Of course, they are connected and mutually dependent as marketing is all about managing the markets. Analysis, planning, implementation and control are the most important activities in creating marketing approach to fulfilling customers' needs and desires. For achieving that, all business activities should be integrated and market or customers oriented.

Marketing plan, as a tool for marketing strategy implementation, gives answers to three key questions:

*Where are we now?* - A clear picture of our business position at moment of observation - derived from market analysis.

*Where do we want to be?* - A clear picture of our business wanted position in the future -derived from marketing objectives and marketing strategy elements.

*How are we going to get there?* - "Roadmap" to the wanted position which means implementation and control of all planned actions that will drive our business to the wanted position.

Therefore, the marketing plan should consist of internal and external marketing analysis, marketing goals, market segmentation, identification of the target market, positioning by marketing mix elements, evaluation and control of activities. Additionally, we should develop an action plan, estimate budget for all marketing activities and take into consideration its alignment with company's business plan and sales and income projections.

## Market analysis

*From where to start?* - Right answer is - from right information.

*How to get to the right information?* - By conducting research in order to gather data from which the right information will be derived.

And here arises first problem, that market research importance is often underestimated so data that are gathered are insufficient or even wrong. Such approach is a certain mistake, and all strategies formulated on the bases of wrong or insufficient information will have very poor results.

*If so, why this happens quite often?* - Market analysis, internal and external is the hardest, longest and least visible element of the process.

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<sup>9</sup> Source: <https://www.ama.org/AboutAMA/Pages/Definition-of-Marketing.aspx>

*Why?*

In order to shape strategy successfully, real data and situation at the particular market should be obtained. The data provide information which (if chosen properly and by relevance, and most of all objectively) will be bases for analysis of our own strengths and weaknesses as well as opportunities and threats from our environment. That means hours of desk research (for finding out what others have to say about the subject of our interest), efforts in shaping own field research (for finding out what our key stakeholders have to say about our business idea) and finally how to classify all collected data. It would be logical and "practical" to start with ourselves.

*Who are we? What are we good at? What are our weak points? Do we have enough resources? Is our product (idea) really so good? Are we managing our company good?*

Those are only examples of the questions about ourselves that we need to know the answer to in order to be able to objectively estimate our own strengths and weaknesses.

**Internal analysis** will provide needed answers related to the company's performance:

- *at present:* in the market (marketing aspect); of the business processes (operational aspect); of the financial results/indicators (financial aspect). This analysis is known as a FiMO analysis.<sup>10</sup>
- *in the future:* as a potential for growth based on resources, experience, controls, ideas and leadership. This analysis is known as a RECOIL analysis.<sup>11</sup>

FiMO analysis consists of market, operations and financial situation assessment with most common elements shown in Table 1.

Table 1. FiMO analysis elements

MARKET	OPERATIONS	FINANCE
Marketing philosophy/ orientation	Management system	Financial management
Marketing mix	Processes	Profitability and cost effectiveness
Supply	Employees	Assets management
Sales	Location/venues	Liquidity and indebtedness
Customers/clients	Technology/equipment	
Market results		

<sup>10</sup> Source: <https://rapidbi.com/primof-business-growth-model/>

<sup>11</sup> Ibid.

RECOIL analysis is all about assessment of company's potential for growth. For new company focus should be on ideas and leadership potential, while for existing ones there should be potential for future growths in resources, experience and control.

For example, when having an idea for a new innovative product or service and evaluating its potential in future, we should try to estimate level of creativity, focus on market/customers, processes that are used for evaluation of ideas, etc. Our own leadership skills could be big potential for growth in future, especially if we are deeply involved in realization of ideas, and have necessary skills and competencies. Additionally, current experience in business processes, as well as market and product/service development, are the advantages and potential for future growth. Potential in financial capital, technology, material and human resources are of great importance in planning and evaluating our position in future, so they have to be included in Recoil analysis as well.

**External analysis** will provide answers to questions regarding our macro and micro environment. External analysis will clear market picture and show market opportunities in which company should try to achieve competitive advantage. Therefore, in external analysis, we should gather and evaluate all relevant information about our macro and micro environment.

*But, which information is important?*

It mainly depends on the industry in which we are competing and strengths of the market forces. Nevertheless, there are some key elements that should be analyzed in each industry, for existed company or a new one.

*Macro environment* major forces are usually known as PESTE analysis elements:

- **Political/legal** factors (such as political stability, tax policy, labour law, trade restrictions ...).
- **Economic** factors (such as economic growth, exchange rates, inflation, interest rates ...).
- **Socio cultural** and demographic factors (such as tradition, living standards, income level, employment status, cultural aspects of society, population growth rate, age distribution, career attitudes ...).
- **Technological** factors (such as technology incentives, rate of technological change, R&D activity, automation ...).
- **Environmental /geo climate/** factors (such as raw materials availability, pollution rates and high risk areas, industry sustainability, weather, climate, impacts of climate change ...).

Impact of PESTE factors should be recognized as an opportunity or threat to own business.

In addition, the impact of external micro environmental elements should be gathered in order to fulfill external analysis information.

In *micro environment* analysis, key elements are:

- suppliers,
- competitors,
- customers.

Supplier analysis provides picture of the availability of all resources in supply market. For example, energy resources, raw material and production inputs, equipment and technology, capital and needed business services or solutions.

Analysis of competitors should answer several questions:

*Who are our direct, potential and substitute competitors? What are their general and business characteristics? What strategies are they using on target market? Can we recognize their strengths and weaknesses and competitive advantages?*

It should be noted that one of the biggest mistakes is to focus only on successful competitors and neglect the ones with poor market performance. *Why?* We can learn a lot, even from bad examples about the industry that we are trying to compete in, as their mistakes are good starting points in realizing our own unique value proposition to customers. Consequently, gap between success and failure of our competitors could help us to find our own elements for differentiation.

Customer analysis should help us to determine customers' characteristics, behavioral factors and trends. This is commonly achieved by getting answers to following questions:

*Who is buying this type of product/service?*

To get the answer we should analyze their general characteristics such as age, gender, economic status, education level and determine homogenous groups of customers which behave similar in their buying behavior (related to general characteristics).

*How, when and where they are buying?*

It depends on the availability of the product/service on the market, customers' lifestyle, culture, society and family impact on the buying habits.

*Why the customers are buying this type of products/services? Why they buy this particular product/service?*

To answer this question we should go deeper and determine (as close as possible) their personal needs and desires, motives and perceptions about product/service.

Although those answers could look quite simple and easy to reply to, we should be aware of the fact that there are several important factors that are impacting customers buying behavior. Those factors can be categorized as: social, personal, psychological and situational factors that are impacting buying behavior. But, once we have all information we should be able to recognize segments of customers.

*What is good segmentation?*

If each segment has homogeneity in buying behavior, while at the same time we can see differences between segments - segmentation is done in the right way. It should be our basis for determining



particular segments of interest for our company. At the same time we can determine ones that will not be in our focus as a potential customer, so will not waste our efforts on them.

After gathering all relevant data about external and internal factors that impact our business success we have solid ground for conducting a SWOT analysis. It is important to include only relevant information in SWOT matrix - showing our own strengths and weaknesses as well as opportunities and threats from the environment, to get a clear picture of our current position. SWOT analysis is not a static analysis, so it is recommended to evaluate information periodically as the situation in our own company or in our environment is changing, in order to modify our own marketing strategy elements and align them to new situations.

## Marketing strategy

After getting a clear picture where we are, the next step is to determine where we want to be. For that we need to know what we really want, and set the goals for our business as well as main elements of our marketing strategy. Marketing strategy is the way company aligns with its environment. With marketing strategy company is shaping activities that will provide goals achievement. If the goals are not properly defined there will be hard to evaluate our own business performance. So, goals should be formulated following SMART principle.<sup>12</sup> In other words, our goals should be specific, measurable, achievable, relevant and time bounded. In this way we are avoiding most common pitfall - not having structure, clear purpose and final destination of shaped strategy. Marketing goals should be formulated having in mind wanted market achievements and are usually oriented on sales results, wanted customers perception and financial success.

While determining goals company has to consider value proposition (product/service) in relation to customer needs. So, we have to target the "right segment" or more "right segments" for our value proposition. Following process - positioning is about achievement of a unique market position of our products or services. Additionally, it has to be done keeping in mind our own position related to our competitor's position.

### *Which segments to target?*

It is not a simple question, so there is no simple answer. It would be wrong to focus only on most challenging or most attractive ones. A large market segments with high profitability rate often attract strong competitors who are fighting for their market share. In those segments, customers are of high expectations and price wars are often. Consequently, the company has to have enough resources and high value proposition to be competitive, yet with doubtful final results. In the long term that fight is jeopardizing all market subjects. So, the right approach includes segment importance and benefit assessment; such as demand size and dynamic, potential for growth, availability, saturation and impact on other market segments. Additionally, targeting has to be done in relation to our own capabilities in satisfying needs of customers in that particular segment.

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<sup>12</sup> Source: <http://www.yourcoach.be/en/coaching-tools/smart-goal-setting.php>



*How to approach targeted market segments?*

Three main targeting approaches are: undifferentiated, differentiated and concentrated marketing.

Choosing undifferentiated marketing means neglecting segments and treating the whole market as a single entity. Accordingly, it is shown in uniformed market offering - through product, price, distribution and promotion. This approach is quite rare nowadays, while in the past, in the mass production era, it was quite common.

Differentiated approach recognizes market segments and try to adjust offering. In other words, specific market offering is designed for each particular segment. This approach is suitable when market segments are easy to identify and their needs differ (e.g., segments by gender or age criteria).

Concentrated approach is probably the best approach for small and medium entrepreneurs who have the competencies and resources to fulfil needs of a narrow market segment, often called market niche. In this way single market segment is served through single market offering, this time not uniformed but unique and customized one. The disadvantage of this approach derives from specialization to very narrow market segment, and shows company vulnerability. If environmental changes affect market demand, it can be quite hard to adapt fast and efficiently without losing market share.

No matter what approach is used, the key challenge is to achieve the desired position in the minds of our customers.

*How we can position ourselves successfully?*

Positioning is all about defining optimal marketing mix combination in order to satisfy customer needs better than competitors. It is important that all elements of our marketing mix: product, price, promotion and distribution are aligned with a value proposition as they are tools for marketing strategy implementation.

*We have to have product, price, promotion and distribution, what is so important in marketing mix concept at all?*

It is easy to think about all of marketing mix elements separately, but the main goal is to make them aligned and integral in order to use and take advantage of their synergy effects. Any discrepancy among marketing mix elements will surely lead us to market failure and a lot of resources wasted for nothing.

*What is a product all about?*

**Product** (or service)<sup>13</sup> is a fundamental marketing mix element. Without product we have nothing to offer to our target market. When thinking about a product, we have to think about its usability and psychological value for customers.

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<sup>13</sup> Term product in this guidebook is related to a physical product, intangible service or their combination.

Whether we are considering the single product, product line or assortment of product there are several product aspects that need to be elaborated. First of all, we have to develop its basic and additional attributes in a form of physical characteristic. That is the core product. Following are objective and subjective quality aspects, product features, design, labels, packaging, instructions, warranty, etc. All additional aspects represent actual product.

Product policy should ensure fulfilment of the customers' needs, but, simultaneously, provide profit to the company. Product policy is related to designing and delivering a product, which has the right amount and form of customer value for the targeted customer segments.<sup>14</sup>

#### *How to price product correctly?*

As it is important, it is necessary to repeat it - following marketing philosophy offer should satisfy customer needs, but simultaneously ensure a certain level of profit to the company. Otherwise sustainability of our business will not last long. The correct **price** is market dependent and in accordance with customers' perception of product value. The mismatch between the price and the perceived value leads to market failure. Price depends on:

- internal (company) determinants, such as production and business costs, product characteristics, profitability goals and company growth policy,
- external determinants, mostly legislation policy, competitors pricing policy, market changes, technology and, as already mentioned, customers' perception of product value.

There are several approaches in pricing policy:

- In market approach we start with customers and think about a price that is acceptable for them.
- In competitors oriented approach we try to position our price according to the prices of our competitors.
- In cost oriented approach main focus in price policy is our own production and business costs that need to be covered with a price.

The best approach in defining the selling price of our product is a combination of market, competitors and cost approach. It should be noted that price policy, besides determining the price, include discounts, terms of payment, payment insurance, payment dynamics etc.

#### *How we will deliver our product to customers?*

**Place** or distribution channel, should be aligned with all other marketing mix elements. Selection of distribution channels depends on: product type, distance and size of the target customers segments, their needs and habits, as well as distribution shape (intensive, selective or exclusive) and cost effectiveness.

We can decide to have direct or intermediary distribution channels, or combination.

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<sup>14</sup> Source: Armstrong, G., Kotler, P.: *Marketing: An Introduction*, 12<sup>th</sup> Ed (Global Edition), Pearson Education, 2015, p. 77.

*Do we need to promote our product or promotion is just another cost?*

Promotion does cost some money. And if we do it just to do it- it is just the cost. But, if we think about it and create an optimal promotion mix aligned with all other marketing mix elements, particularly our product, then benefits will be much bigger than costs.

*What is promotional mix? How to create one which suits us?*

When talking about **promotion** mix we usually talk about:

- Advertising (paid non personal communication through different media)
- Sales promotion (time limited actions, customer stimulation, additional benefits)
- Direct marketing (direct communication, post, telephone, mail)
- Personal selling (direct personal contacts, face to face)
- Public relations (unpaid communication with public to create product/company image).

Which combination is best depends primarily on our product, customers and organizational goals. So we have to be careful not to send wrong picture while promoting our products. In order to define suitable promotion mix we have to think about following (and act accordingly):

- *What are the goals of our campaign, and who is our goal public? Are we creating or maintaining awareness about our product? Or, are we creating positive attitude and desire for our product? Is our primary goal to create buying intention?*
- *Does our promotion campaign has planned shape and program? Is our message shaped and structured through all promotional channels? is it in accordance with our wanted perception and our own strategic orientation?*
- *Are media or sources of communication selected taking into account credibility, coverage, efficiency? Do we have media plan?*
- *How much money we will spend in promotion campaign? Is this promotional budget integral part of marketing budget?*
- *Do we have indicators to evaluate success (or failure) of our promotion campaign?*

*Is there anything else (beside product, price, place and promotion) in marketing mix?*

All elaborated elements of the marketing mix: product, price, place and promotion are nutshell of any product or service. But, there are other important elements of the marketing mix, especially if we are offering services to our customers. Those elements are people, service providing process (process) and physical elements of service.

*Why additional elements are important?*

By **people** we should think about employees in our company who are providing services in direct contact with our customers. In many cases quality of service providers determines customers' perception of service quality. But, even if we are selling tangible products (instead of intangible services) we can clearly

see the impact that employees (people) can have to our customers and take it into account while shaping our marketing mix.

**Service providing process** is all about activities in delivering our service to customers. Does our process include interaction with customers? Are they informed about each step in the process? How we handle delays and complaints? If we have answers to these questions we take care of service provide process and, consequently, we achieve positive impact on all other elements of our marketing mix.

Finally, **physical elements of service** are last but not least important. The physical element of service refers to venues or spaces where service is provided, including atmosphere, service providers (and other employees) appearance etc. This element should be aligned with other marketing mix elements as it is (sometimes) factor used to create image of the company in customers' eyes. And we will not have a second chance to make a first impression!

*Now we know that we are doing the right things. Do we have to know whether we are doing things right?*

In order to be successful, we have to be able to do both. First, by following all marketing principles we know we are doing the right things. But for knowing if we are doing things right, we have to have feedback from the market and develop control system of all business processes. Controlling process is related to attaining marketing goals. In order to be able to track this process (or activities) we have to create (or determine) indicators for marketing performance measurement, including responsibilities, budget and time frame.

## Accounting and Finance for your business

Many entrepreneurs and business startups approach accounting with trepidation. With many new businesses, this is often the weakest part of the business. Yet once you are established it becomes the most critical. Often business owners will refer their money matters to an accountant. However, this is becoming a costly exercise and as more intuitive software emerges, the need for an accountant to explain the financial health of your business is diminishing. This means the need to understand the basic of accounting by business owners is growing.

### What is accounting and its role in a start-up business

Accounting is essentially the collection of information about a business that tells those who have an interest the state of that business in terms of the money it is generating and spending. The information collected is information that is quantifiable and is then presented in financial terms. The money a business generates is normally the money a business collects through selling products and services. However, it may include interest earned on money held in a deposit account at the bank. The money a business is spending is money that is used to purchase products to sell, pay salaries or wages to staff, buy equipment that the business needs to operate and pay for incidentals such as rent, electricity and insurance.

There are three critical questions that the business owner needs to answer in order to understand the financial status of their business venture. Firstly, they need to know if the business has made a profit or loss and how much that profit or loss is. This tells the business owner if it is worth their efforts to start or keep the business running. The second question is to know how much the business is owed by its customers. By knowing this the business owner can control his income by chasing up those customers that owe it money. However, some businesses, especially those with high levels of cash payments tend to have very little owing to them. The third question is to know how much the business owes to the suppliers. By knowing what the business owes its suppliers it can calculate how much income it needs to ensure it makes a profit for the owner.

### **Accounting rules and boundaries**

Based on the three questions in the above section, it is clear that there are some boundaries relating to the information collected. The rules fall into 3 broad concepts; limitations, dimensions, and ethical boundaries.

The limitation concept has four factors. One is that the information relates to a single business. This means that accounts that answer the three critical questions can only come from a single business. Accounts from another business have no connection to the way your business is measured. Although, if the business is big enough you may collect separate information from different sections of the business. The information needs to be discreet between past, current and future periods of time. Consequently, the information collected must be from within a specific timeframe, and that timeframe should be consistent. Normally the information is collected over a 12-month period. The business must be operating normally. In other words, if a business has shut down there is no point in undertaking the preparation of a set of accounts. Equally, if the business has not started trading, even if the owner is spending money on setting up, there is not point is preparing a set of accounts other than recording expenses. The last factor is that the information must be quantitative. In other words, it must be numerical in a way that allows it to be quantified.

The dimensions of accounting have six factors; have a monetary value, takes into consideration historical cost, can be realised, can be matched across accounting periods, demonstrates double entry and must be meaningful to the business. The information collected must be quantifiable into money. This is because the answers to the three critical questions is always indicated by a cash value. Asset (things like equipment) and liabilities should be costed at the price that was paid. Over time the value may decline, but you still need to start with the original price paid. The information collected should be calculated at the time ownership changes hands or the income or expense is realised. For example, if you sell a bag of potatoes, the sale is realised at the moment the customer takes legal possession of the potatoes and you take possession of the cash. Matching information across periods means that the closing balance, debts, and credits of the last period become the opening balance, debts, and credits of the following period.

Ethical rules are important for every business. There are four factors to consider when looking at ethical accounting; judiciousness, uniformity, impartiality, and relevance. Judiciousness means that if there is doubt about a transaction then income should be understated and expenses overstated. This allows for a

margin of error where understating income prevents spending income that might not actually exist. Each set of accounts should be uniform across the timeframes. You should not change your accounting process simply to make your profit look higher. When selecting the information collected and applying the account process, it should be done without favour to any particular aspect of the business. Only information that presents a clear picture of the state of the business's finances should be collected. If the information is not relevant it should not be included in the statement of accounts.

### **Accounting principles**

Each country tends to have their own set of accounting principles and you should follow the relevant framework. These principles allow for consistency between different businesses and account methodologies. They define the objective of accounts are to provide information to a range of users that enables them to make commercial decisions and demonstrates good control over the business activities. That the business is a unified entity and the accounts present a relevant, reliable set of accounts that are understandable.

### **Why it is important to understand the basics**

Many small business owners do not feel the need to understand their accounts, or are not confident in keeping their accounts, arguing that they can use an accountant to check them. However, this is a very short sighted approach. It is the financial data that you collect that gives you an insight to the health of your business. This insight then informs the decision you make around the operation of your business. While having an accountant help prepare the data, ultimately it is your business so you need to be able to make informed decisions about the business. If you do not understand the financial health of your business you cannot make an informed decision.

### **Types of finance**

Getting a business started requires the investment of some money. This can vary from very small sums to millions of pounds/euros. Despite all the media reports, the vast majority of businesses that start up do so with less than £5000 capital. How much money you need is dependent on several factors. The structure of your business influences both the type of capital and how much you need. Equally important is the nature of your business. You need to fully understand the connection between the structure and nature of your business in order to determine the best way to finance the business.

There are three different ways to structure your business; a sole trader where there is just you as the owner, a partnership where the ownership of the business is shared between yourself and others and a company where others have paid for a share of the company. If you are a sole trader then the money you use to set up the business is generally seen as an asset in the business and only recovered when you sell the business. This is because there is no separation between you as the owner and the business. The same applies to a partnership except that there is more than one owner. A company is different in that the business becomes an entity in its own right. This allows you to sell shares in the company as a way of raising capital.

The nature of your business is determined by what you are going to do. At a basic level, you can either provide products or services, or a combination of both to your customers. For example, you may open a car servicing business. In this case you are going to provide both products (spare parts, new tyres etc.) and a service (check the mechanics of the car). The starting point is to work out what equipment you need, and this varies greatly between different businesses. A web designer (computer, modem, and printer) would need far less equipment than a garden service (fork, spade, wheelbarrow, lawnmower, van, etc.), yet both are service businesses.

To determine how much money, you need to get started you need to firstly determine the structure of the business. Generally, as a sole trader you are likely to need less money and you are likely to raise less money. A partnership is likely to need more money to get started because normally they are bigger. As there are more people to contribute, you can raise more money. A company is normally an option when you need significant amounts of money and you have a business that is likely to generate substantial income quite quickly.

Just as important is working out exactly what you are going to do in your business. To do this you need to have completed most of your business plan. It would be helpful to have a flow chart that shows how you will provide your products or services to your customers. This includes things like the equipment you need, space to conduct your business like an office or a shop and how you will advertise and promote your business.

## Finance Gap

Raising capital for a new business is often much harder than most people expect. What seems like a brilliant idea to you may not be seen in the same light by the potential investor or lender. In fact, this is a particular problem for people trying to borrow small amounts from a bank with no security over the loan. There are three sources of funding for anyone starting a business; you can fund it yourself, you can persuade others to fund it or you can use a combination of both. The most common strategy of funding a business is to do it yourself. This is known as internal financing. This is where you use your own money from savings or personal income and invest it into the business. If you already have a business and need funding to grow you may retain a greater proportion of the profits and use this as a source of funding. The least common approach is to use only external funding. In other words, you do not use your own money but either sell shares in the business or take out some sort of loan. Selling shares is known as equity funding and borrowing money is known as debt funding. There are some alternatives to equity and debt funding emerging. There has been significant growth in competitions and grants to assist start-ups. However, these are extremely competitive and should not be seen as key sources of funding. A third source of funding that has grown popular is crowd funding. While this seems to be successful, there are some issues that make this a less attractive alternative. With crowd funding, you need to reach a tipping point where people become motivated to donate money. This is much harder to achieve than it seems. Reports vary but only somewhere between 7% and 12% of people who raise money through crowd funding meet their targets. The diagram below maps out the various sources of funding.



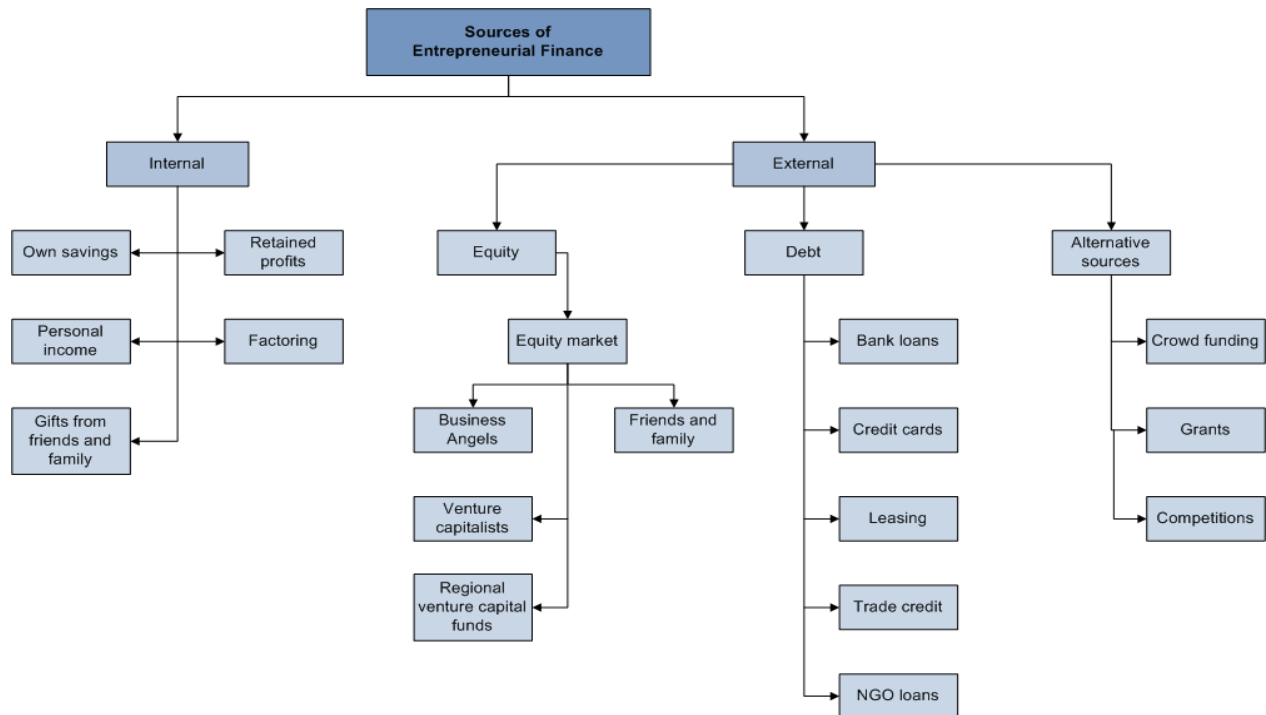


Figure: Sources of Entrepreneurial Finance

The issue of a finance gap has a significant impact on funding business; you may have completed all the hard work of identifying the structure and nature of your business and have a clear idea of how much you need but are unable to obtain the necessary finance to get started. Getting enough money to start the business is recognized as the main hurdle to starting a business. There are many reasons why it is difficult to raise money. The main reason is the differences in how you see your business and how the investor sees your business. The differences can be caused by structural issues within the business plan. The target market may not be clear, or your ability to provide the services may be questionable. In some cases, cultural factors could influence gaining funding. There is some evidence that ethnicity impacts on the business owner's ability to access finance. Creating a clear business plan is a good start to working out how much you need and where you might get the funding.

## Working capital management

Essentially, capital is the amount of money invested into a business. This capital is then used for many activities such as the purchase of equipment, material to make products, or products to sell. Working capital is a variation of capital in that it is also money invested into the business but it is used to keep the business functioning. Understanding how cash circulates within your business is essential and one of the key critical financial skills you must develop.

Setting up a business is, in principle not that different to investing your money in shares or property. You want to get back more than you put in. Unlike shares or property managing this investment is more complicated. If your shares or property is not making the return you want you can simply sell them. With



a business, you may not be able to sell the business quite so easily, but you do have much more flexibility, by managing your working capital.

Liquidity or having enough money in the business to function is what keeps your business operating. While every business aims to make a profit, not making a profit does not necessarily mean the end of the business. If the business has enough money to keep functioning then and profits are likely in the future then there is no reason why the business should not keep trading. Businesses that operate seasonally may have months where they do not make a profit, but to close the business may not be useful to the owner. For example, you may have a restaurant that is in a tourist area and has many customers during the summer months and very few during the winter months. You still must pay rent on the property whether you have customers or not. So, it may make sense to open during the winter, even if you make a loss during those months. This is because by opening the loss would be much smaller than if you did not open. This is demonstrated in the table below. The table clearly shows that the business would be better off over the 12 months to open in the winter and book a 5,000 loss than to close in the winter and book a 30,000 loss.

	Income	Expenses	P/L		Income	Expenses	P/L
Open 6 months Summer	110,000	30,000	80,000	Open 6 months Summer	110,000	30,000	80,000
Open 6 months Winter	25,000	30,000	-5,000	Closed 6 months Winter	0	30,000	-30,000
Totals	135,000	60,000			110,000	60,000	
Total Profit for the year			75,000				50,000

Table: Working Capital – Profit and Loss

The table above is a simplified scenario, but you can see how the increased cash flow into a business increases the overall profit of the business, despite a 6-month trading loss. This is where you need to understand the cashflow cycles of money coming in and out of the business and then calculate ways of maintaining a profit over the 12-month financial cycle. Using different ratios to calculate the liquidity of your business helps you plan different strategies to ensure that you always have more money coming into the business than going out.

## Managing Finances - Working capital and Inventory

Part of the process of managing your cash flow and working capital is to manage the money owed to you, the money you owe others and managing the products or materials you need to purchase for your business. One of the ways to manage your cash flow is to try and collect the money owed to your business faster than you pay the people you owe money to, and to sell your products or services quickly. All of this requires some carefully thought and planning.

The ideal business scenario is to have no one owing your business any money, and for you to pay your accounts every 30 days. This means that you would hold onto the income for up to 30 days before you had to pay it out. However, in the realities of the business world this is extremely rare. Almost every business has creditors (people you owe money to) and debtors (people who owe you money). The failure to manage this balance is often a cause of business failure. The impact of not managing your credit sales and debit expense can be seen in the table below

	Month 1	Month 2	Month 3	Month 4
Income cash	1500	800	1250	1300
Income credit	500	200	600	350
Total income	2000	1000	1850	1650

Expenses cash	300	280	250	300
Expenses credit	500	750	350	300
Total expense	800	1030	600	600

Balance in cash	1200	-30	1250	1050
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Table: Managing credit sales and expenses

In the table above you can see that months 1, 3 and 4 have high cash coming into the business, and Months 2 and 4 have lower levels of cash coming in from credits sales. Month 2 is a quieter month, both for cash income and income from credit. The result is that Month 2 has half the income of Month 1 and significant lower than Months 3 and 4. This alone is not necessarily something to worry about. In terms of expenses Months 1 and 2 have higher levels of outgoings than Months 3 and 4. Again on its own, this is not a problem. However, when you then look at the income and expenses together you can see the impact on the cash flow. Month 2 sees the balance of cash held drop substantially and move into negative. This is due to two factors occurring in Month 2; one is the lower income and the other is the higher expenses. This creates a cash flow problem for the business because there is not enough cash to pay all the debts for Month 2. The business needs to find a way to manage this process.

Managing your inventory levels is just as important as managing your cash flow. Having high levels of stock or inventory may mean you never run out of things to sell. However, it can be problem if you have too much money tied up in your inventory. If you have a business that sold on average 850 units a month, the highest number was 950 units and the lowest was 700 units, and you want a safety margin of 150 units. This suggests that you should hold 1000 units per month. However, that does not mean you would purchase 1000 units each month. The table below demonstrates a simplified version of how you might manage your inventory.

	Month 1	Month 2	Month 3	Month 4
Purchased inventory	1000	900	850	950
Total inventory	1000	1000	1000	1000
Sold inventory	900	850	950	700
Balance inventory	100	150	50	300

Table: Inventory control

Inventory, whether it is material you need to make a product, or products you buy to resell, or even simply things like printer ink and paper, needs to be controlled. Based on the scenario above you might decide that the ideal level of inventory is 1000 units. At the end of each month you should count the stock you are holding, subtract this from the amount of stock you held at the start of the month. This will

tell you how many you have sold and the number you need to order to replace the sold stock so that you start again with 1000 units.

## Managing Finances - Financial Reports

One of the key messages that you should be getting from this module is that a successful business is one that is in control of its finances. One of the ways of controlling your finances is to keep accurate and up to date records of sales, income, and expenses; then using this information to help you make strategic decisions about the business. There are three financial factors and three financial reports that you must understand. The three factors and the three financial reports are linked.

The first factor you must understand is that having cash in the bank is different from profit. Business owners that think the cash in their bank accounts is profit often find themselves in difficulty. The risk of making this assumption is that you may spend the cash in your account, only to find that you have outstanding debts to pay, and no cash to pay them.

The next factor is that there is a difference between capital items and revenue items. Capital items are the things you use to operate a business. For example, if you were a fashion designer then your sewing machines, scissors and rulers would be capital items. That is, you have purchased them for the business and you retain ownership in order to design and make clothes. Revenue items are the things that you pass onto the customers in return for payment. So, as a fashion designer your revenue items would be things like cloth, thread, and buttons. You do not retain this in the business, but sell them to the customer.

The last factor is that when preparing the financial reports there are a number of subjective decisions involved. For example, if you bought a sewing machine for 1000, the value of that sewing machine would be worth less a year later. This affects the overall value of your business. If value of the sewing machine falls by 10% after 1, then the current value would be 900. Making these sorts of decisions are often subjective and can have an impact on the overall value of your business as well as the profitability of the business.

While there are several different reports, the three most critical are the cash flow, profit and loss, and balance sheet. Your cash flow identifies the month coming and the money going out. Ideally, you should have a monthly cash flow report. This gives you a range of information that can influence your business. For example, you can identify rises and falls in sales. This would enable you to control your inventory levels more efficiently by purchasing inventory according to the level of sales. From the cash flow report, you can make better decisions on how to manage the business.

Your profit and loss will show how much money has been coming into the business as well as flowing out. But it is different to a cash flow. The profit and loss shows how successful you have been. It also helps make longer term decisions about how you manage the business. For example, if you are spending 35% of your income on rent you might feel that this is too high and either look for cheaper premises, or look for ways of increasing your income.

The last of the three reports is your balance sheet. Basically, this tells you what the business is worth. Understanding what your business is worth is helpful as it enables you to make decisions like growing the business. You can also see if you have any assets that you might no longer need, or if you have equipment that you might want to replace.

## Managing Finances - Ratios

First and foremost, you will realise that the three reports contain a substantial amount of information about the financial status of your business. You might assume that this amount of information is more than enough to help you make sense of the financial status of your business. Unfortunately, this is not the case. While some of the information is useful there is far more useful information hidden within the reports. There are a few reasons why this is the case. We mentioned earlier, that the information used in accounting must be quantitative and have a monetary value. This means that the information in the reports is structured in a predetermined way and this might not tell you what you need to know. Another reason is that financial data is presented in unqualified terms. Consequently, you need to look a bit further than what appears in the reports. You need to understand the reports in the context of your business. So, you may have made 20,000 in profits in the last trading year, but how do you know if this is an appropriate level of profit for a business like yours or if the profit is sufficient to justify the investment of time and money in the business?

To make sense of that information in a way that is useful you need to analyse it. One of the most useful tools in analyzing your financial reports is to use ratios. Ratios, for some, are quite scary. Yet, if you have ever made a cake or cooked a meal then you have used ratios. There are many different types of ratios you can use to analyse your business and they fall into 4 broad categories as the table below shows.

CATEGORY	WHAT IS MEASURES
Liquidity	This measures how quickly you can turn an asset such as inventory into cash to pay your bills
Profitability	This assesses if the profit made is enough to make the business worthwhile
Efficiency	This tells you if you are running the business effectively and using your assets appropriately
Investment	This evaluates if the return on your investment in the business is adequate and worthwhile

Table: Ratios

By using ratios, you can get a much clearer view of what is happening in your business. You may be turning over your inventory, but ratios will show if you could reduce the amount of inventory you are carrying and free up some cash. You may be making a profit, but ratios will explain if that profit level could be improved. Using ratios will show if you are using your equipment effectively and efficiently, and investment ratios tell you if the business is worth the effort.

## Business Start-up

In previous sections you have worked identifying and business idea that is as well a business opportunity. Now you are ready to give one step forward and find your business model. In this section we will focus on startups and how to define and create your business model.

### Step 1: Defining our model

There are many ways of defining a business. As we mentioned, we will focus on a specific one: startups. Following Steve Blank [1] definition, *“A startup is a temporary organisation designed to search for a repeatable and scalable business model”*. Picking up on Steve Blank’s definition, we could say that a startup is, at its inception, a temporary organisation built around a potentially innovative idea or hypothesis that is searching for a business model. So it’s safe to conclude that initially the founders, partners or ideators are not even sure about the economic model that will sustain their future organisation.

In the following list we propose you a list of characteristics your company should fulfill to be considered a startup [2]:

- ✓ Young company
- ✓ Close to the client
- ✓ Changing and constantly evolving
- ✓ Innovative and multidisciplinary
- ✓ With high growth potential

### Step 2: Defining my methodology

So, now we know what a startup means and that our business idea fits with it. Let’s develop it! There are many ways of developing a startup, but we recommend you one of them which is turned out to be the most effective: Lean Startup.

“Lean Startup” is an approach introduced by Eric Ries [3] in 2008 to launching businesses and products based on:

- Validated learning,
- Scientific experimentation,
- Iteration in product launches to shorten development cycles,
- Measuring progress and
- Feedback from customers.

With this approach, startups can design their products or services without a large initial investment or costly launch.

The 5 pillars of Lean Startup are [4]:

1. **ENTREPRENEURS ARE EVERYWHERE.** You don't need to be in a garage in Silicon Valley to create a startup. Innovation is open. It can be the response to any problem or situation. This methodology is about knowing how to channel it and, what's even more important, bringing your idea to life.
2. **ENTREPRENEURSHIP IS MANAGEMENT.** A startup is an institution, not just a product, so it requires management, a new kind of management specifically geared to its context.
3. **VALIDATED LEARNING.** Startups exist not to make stuff, make money, or serve customers. They exist to learn how to build a sustainable business. This learning can be validated scientifically, by running experiments that allow us to test each element of our vision.
4. **INNOVATION ACCOUNTING.** To improve entrepreneurial outcomes, and to hold entrepreneurs accountable, we need to focus on the boring stuff: how to measure progress, how to setup milestones, how to prioritize work. This requires a new kind of accounting, specific to startups.
5. **BUILD - MEASURE - LEARN.** The fundamental activity of a startup is to turn ideas into products, measure how customers respond, and then learn whether to pivot or persevere. All successful startup processes should be geared to accelerate that feedback loop.

Read those pillars carefully! They provide a useful guide to your life as entrepreneur. We strongly recommend learning more about Lean Startup visiting its official website [4].

As you can see, through this model our business will be constantly evolving and introducing improvements to our products and services and is highly client centered. There's no use persevering with an idea that we think is the bee's knees if we can't find customers who agree with us. On the other hand, during our research, we might find other market segments or even new applications. Is not an easy thing being able to find these new formulas for success, embracing and developing them while casting the initial idea aside. In startup lingo this is called **Pivoting**. It is a work model in itself and a key attitude for living on the edge, with uncertainty from one day to the next.

### Step 3: Defining my Business Model

Now we have the background to start working on our business model. There are many tools to do so but we will introduce you three of them:

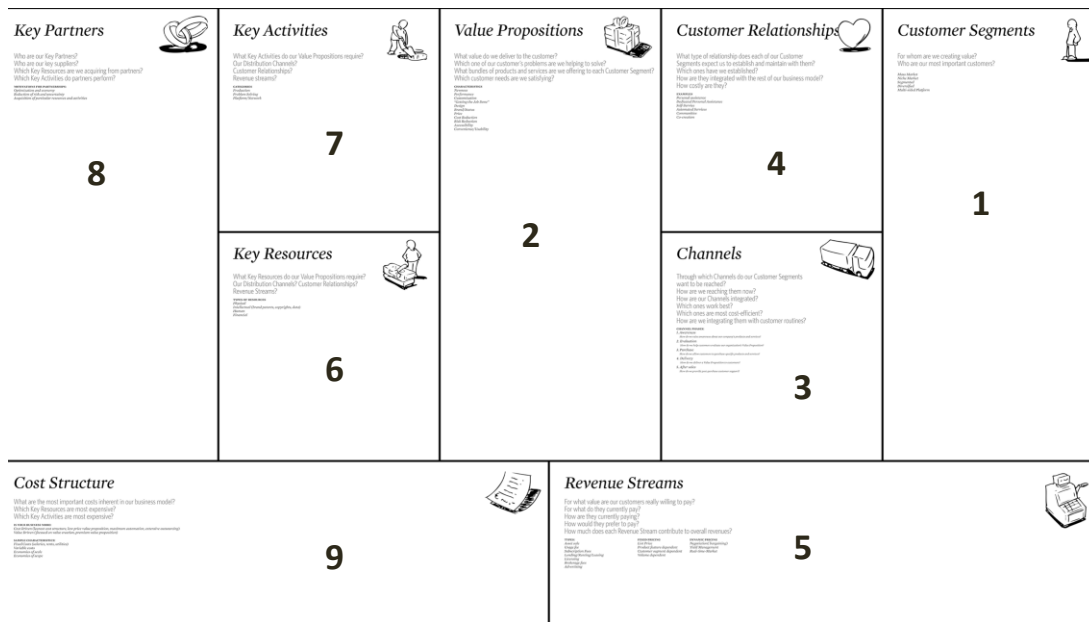
- Business Model Canvas
- Lean Model Canvas
- Porter's 5 forces

#### Business Model Canvas

Business Model Canvas (BMC) is a tool designed by Alex Osterwalder and Yves Pigneur launched in the book "Business Model Generation" [5]. BMC helps from a very early phase getting our thoughts in order. Figure 1 shows the canvas that should be printed as bigger as possible and filled out with post its. In [6]

you can download a blank one. As you can see, BMC is composed by 9 blocks including the key questions we must make ourselves to define our business model. Although you can use it however you want, the recommended way of filling it out is following the figure's numbers.

Figure 1: Business Model Canvas



Let's take a closer look to each of the blocks:

- 1. CUSTOMER SEGMENTS:** The goal here is answering the following questions: What are our most important customer segments? Do we want to reach the general public, the mass market or a very specific niche market? Are there several interdependent customer segments? Options are:
  - **Mass Market:** Large group of customers with similar needs and problems.
  - **Niche Market:** Specific and specialised segments.
  - **Segmented Market:** Different value propositions for slightly different market segments.
  - **Diversified Market:** Market segments that are completely different from one another, with no common ground.
  - **Multi-sided Platforms or Markets:** Two or more distinct but interdependent market segments, all of which are essential for the business model.
- 2. VALUE PROPOSITION:** This block addresses the problem and how we're going to solve it for the customer with our company's products or services. It also addresses our competitive strategy: price? customization? savings? design? Our value proposition could include differentiating attributes like the novelty it introduces, improved performance in comparison with the competition, customisation options, its design, brand equity or its position/status, its price, cost reduction, risk reduction, the accessibility it provides, its ease of use or usefulness...
- 3. CHANNELS:** How are we going to deliver our value proposition to each customer segment? Possible channels include:



- a. **Direct: Sales team, Internet sales...**
  - b. **Indirect:** Our stores, Our partners' stores, Wholesalers
- 4. **CUSTOMER RELATIONSHIPS:** what type of relationship will we have with our customers? what will our brand mean for them? Options are:
  - a. **Personal Service:** REAL communication with a person assisting with the sales process.
  - b. **Exclusive Personal Service:** Special attention given to a specific customer.
  - c. **Self-service:** No direct relationship with the customers.
  - d. **Automatic Services:** More sophisticated services with automatic processes.
  - e. **Communities:** Groups linked to the product that solves problems for customers.
  - f. **Collaborative Creation:** The customer community collaborates with the company.
- 5. **REVENUE STREAMS:** Revenue streams are generated when customers acquire the value propositions on offer. There are different ways of generating revenue: Sale of goods, pay-per-use, subscription, borrow/rent/leasing, granting of licenses, brokerage fees, publicity... Our business model doesn't have to be limited to a single revenue stream; we can combine several different options.
- 6. **KEY RESOURCES:** Key resources are the assets required to be able to offer or provide the elements we just described. We can divide the resources into 4 types:
  - a. **Physical:** The physical assets category includes factories, buildings, vehicles, machines, systems, points of sale or distribution networks.
  - b. **Intellectual:** Elements such as brands, private information, patents, copyrights, customer associations and databases, etc. Difficult to build, but makes all the difference.
  - c. **Human:** People, with varying degrees of specialisation and importance, but always present nonetheless.
  - d. **Economic:** Some businesses require them: credit lines, cash, equity options, economic guarantees, etc.
- 7. **KEY ACTIVITIES:** To deliver the value proposition, we have to carry out a series of internal activities (usually including production processes, marketing, etc.). The key activities can be divided into the following categories:
  - a. **Production:** Related with the design, manufacturing and delivery of a product in large quantities or with superior quality.
  - b. **Problem solving:** Related with the search for new customised solutions for each customer.
  - c. **Platform/network:** Related with businesses based on a platform or system that generates most of the value. Normally in the areas of management, maintenance or promotion/provision of services.
- 8. **KEY PARTNERS:** This section defines the alliances needed to successfully execute our business model. These alliances complement our skills and strengthen our value proposition. As a consequence, we can optimise our resources and reduce uncertainty. Here are 3 different reasons for establishing associations:
  - a. **Optimisation and Economy of Scale:** Basic customer-supplier relationship, aims to optimise resources and activities.

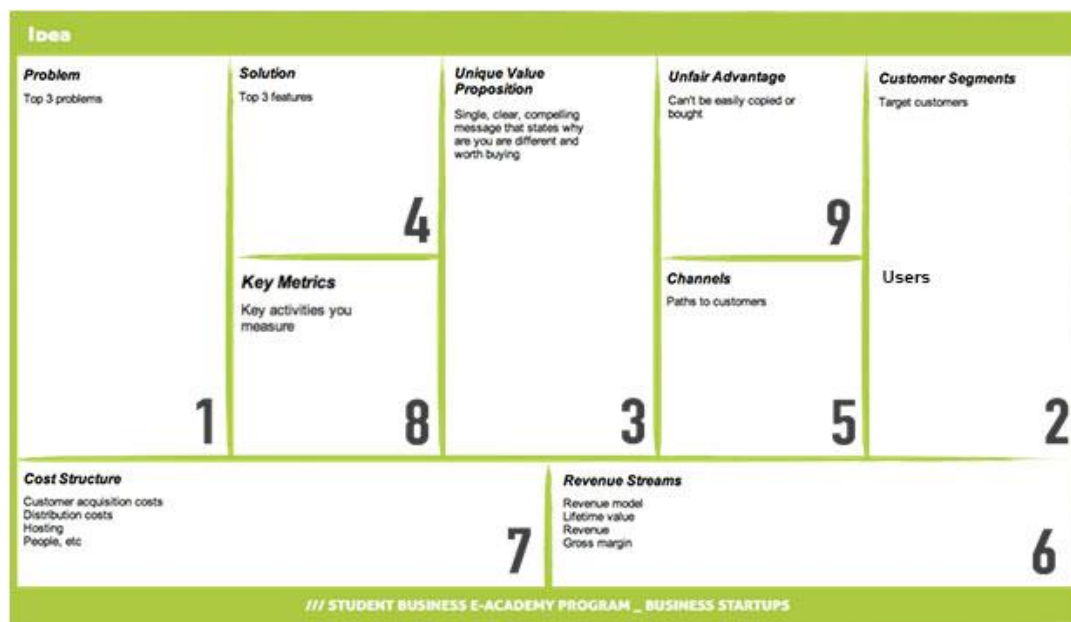


- b. **Reducing Risk and Uncertainty:** Aim to reduce risk in competitive environments with a high degree of uncertainty; some startups join an association in one area while competing in another (lobby).
  - c. **Buying Certain Resources and Activities:** The root cause of these associations is the need to get information, licences or access to customers.
- 9. **COST STRUCTURE:** The different parts of a business model make up the cost structure. The aim is to identify and optimise fixed and variable costs to design a scalable business model. This is definitely one of the areas with the most opportunity for innovation. There are 2 broad types of cost structures:
  - a. **Based on Cost:** Prioritising cost reduction and the automation or outsourcing of processes.
  - b. **Based on Value:** Prioritising the value proposition.

### Lean Model Canvas

This model, proposed by Ash Maurya [7] unites the better aspects of Lean Model and Business Model Canvas in a new canvas: The Lean Model Canvas (Figura 2).

Figure 2: Lean Model Canvas



Again, numbers shows the recommended order to follow. Below you'll find the description of each block:

1. **PROBLEM:** Identify the 3 main problems for your customer segment (related with your activity of course!) and find out how they resolve them, i.e. alternatives to your product. This is one of the most difficult aspects to figure out, but it's also the most critical.
2. **CUSTOMER SEGMENTS:** Identify and get to know the customer segments you're going to work with and, most importantly, go to great lengths to find out who your early adopters or

visionaries could be. This is vital because targeting a mass market with mature users is usually a bad idea for a startup, at least at the beginning.

3. **UNIQUE VALUE PROPOSITION:** Write down a single, clear, compelling sentence about what makes you special and how you're going to help customers solve a problem... easier said than done!
4. **SOLUTION:** Once you've identified and prioritised the problems your customers face, decide on the top 3 features of your product/service. By honing in on the features that are going to provide our customers with solutions, we focus on them rather than wasting time on secondary features.
5. **CHANNELS:** Now it's time to work on how we're going to get our solution to reach our desired customer segment: with a sales team? on the internet? It's important to understand the path to customers from a comprehensive viewpoint, i.e. not only the sales phase but the customer experience in general.
6. **REVENUE STREAMS:** In this block we should reflect on how we're going to make money, everything from different revenue streams to profit margin, customer value, retention model, etc. This is when we craft a money-making strategy.
7. **COST STRUCTURE:** The opposite of revenue. In cost structure, write down everything that costs us money and the approximate monthly expenses. It goes without saying that at the start we should keep this as tight as possible.
8. **KEY METRICS:** Once we've defined the most important elements of the business model, it's time to hit the metrics. We have to decide which activities we want to measure and how. The idea is to create a reduced set of actionable indicators that will help us make decisions.
9. **UNFAIR ADVANTAGE:** This is probably one of the most complicated blocks. It's normal if you don't know what to put at the start. Think about what makes you special, sets you apart, why your customers keep coming back for more. If you can't think of anything, don't worry, leave it blank for now... it'll come to you eventually.

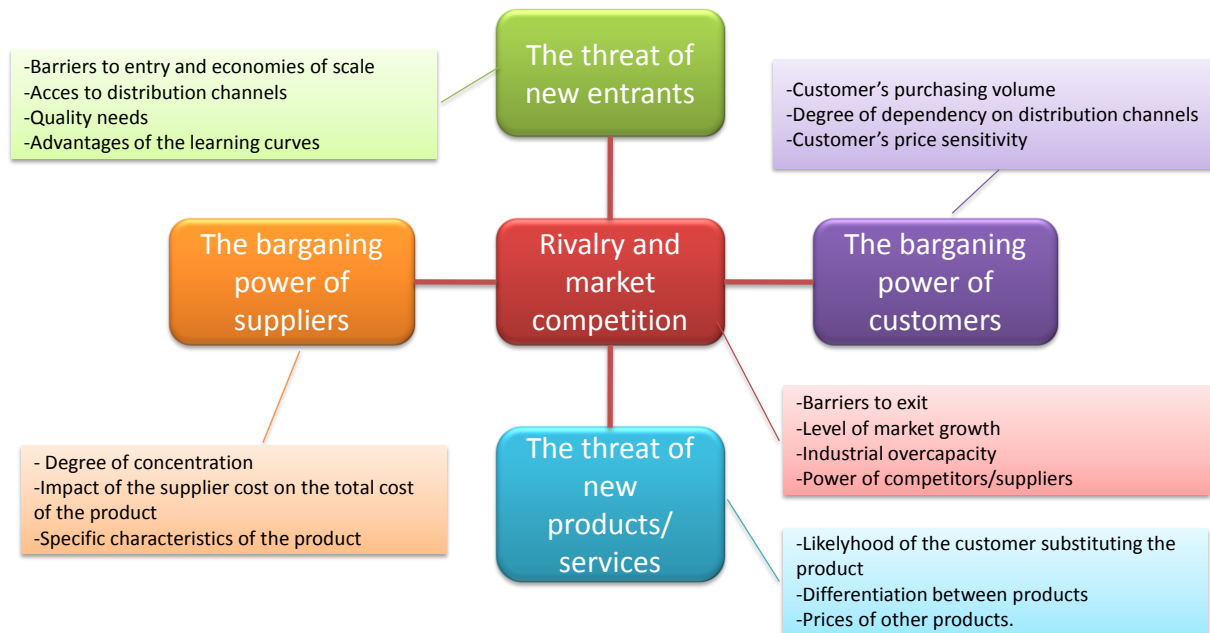
BMC and Lean Model Canvas are completely valid when it comes to designing business models. Choosing one or another depends on the features of our company:

- Business Model Canvas pays a lot of attention to areas such as key partners, resources and activities. It is recommended for businesses that are highly dependent on external partners (for example, distribution agreements); or with a large initial investment in machinery, premises, vehicles, etc.; or with sophisticated processes requiring homologation (these are just some examples).
- Lean Canvas is aimed much more at online businesses for which performance metrics is the name of the game. Another difference is that the Lean Canvas includes a block for your unfair advantage, forcing you to think long and hard about your advantages over the competition, a make or break in the medium and long term.

## Porter's 5 forces

This model was introduced by Michael Porter [8]. It helps developing a strategy to follow to reach an important position with a company through the analysis of the ecosystem where the company is going to live. This ecosystem is represented by 5 forces (see Figure 3):

Figure 3: Porter's 5 forces



Once we have defined our business model by one of the previous canvases, analyzing each of Porter's 5 forces can help us to review it with a strategic mind and make changes to start with the better competitive situation.

## Step 4: Designing my product

Now it's time to start thinking in your product!! A great Business Model makes no sense if we don' have a good product or service to sell. We need now to thing in its details, such materials and materials and textures, weight, colour and aesthetics, scent, size, complements, frequency of use, resistance/ durability, storage options, transportable, removable parts... In short, every aspect that defines it.

There are several ways of designing a product. Choosing one will depend on the product's features. We recommend you the following:

- **Graphic outline:** At the very least, we should conduct a proportional graphic analysis, to scale. Identify parts, pieces, combinations, forms of use and transport, lists of complements or accessories. There are many free tools like Blender [9] or Sketchup [10] that we can use to create a simple, three-dimensional model.
- **Physical outline:** Mockups and prototypes, real size or built to scale, will give us important information. Not only on aesthetic aspects or volume but also for assembly, ergonomics,

resistance, weight, usability, etc. We have to reduce uncertainty to the max before producing the product. Take advantage of the current accessibility of 3D printing to **experiment** with your product from early on so you don't end up with any nasty surprises.

- **Cost analysis:** Graphic development and prototypes assist us to get closer to the real design of our product. We have to turn this into square/cubic metres of material, treatments, components, buttons, final touches, packaging, protections, processes, production times, labour, storage space, etc. All these aspects involve key activities and resources, which should be reflected in our cost structure as either fixed or variable costs depending on the production.
- **Usability analysis:** Any product, whether it's going to be used by humans, animals or machines, has to be designed so that it performs its function as well as possible. For this to happen, or for the user experience to be as planned, we have to conduct tests. We'll take advantage of more or less definitive mock-ups and prototypes to get closer to achieving the experience or performance we're looking for. We should define metrics to evaluate these aspects and analyse user feedback. This will help us get our product to work and to convey our vision.

## Step 5: Designing my processes

Once we know how our product is going to be, we need to define how to produce it. That means knowing and controlling every process. Some of them will be operatively necessary and some of them will be secondary.

In order to help you designing your processes, we propose you two tools:

- The Gantt Chart
- PERT Diagram

### The Gantt Chart

The Gantt Chart helps you organizing tasks along a period. In this Chart, time is represented horizontally and each horizontal line (see figure 4) is a task. That way we can see its organization along time. In [11] you'll find an online tool, Ganttter, that will help you experiment with it!.

Figure 4 :Gantt Chart

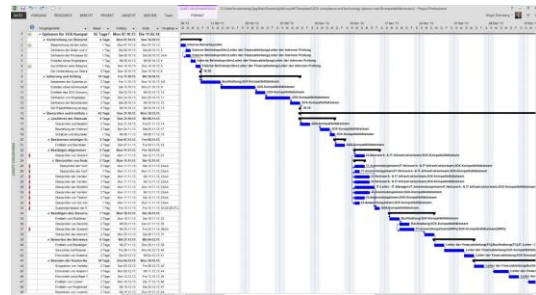
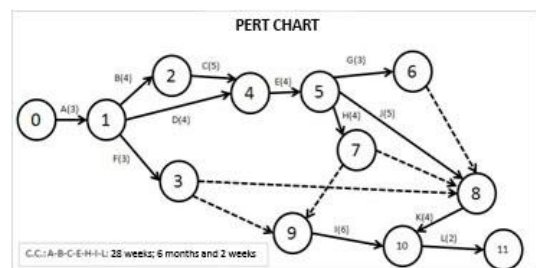


Figure 5: PERT Diagram



### PERT Diagram

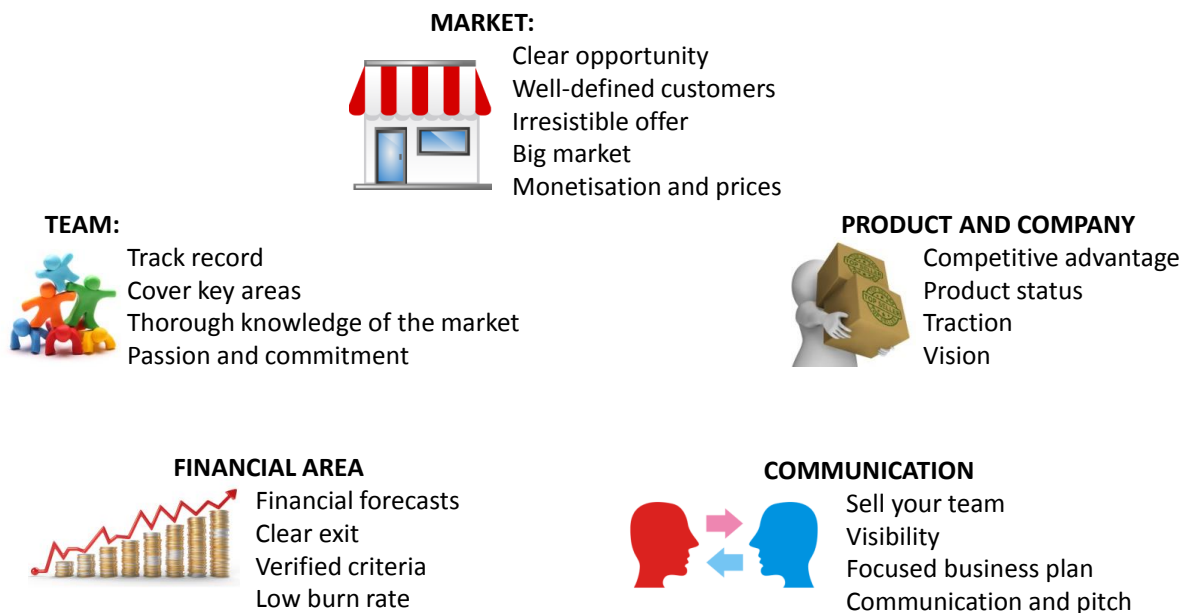
In this case, we don't represent tasks along time but the relationships between different tasks. In Figure 5 you'll see an example. Circles represent milestones in the project, while arrows mean tasks. So, through this diagram you can visualize, for example, how many tasks you need to accomplish to get one milestone and prevent bottlenecks.

## Step 6: Looking for financing

Well, now we need money to make our product a reality! Looking for financing usually is a time consuming task for an entrepreneur. There are different ways to finance a startup: Business Angels, Seed capital, venture capital, family funds, individual investors, crowdfunding...

Private investors will think twice before funding a startup because this model involves many risks: when to tackle the market, the market adoption, the market size, technological risks, legal risks... So, in order to help you being prepared, following the eBook *¿Qué buscan los inversores privados?* [12] in figure 6 we highlight the following aspects for you to think about carefully. Analyzing those aspects you'll know if you are ready or not to receive investment.

**Figure 6:** What do the private investors look for?



## Korak 6: Potraga za financijama

Pa, sada nam treba novac kako bi naš proizvod postao stvarnost! Potraga za financijama obično je dugotrajan zadatak za poduzetnika. Postoje različiti načini za financiranje start-up-ova: poslovni anđeli, početni kapital, poduzetnički kapital, obiteljska sredstva, pojedinačni ulagači, zajednička ulaganja ...

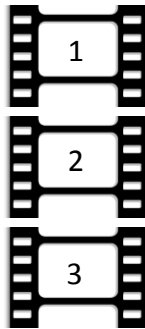
Privatni ulagači dvaput razmišljaju prije financiranja start-up-ova jer ovaj model uključuje mnoge rizike: kada se treba uhvatiti u koštac s tržištem, prilagodba tržištu, veličina tržišta, tehnološki rizici, pravni rizici ... Dakle, kako bi vam pomogli u pripremi, slijedite smjernice eBook-a "Što traže privatni investitori". Na slici 6 ističemo sljedeće aspekte o kojima pažljivo razmislite. Analizirajući ove aspekte znati ćete jeste li spremni ili za primanje investicija.

## Step 7: Disseminating my idea

As you can imagine, telling adequately your story is a key point. It will be a necessity to get investors, clients... The usual way of doing so in the startup's world is the elevator pitch. It is called that way because it is a pitch short enough to be made in an elevator trip. So, your elevator pitch must summarize very clearly the key aspects of your business and must be very well focused to the person (investor, client or whatever) who is listening.

To help you preparing your elevator pitch, in figure 7 you'll find a guide using a very useful tool: the Elevator Pitch Canvas. This canvas lets you think about your pitch as if it were scenes in a film and play with them to improve the final result. Be sure to end your pitch with a positive message!!!

Figure 7: Elevator Pitch Canvas



**Draft script:** Before planning a speech, reflect and define 3 key aspects: listeners, pitch goals and place and situation.

**Script:** Now it's time to structure our speech. The circumstances will determine how many main themes/scenes we want to develop. Choose the ones you think are most appropriate and add them to the canvas.

**Scenes:**

Main scenes:

**Pain/Problem.** Talk about it in a way that your listener will understand.

**Pain killer.** How has the listener been solving this problem until now?

**Solution.** How do we solve the problem? Talk about your proposal.

**Ambition.** Tell your listener about your objectives.

**Execution.** Explain the steps you're going to take.

**Closing.** Always give two positive options for your idea. Never a yes or no.

Secondary scenes:

**Market.** Market knowledge will increase your legitimacy.

**Team.** Give the impression that you have partners, employees, experience, etc.

**Traction.** You already have a user community, customers, followers... tell them all about it!

**Growth.** If you're growing, share it with the world. Or even if you just plan to!

**Sales.** Records and figures, forecasts, etc.

**Strategy.** If you have one... fill your listener in.

**Consultants.** The people who help you are also part of your story.

**Revenue model.** Explain how you're going to make money.

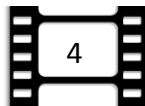
**Product demo.** This gives your listener a chance to try it out.

**Testimonies.** Show off your satisfied customers, professionals, experience, etc.

**Results.** Boast about your achievements.

**Track record.** If it's not your first adventure, tell them about the others.

**Awards.** Has someone celebrated your idea?



**Scene development.** Choose the ones you're going to use and put them on the canvas, following the scheme:

**Scene name.**

**Key words.** 3-5 words that reflect the scene's content.

**Slogan.** Sentence that summarises the scene's content.

**Development.** Elaborate as much as you need.

**-/+.** Is it a positive or negative scene?

SCENE NAME (+/-)

keyword - keyword - keyword -  
keyword  
SLOGAN

DEVELOPMENT

XXXXXXXXXXXXXXXXXXXXXXXXXXXX  
XXXXXXXXXXXXXXXXXXXXXXXXXXXX  
XXXXXXXXXXXXXXXXXXXXXXXXXXXX  
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## Step 8: Partnership Agreement

Finally, one more topic we strongly recommend to address: the partnership agreement. This is a private contract that all the partners and promoters voluntarily sign with the aim of regulating, first, their relationship and, second, their rights and obligations during the project.

The agreement isn't governed by any laws and it doesn't have any formal requirements. It only needs the signature and act of faith of all the project members. The Partnership Agreement provides us with certain rules, so not having one is akin to walking with a blindfold on. We just can't know what will happen in some situations.

It can prevent lots of disgusting situations, so it's a good idea signing it in the seed stage of the company and reviewing it as many times as necessary as your business grows.



## Business plan Q&A

As the last part of this guidebook, some relevant questions and answers regarding the development of Business Plan will be considered.

### 1. What is Business Plan?

Business plan is a methodology of presenting business idea or project, usually required by commercial banks, national funds, EU funds or investors. It is a way of thinking about your business idea or project with the aim to produce a briefly elaborated document – a project plan and timeline of a business, suitable even for tracking its progress over time for entrepreneur.

### 2. Who is interested to read Business Plan?

Banks, national funds, EU funds, suppliers or investors are dominantly interested in a Business Plan of one business. Furthermore, entrepreneur is also interested in it, without clear plan of activities, timeliness and all needed resources (finance, material, human, information, management) it is very complicated, even impossible to keep the track with the project progress and success.

### 3. What content usually should be integrated in a Business Plan?

Many authors agree about the content of Business Plan, in line with that Covello and Hazelgren (2006) proposed recommended content of a Business Plan as it is:

- Front cover,
- Content,
- Executive Summary,
- Explanation of the business idea,
- Presentation of the entrepreneur and team,
- Analysis of the industry,
- Technical and Technological aspects of the business,
- Location,
- Product/service's description,
- Marketing and sales plan,
- Operational plan,
- Management and organization plan,
- Financial plan,
- Return on Investment/Risk assessment,
- Sensitivity analysis.

### 4. What information should be included on Front cover?

Front cover of a business plan need to have following information: project name, company name and project logo (if you have in it), authors (names, titles/competences), city, date and contact details.

### **5. What information should be written in Executive Summary of Business Plan?**

Summary of Business Plan provide readers of a Business Plan with short and brief overview of the whole Business Plan. It is not important if it is placed on the end of a whole Business Plan, but it is important to write it in a way to present your business idea and its potential in a concise and attractive way, with the aim to attract attention of potential reader.

### **6. What are the most important element of the business idea which should be written in Business Plan?**

When presenting business idea, it is more than important to explain a reader(s) what problem(s) you are solving, and what solution you offering with your idea. Moreover, it is important to show your idea is a profitable one. If you presenting an innovative idea, it is a more than welcome to explain the elements of innovativeness. In order to provide a good explanation of your business idea it is good to use data, market research or other available information which supports your new project or business idea, and moreover anticipate existing competitors' and substitutes' products/services at the market you plan to enter.

### **7. Why I need to provide readers about my references or my team?**

One of the key factor, important for success of most brilliant business ideas or projects is in the capacity of entrepreneur or team to perform some particular idea or project. In the part 'Entrepreneur and/or team' it is important to convince readers of the business plan that proposed entrepreneur or the team has knowledge, experience and willingness to perform proposed business idea or project. Also, if you do not possess some required skills or knowledge it is important to explain how you will bridge that. Check out the article *The Dream Team: Hipster, Hacker, and Hustler* (Ellwood, 2012 Retrieved, April 19, 2016, <http://bit.ly/2doFRi6>) and find out more about the recommended roles.

### **8. What information need to be explored and presented about the industry your idea or project belongs to?**

In the analysis of industry, you aimed to enter it is important to present your understanding of main positive or negative factors your project will face in future development. Some well know business methodologies may be helpful. Check out SWOT analysis or Porter's 5 Forces. Think about your idea in a context of the future business environment, respecting your advantages and disadvantages.

### **9. How deep I should explain technical or technological part of my business?**

For some businesses technical and technological part is very important, if your business is for example in IT you should carefully explain hardware and software parts you should have to perform your business.

Also, some business in production need specific machines. Form the other part, many businesses in services need basic equipment such as computer/laptop, printers, scanners and mobile.

### 10. How I important is location for my business?

This question may raise more question than correct answers. However, the most important answer is the nature of your business and interaction with users/customers. If you planned to start business which is not so interactive in 'face – to – face' communication with them your location is not that important, and your business/office if there is any may be anywhere. If you open some business where interaction is a part of your business than your location need to be argumented from that aspect. Why you choose that particular location to be closer to your users/buyers/customers. Anyway, briefly explain your location choice. Maybe, possessing of one location/building/or any other type of property was your key driver to start particular business? Whatever is the point keep in mind bonds between your location and the nature of your business.

### 11. What I need to write about my product or services?

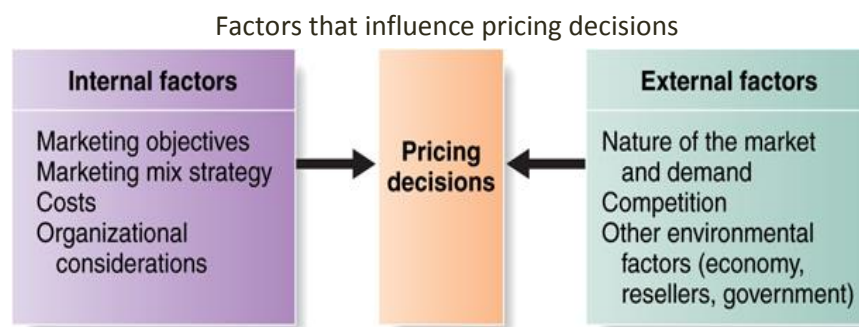
In this part you need to present what you will sell, some products are easy to understand for any reader, some are more complex. However, in your business idea you already present the nature, innovativeness, uniqueness of your business. In this part try to explain how many products or services you plan to offer, clearly explain differences between them and provide readers with reasoning why you have one, some or many product/services.

### 12. Is it important to decide about the prices of my product or services?

Yes, in Business Plan in this particular moment you should have idea about the prices of your products or services. Keep in mind that your prices need to be competitive or provide reasoning for premium pricing.

### 13. How I can calculate my prices?

There are many ways and methodologies you can use. Price highly depends of the product or services, market, country and many other factors. In any calculation keep in mind that your retail price should be higher than the cost you have to produce the item.



Source: Kotler (2006:304)

**14. What costs I should consider when in price calculation?**

When you calculate your prices you should start with basic cost of material or resources you need to involve to produce what you are selling. Next step is to consider cost of work you performed to produce what you are selling. After that, you should involve margin / profit you aimed to have (check it out, % significantly vary within industries), and tax. Sometimes young entrepreneurs forget to calculate work or regular cost they have (space, utilities). Keep in mind that after all costs you have you need to earn some profit, and be able to pay your credit or assure some earnings for your investor.

**15. What topics need to be covered in market analysis?**

Check out list below (See more, Marusic, 1998:10-12):

1. Recent market situation – explain it through the answers on following questions: What companies own business in desired industry? What kind of reputation do they have? Can you find a market niche? Or maybe you can start a brand new business which is a real innovation on the market?
2. Target groups - explain it through the answers on following questions: Who is your customer? Or who can become one? Where do they live? What characteristics do they have? What is your target market's micro and macro location?
3. Market environment – explain it through the following topics: demographic, technological, political, legal and regulatory, socio-cultural, educational, economic environment.
4. Competition – explain it through the answers on following questions: Who are your competitors? What is your position in comparison with your competitors?
5. Product and service – explain it through the answers on following questions: What products and services will you offer? How do they meet market needs? What will customers buy? What do customers need? Can you export your products/services?
6. Prices and profitability – explain it through the answers on following questions: Price strategy and profitability depend on the industry and are also related to the ability of your management to produce profit, i.e. how they manage costs and revenue. Generally speaking, innovations generate higher profit in the beginning.
7. Sales and distribution channel – explain it through the answers on following questions: How do you plan to sell your products? What channel will you use? Will you use outsourcing for distributions? What is your plan for future sales?
8. Human resources – explain it through the answers on following questions: What professions do you need? Can you get qualified employees? What skills do they need to possess? What skills do they need?

9. Company's (*Entrepreneur or business*) resources – an existing or new company needs to analyze its market position. Many existing managerial tools can help an entrepreneur in estimating its recent business and resources position for business startup. (SWOT, PESTLE, Porter)

10. Where can you reach inputs for your business? Explain it through the answers on following questions: Can you find suitable inputs (Quality? Quantity? Prices?)

## 16. What projections need to be included in a Business Plan?

It is recommended to include: sales plan, revenue plan, costs plan, promotion plan, projection of employees, operational plan, resources plan and sources of resources you need, income statement, cash flow is welcome too.

## 17. What need to be included in project sales plan?

Sales plan may be developed from a two points, quantity and financial aspects. First you should think about the number of products or services you plan to offer. If you have a few products/services than you can present in your sales plan each of them. Another possible situation is that you have plenty of them; in that case there is a possibility to group them. One way or another it is important to be realistic, and moreover to consider seasonality if it is present in industry you plan to join.

Sales projection for first 5 years of your business (example)

Product/Services	1 <sup>st</sup> year projection	2 <sup>nd</sup> year projection	3 <sup>rd</sup> year projection	5 <sup>th</sup> year projection	5 <sup>th</sup> year projection	Total 5 years
Name of the product/services						
Name of the product/services						
...						

## 18. What should be considered for preparation of Revenue plan?

First step is pricing, do not forget you need to decide about price of your products or services. If you have any dilemma about it check out what you already learned in Marketing part of this guidebook about pricing and positioning at the market. In this plan you should calculate revenue per product or services/ year, and total for 5 years (usually we calculate all for 5 years). Do not forget to incorporate any other revenue you may earn due the time. Maybe you rent extra space you have, maybe you have some other sources from your property/operations etc.

## Revenue plan

Product/service	Sales (in EUR) 1 <sup>st</sup> year	Sales (in EUR) 2 <sup>nd</sup> year	Sales (in EUR) 3 <sup>rd</sup> year	Sales (in EUR) 4 <sup>th</sup> year	Sales (in EUR) 5 <sup>th</sup> year	Total sale in the first 5 years in EUR
Product/service1						
Product/service2						
Product/service3						
Other revenues you have (state each item)						
<b>TOTAL (in EUR)</b>						

## 19. What should be included in a Cost plan?

Cost plan is important part of your Business plan, carefully developed may help you for better understanding of your business. Keep in mind that you need to explore your business deeply to understand all related costs. And one way or another keep in mind that some costs are unpredictable so keep your eyes open.

## Costs projection

Costs	Costs (in EUR) 1 <sup>st</sup> year	Costs (in EUR) 2 <sup>nd</sup> year	Costs (in EUR) 3 <sup>rd</sup> year	Costs (in EUR) 4 <sup>th</sup> year	Costs (in EUR) 5 <sup>th</sup> year	Total costs in the first 5 years in EUR
Rent						
Employees						
Interests						
Material/service costs						
Utilities						
Other costs (specify each of them)						
<b>Total</b>						

## 20. What should be a part of a Promotion plan?

Promotion plan is highly dependent of your business, furthermore, it is highly dependent of your products or services, and finally affordable budget you have. Before you start with the development of your promotion plan do your homework and explore similar companies and find out what they are doing. Also, it is highly recommended to check out price range of different promotion activities. As a promotion tools you can use wide range of it: advertising (TV, radio, newspapers, magazines, billboards, city lights etc.), point of sale promotions, publicity, sales promotion etc. For many new businesses new media offers many possibilities for low budget promotion, so it is good to explore Facebook, Instagram, Snap, YouTube, Twitter, blogs etc.

Whatever you choose it is recommended to prepare promotion plan with clearly presented type of the media, period you plan to use it and last but not least costs of each of them.

Example of the table is provided below.

Promotion plan

Activity	Time table (when, period)	Costs (in EUR)
Advertising		
Sales promotion		
Point of sale promotion		
Social media campaign		
Total		

## 21. Why is good to prepare operational plan?

Operational plan is a detailed plan where all describing planning activities that need to be performed and managed due the time are described. Moreover, it is good to described execute strategies you plan to perform, with all activities due the time.

## 22. Why is Management and organization important part of a Business plan?

In any Business plan it is important to know what organization type of company is adequate for your business, how you plan to organize your business and what employees you need. Organization type of your business highly depends of possibilities in your country, however, in any case you will choose the type with lower costs and owners responsibility. Next important step is management and how you will organize business within your company. Deliberately decide about the responsibilities and the rights of each co-founder and do not forget to formalize term and conditions. Employees represent important resources of each company, and attacking of competent employees if hard job for any new born company, from other side it is important to consider high costs of employees.

Projection of employees and its costs (example; per year)

Position	Education field	Education level	Work Experience in years	Gross salary in Croatia <sup>15</sup>	Net salary	Number of employees	Total in EUR
<b>Manager (owner)</b>	Economy	Bacc. Or MA	3 – 5 years	2000 EUR	1050 EUR	1	2000
<b>Accountant</b>	Economy	Bacc. Or MA	3 – 5 years	1440 EUR	800 EUR	1	1440
<b>Shop assistants</b>	Economy or field of core business	Secondary school	1 year or more	900 EUR	500 EUR	5	4500
<b>Total</b>						8	7940

In your financial projections don't forget to consider annual cost of employees.

<sup>15</sup> Employees' costs are calculated according to the average salary for that position in Croatia and adding Croatian taxes and other payments for that position.



### 23. What resources need to be involved in Business plan

It is highly connected with your particular business. During the development process of your business plan you should deliberately think about the resources you should need to start your business. Furthermore, resources cost so keep that in your mind all the way. Also, you should consider renting expensive resources when it is necessary or involving partner or investors who can provide you with those resources.

Structure of resources (example)

Item	Amount (EUR)
Office rent (1 <sup>st</sup> year)	5,000
Equipment/computers	5,000
Material resources for production (if you produce something) (1 <sup>st</sup> year)	10,000
Employees costs (for 2 months)	5,000
Licenses/Applications/Website/Logo	15,000
<b>Total</b>	<b>40,000</b>

### 24. What need to be explained about the resource sources in Business plan?

Whoever read your Business plan is interested in resources you already possess, particularly when you asking for additional financing from the bank or other investors. Furthermore, Business plan users will be interested to check your understanding of your business when they see how you plan your business in terms of assessing necessary resources and its sources. Keep in mind they need to be in balance! If you employ more resources than you need it is evidence of inefficient money usage, from other side if you don't have a plan how to reach total amount of money you need to collect resources question about success of your project arise. Resources and sources you have need to be in balance! Check out previous table and following one.

Projection of financial sources (example)

Source	Amount (EUR)	%
Personal savings	15,000	37.5
3F (Friends, Fools and Family)	5,000	12.5
Money won on Start-up conference X	10,000	25
Venture Capital	10,000	25
Trade credit <sup>16</sup>	0	0
<b>Total</b>	<b>40.000</b>	<b>100</b>

<sup>16</sup> For most startups it is almost impossible to get a trade loan or any other commercial bank financing. Usually, bank loans require mortgage what is considered as mission impossible at this stage of a new business. Therefore, loans will not be presented in this module. If you are in a position to get one you need to be aware of all other costs such as: fees, issuing required documents, interests and finally the loan itself. For that purpose you can use a loan calculator such as:

<http://www.online-calculators.co.uk/interest/loanrepayment.php>

## 25. What elements should be covered in Income statement?

Income statement represents financial part of your projects, precisely explain to the Business plan readers is there any possibility to get profit from your business. Its calculation is based on previously presented Revenue and Cost structure.

Income statement (example)

		1st year	2nd year	3rd year	4th year	5th year
	Items					
1.	Total revenue	157,950.00	186,350.00	243,200.00	268,000.00	296,500.00
2.	Total costs	137,441.00	143,734.00	226,832.00	236,342.00	249,042.00
3.	Profit before tax	20,509.00	42,616.00	16,368.00	31,658.00	47,458.00
4.	Tax (20 % <sup>17</sup> )	4,101.70	8,523.20	3,273.60	6,331.60	9,491.60
5.	<b>Net profit</b>	<b>16,406.80</b>	<b>34,092.80</b>	<b>13,094.40</b>	<b>25,326.40</b>	37,966.40
6	Retained earnings	16,406.80	34,092.80	13,094.40	25,326.40	37,966.40

## 26. What elements should be involved in Cash Flow?

If you plan to develop Cash Flow for your business check recommended content presented in table below.

Cash Flow

Cash Flow From Operating activities	
<b>Net Earnings</b>	2.000.000
<b>Additions to Cash</b>	
<b>Depreciation</b>	10.000
<b>Decrease in Accounts Receivable</b>	15,000
<b>Increase in Accounts Payable</b>	15.000
<b>Increase in Taxes Payable</b>	2.000
<b>Subtractions From Cash</b>	
<b>Increase in Inventory</b>	(30,000)
<b>Net Cash from Operating activities</b>	<u>2012,000</u>
Cash Flow From Investing activities	
<b>Equipment</b>	(500.000)
Cash Flow From Financing activities	
<b>Notes Payable</b>	10.000
<b>Cash Flow for FY End 31 December</b>	<b><u>1.522.000</u></b>

<sup>17</sup> Taxes vary from country to country; in Croatia the profit tax rate is 20% (for 2016).

## Guide for setting up a business in UK



### Start-up business plan essentials: Testing your business idea

Field research is a key part of analysing your market and will help you build a successful business plan and brand. Here's how to carry it out effectively.

For more information please visit the following sites:

<http://www.greatbusiness.gov.uk/the-how-to-write-a-business-plan-guide/>

[https://www.princes-trust.org.uk/help-for-](https://www.princes-trust.org.uk/help-for-young-people/tools-resources/business-tools/business-plans)

[young-people/tools-resources/business-tools/business-plans](https://www.princes-trust.org.uk/help-for-young-people/tools-resources/business-tools/business-plans)

<https://www.business.gov.au/info/plan-and-start/templates-and-tools/business-plan-template-and-guide>

<http://www.barclays.co.uk/business-banking/business-insight/writing-a-business-plan/>

### Choosing the right business structure

Sole trader, partnership, limited company or LLP?  
We look at how to choose the right legal structure for your start-up...

For more information please visit the following sites:

<https://www.sba.gov/starting-business/choose-your-business-structure>

<http://www.legalchoices.org.uk/your-small-business/factsheets/business-structure/>

<https://www.gov.uk/limited-company-formation/choose-company-name>

<https://invest.great.gov.uk/us/setup-guide/understand-legal/>

<https://www.gov.uk/guidance/public-sector-procurement-policy>





## How to choose the perfect name for your business

Choosing the right start-up name is extremely important. Here's a practical guide on how to pick out the best name to ultimately build a better business.

For more information please visit the following sites:

<https://businesswales.gov.wales/news-and-blogs/blogs/choosing-perfect-business-name>

[http://www.start.biz/business\\_names/search](http://www.start.biz/business_names/search)

[http://www.start.biz/business\\_names/search](http://www.start.biz/business_names/search)

<http://www.formationsdirect.com/limitedcompanynamecheckavailability>

## How to create a logo that properly represents your business

Five fundamental points your logo should convey to your customers...

For more information please visit the following sites:

<https://www.gov.uk/government/organisations/companies-house>

[www.freelancer.com](http://www.freelancer.com)



## Applying for a Start Up Loan: What to expect



Looking to raise finance for your new business? Join the 30,000 plus Start Up Loan recipients today.....

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