

HOW TO START



A BUSINESS?

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ON TUTORIAL | *In this tutorial we cover the following topics:*

- ☞ *how to register a business*
- ☞ *business idea*
- ☞ *resources and finances*
- ☞ *what is a solid plan*
- ☞ *luck as success factor*
- ☞ *effective presentation*



“Making money is art and working is art and good business is the best art!”



Andy Warhol

In the phase of starting a business, the factors that most affect the dynamics and the direction in which each entrepreneurial business will develop are the following:

1. **BUSINESS IDEA** 
2. **LEGAL FORM** 
3. **AVAILABLE RESOURCES** 
4. **BUSINESS PLAN** 
5. **LUCK** 

The first four factors are in the domain of our control and depend on our decisions, while the fifth factor happiness is beyond our control. For the first four factors, the following are important: a) good preparation, b) knowledge and experience-based assessments, and c) decisions based on these assessments but also on the data/facts. For the fifth factor, it is important that you are *born under a happy star*.

1. BUSINESS IDEA



Business idea is the idea of a business that we want to pursue - to produce some products or to provide some services on the market where these are required. Business ideas have the greatest potential for success when it is the product of a recognized market opportunity and when it is unique and without competition. Business ideas must be able to encompass the specific economic activity we want to pursue, to know where on the market is the opportunity for that activity, whom needs is, which target group we are addressing, and to know how the size of the the market we are interested in.

2. LEGAL FORM



There are several legal forms through which an entrepreneur can organize his business. They differ according to the rights and obligations undertaken by the entrepreneur in choosing the legal form towards the state, third parties and their own property. What legal form will most suit the entrepreneur and his business depends on a number of factors, but they are all conditioned by the specific goals and needs of the entrepreneur and the specifics of the job.

Here we will analyze the various legal forms recognized by domestic legislation, namely:

...

...

...

**Task:**

Analyze the legal forms and choose a proper form for your entrepreneurial idea. Explain why it is a proper form for you and write the explanation on paper.

3. AVAILABLE RESOURCES



In order to start our own business, it is necessary to determine which resources we need, which of these resources we already have, or how we can provide for those resources that we lack. Resources include money, space, machines, inventory, knowledge, goods, services, human work, but also good contacts and recommendations.

Most entrepreneurs heavily rely on their own resources, property and money, as well as the resources of their family and friends. However, what if we do not have enough of our own resources? There are several ways we can try to provide additional resources for business development.

BORROWING/LENDING | Borrowing is not the same as loan. We can also borrow money from a friend. A friend's lending is obtained on the basis of personal trust, with or without a contractual relationship, and without interest.

LOAN | The funds that a bank lends to the client for business development is called a loan. In contrast to the borrowing, the loan is granted only on the basis of the solvency of the receiver, low risk and with the appropriate collateral. The loan is paid interest to the bank.

PUBLIC SUBSIDIES | Funds can also be partially secured from subsidies offered by a state or an international institution in cooperation with the state. These incentives are non-refundable or partial. These incentives requirements are announced by an institution that gives the incentives.

BUSINESS ANGELS | Business angels is the name for business people and companies that invest in fast-growing startup companies at the beginning of their life cycle. The business angel's logic is to recognize a prospective business that has the potential, to buy a majority ownership stake in a short period of time, with proper management and investment, spiralingly, and at an early stage of development, while retaining an entrepreneur as the chief business manager. From entrepreneurs, who retained a minority ownership stake over the company, it is expected to continue to develop business and increase profits for themselves and business angels. Business

angels and entrepreneurs come in contact most often through specialized events, the so-called business pitching, where entrepreneurs compete in presenting business ideas to business angels or investors. Such investments are highly risky, as they are business startups, some of which are only at the level of elaborated business ideas, while success is uncertain. They are most often found in the IT sector.

CROWDFUNDING¹ | One of the alternative ways of fundraising for your forward-thinking idea is crowdfunding. The crowdfunding coin was created by merging the English word crowd (group, crowd) and financing and it denotes the mass financing of the project with small amounts per person giving the money.

Crowdfunding is a method of financing a project by raising funds from a large number of individuals, primarily through the online crowdfunding platform. (crowdfunding.rs)

Crowdfunding is not the same as shares emission. Shares can only be issued by stock companies, and the sale of shares takes place exclusively on the stock exchange, according to strictly defined rules, while through crowdfunding funds can be collected by everyone, and the regulation of this method of fundraising is insufficiently developed.

Who gives the money? Money is paid by individuals, the so called backers, because they are willing to deduct a small amount to support the idea they like, and they can get something in return, depending on the type of crowdfunding and the ones you set up as the driver of the initiative. The project is usually first financially supported by families, friends and a small proportion of the population who usually allocate funds to support super-innovative or humanitarian ideas.

The first online crowdfunding campaign was realized in 1997 to finance the US tour of the Marillion band, when \$ 60,000 was raised. Since then, many online platforms for group financing of social and entrepreneurial ideas have been created (e.g. Kickstarter). The Cambridge Center for Alternative Financing estimated that by this year, more than \$ 34 billion was raised for a variety of projects around the world, and the World Bank predicts that the crowdfunding market will have a value of around \$ 100 billion by 2020.

4 types of crowdfunding

¹ crowdfunding.rs

Donation-based crowdfunding works as the campaign initiator's indicates of the needed amount to be collected and provides for detailed explanation why the money is needed, and the backers donate funds without expecting to get something in return.

Reward-based crowdfunding is the most famous form of this type of alternative financing, mainly because the two most widespread platforms, Kickstarter and Indiegogo, function in this way. Here, in exchange for financial support, a symbolic prize, such as badges or t-shirts, is offered.

Equity crowdfunding offers the possibility to backers to become thorough provision of their financial support stakeholders in the initiative. One of the known platform of this king is the *Funderbeam*.

Lending-based crowdfunding is a type of online borrowing/lending with lower interest rates that in the banks and mostly with higher rate of return then with regular savings. This crowdfunding market is several times bigger then those of the other crowdfunding types together.

There are many platforms that are used globally, and the choice of the platform depends on the type of campaign and where the bulk of your support is - backers. In Serbia, Kickstarter and Indiegogo are the most used ones. Indiegogo is more popular because it allows you to keep as much money as you collect, even if you do not collect the entire amount; while Kickstarter does not have this option. Kickstarter also requires that you have an account abroad (US, EU countries, etc.).

SHARES EMISSION is a possibility that can only be given by the stock companies, not the entrepreneurs.

4. BUSINESS PLAN



Starting your own business implies that you have developed an appropriate business plan that will indicate what business results you want to achieve in a given period, and in what way. The basis of the business plan is planning. Planning is a process of thinking and setting of our business goals and which of the available ways is best for achieving these goals. The results of the planning process are planning decisions - what, how, when, who, where.

The business plan can be prepared in a free form, as our personal plan that we will follow, and in the form of a business plan, as a detailed planning document with a recognizable structure. Each

plan must contain at least 3 elaborated elements, such as a statement of mission and vision, a SWOT analysis and an action plan. The business plan has a more complex structure and we will look at it in pages below.

Mission and vision are both an important starting point for each business plan. The mission tells us what our business is doing, what are our goals and what approach we take to accomplish them, while the vision tells us how we see the position of our company or our business in the future. The mission is more often used than a vision.

Examples of mission and vision of globally known companies²:



“To give people the power to share and make the world more open and connected.”



“To be a company that inspires and fulfills your curiosity.”



“To enrich people’s lives with programmes and services that inform, educate and entertain.”



“Establish Starbucks as the premier purveyor of the finest coffee in the world while maintaining our uncompromising principles while we grow.”



“To refresh the world...To inspire moments of optimism and happiness...To create value and make a difference.”



“To provide authentic hospitality by making a difference in the lives of the people we touch every day”



“We save people money so they can live better.”

² <http://www.alessiobresciani.com/foresight-strategy/51-mission-statement-examples-from-the-worlds-best-companies/>

SWOT analysis is an inevitable planning tool that shows us 4 important groups of factors that we need to take into account in planning and running a business. The initial letters of these 4 groups of factors make the abbreviation SWOT. SWOT analysis is always done in quadrants.



A well-developed SWOT analysis will show us the following:

1. Which **strengths** our **business idea or company has**, and by which use we will increase the chance of success,
2. What **weaknesses** our **business idea or company has**, and whose reduction or elimination should help us in avoiding slowing down the development of our business,
3. **What possibilities exist in our environment**, with which we will significantly contribute to the development of our business.
4. **What threats exist in our environment**, which can seriously jeopardize the development of our business and which should be eliminated.

By careful analysis of the above mentioned groups of factors, we will learn a lot about ourselves (strengths and weaknesses), but also about our own environment (opportunities and threats) and

we will be able to make strategic decisions in which direction and how we want to continue the development of our own business.

Action plan

Mission & Vision statement: ---				
Period: ---				
ACTIVITY	WHEN?	WHO?	WHERE?	NECESSARY RECOUSES
1. Registration	End August	Marko	Business Registry	100.- EUR
2. Opening of bank account	End August	Marko	Bank	30.- EUR
3. Finding office space to rent	15 September	Agencija za nekretnine	City center	6,000.- EUR
4. Purchase of office inventory	End September	Petar i Mina	IKEA	2,000.- EUR
5. Product designing	15 October	Dizajneri	Office	800.- EUR
6. Product test production	End October	Craftsman	Workshop	300.- EUR
7. ...				
8. ...				

The action plan reminds us of the chronological sequence of steps and obligations that we need to realize in the development of our business. The business plan, on the other hand, is more analytical and shows how we have planned various segments in business, such as marketing, sales, financial construction, etc.



Task:

Do the SWOT analysis of your business and create an action plan for the first operating year.

Business plan

A business plan is always related to a concrete business idea and it implies certain forms of its shaping, where everything is valorized on the market. For us, the most interesting are primarily business plans for the needs of small and medium-sized enterprises where it is possible to conditionally differentiate several segments of the business plan, which are:

EXECUTIVE SUMMARY	MARKETING SEGMENT
PRODUCTION/SERVICE SEGMENT	FINANCIAL SEGMENT

EXECUTIVE SUMMARY of a Business plan is a summary of an integral business plan. In this part of the business plan, the basic elements related to the enterprise, product or service are covered, key results of the marketing research and sale possibilities, then the basic data on the way of production realization and the needs for the production process, as well as the short information on how to organize and manage the company. At the end of the summary, the basic information is usually given in relation to the financial segment of the business plan with a proposal for the need to finance a business idea. Although it is put in the first place according to the methodology, this part of the business plan is in fact a summary of the overall business plan prepared, and together with the introductory part it is only formed at the end of a business plan, since it represents a recapitulation of all chapters contained in a business plan. Summary is particularly important segment of a business plan as it contains sufficient elements for a preliminary assessment of a business idea or an investment project. If the summary is interested for an investor, then (s)he continues to read and analyze the entire integral text of the business plan. Otherwise, the investor does not read more than the summary.

MARKETING SEGMENT of a business plan includes the analysis and assessment of the market and the plan of sales of specific products and services that are the subject of the business plan. In this regard, the marketing plan must include the following elements:

✓ **DETERMINING THE MARKET**

Taking into account product characteristics and all other elements, and in particular highlighting those segments of the market where the greatest success is expected

✓ **IDENTIFICATION OF POTENTIAL BUYERS**

In accordance with market segmentation and identification of the target market, it is possible to determine the potential customers and analyze their profile

✓ IDENTIFICATION AND ANALYSIS OF THE COMPETITION

Should include a summary of the basic data on competitors that produce the same or similar products and give an overview of the main advantages and disadvantages of competitors in order to define a particular strategy for a competitive fight

✓ ASSESSMENT OF POTENTIAL MARKET SHARE

In the target market - refers to the assessment of the possibility of passage of products or services in the target market, determines market opportunities, market worthiness and at the same time the financial justification of the considered business endeavor

✓ DETERMINING SELLING PRICE OF A PRODUCT OR A SERVICE

From the price of product or a service mostly depends one's financial result

✓ DEFINING SELLING STRATEGY

This is an important segment of marketing plan since it influences to a large extent the results of a business in the market

PRODUCTION/SERVICE SEGMENT is an important part of a business plan that should provide data on production capabilities and prerequisites for the realization of production (or provision of services). The production plan (or service provision) therefore contains the following information:

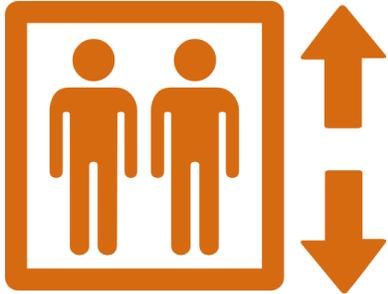
- (1) Production location
- (2) Description of technological process and equipment used in the process
- (3) Raw materials
- (4) Work force
- (5) Quality and eco standards

FINANCIAL SEGMENT of a business plan is the final part of the business plan in which all income parts of the business plan are shown. First of all, it is necessary to show how much financial resources are necessary for the realization of a specific business venture. Cost and income analysis is the basic tool for assessing profitability. The basic cost allocation is: a) **fixed** (costs that do not change with changes in production volume); b) **Variable** (those costs that change under the influence of change in production volume - with the increase in production volumes increase, and with decreasing production volume is declining).

5. LUCK



PRESENTING A BUSINESS IDEA



The skill of effectively presenting a business idea can help you get the attention of clients and investors. One of the techniques of effective representation is the so-called Elevator statement or Elevator pitch. It is a short statement or speech (about 30 seconds) that quickly, in an interesting way, represents the product, organization or personality and its value. The name emerged from the practice to tell the case in a concise and interesting way during an accidental meeting in an elevator with an important person, during the drive (about 30 seconds), and thus gets the attention

of an important person for the case. The goal of such an exposure is to attract the attention of an important person in order for him/her to become more interested in hearing more about what we are representing. Presentation in the elevator is a concise, carefully planned and well-coined presentation that effectively captures the attention of the listener. It contains between 150 and 225 words. The presentation should cover 3 main aspects:

- a) *information about a business, product or service, its key quality, and the information on its main value*
- b) *Why is my business unique in relation to competition and why precisely have I chosen that particular business over any other?*
- c) *Why should an investor or a client be interested in my business, product or service?*

Example of a **non-effective** elevator statement:



“Good afternoon, my name is George and I am the owner of a company that develops software. We are developing various software in different areas. We have 5 employees. We are in the city center. So far, we have been cooperating with two big beer producers and created user applications for them. Now we want to invest in the development of global applications and look for investors. Are you interested in hearing more about our venture?”

Example of an **effective** elevator statement:

“Good afternoon, my name is George and I am the founder of a company that only develops innovative software on the market. Our software has a faster algorithm and takes less memory and is therefore more popular compared to other software solutions. This is our innovation that no one else owns. That is why the biggest companies turn around with our solutions for their user applications. We are now planning the development of a global application that we estimate will bring us a revenue of 20 million euros by 2020 and a leading position in the market for user applications. We are currently negotiating with several investors in this entrepreneurial venture and we would like to present to you an investment scheme. Could we schedule a business meeting?”



BIBLIOGRAPHY • <http://www.alessiobresciani.com/foresight-strategy/51-mission-statement-examples-from-the-worlds-best-companies/> • crowdfunding.rs • Stojanović M., Socioeconomic Empowerment Toolkit; Module 6: Outstanding candidate, Western Balkans Institute, Belgrade, 2018 • www.flaticon.com •

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