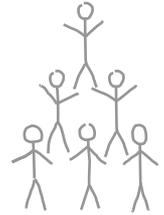


Lecture at Liepaja University
April 15th, 2016

A Short Story about Entrepreneurship

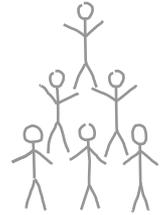
Barbara Eichelmann-Klebl
be! unternehmerberatung

Overview



- Who is „be!“
- Orientation
- 10 steps to the Business Plan
- Questions and Discussion

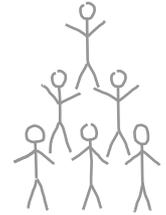
Who is „be“?



About me:

- Apprenticeship for industrial management
- Technical University of Darmstadt: Master in Industrial Engineering, studied also in US
- Worked for multi-national companies in business development
- In 2001 founded two companies
 - Business consulting be! unternehmerberatung
 - Trading company for chocolate covered dried fruits
- Advisor to entrepreneurs (or those who want to be) on operational issues relating to company development
- Expert for sustainability audits of business startup projects
- Authorized process consultant for programs of German Ministry of Labor and Social
- Leading the Committee for Promotion of companies at the Chamber of Commerce Darmstadt

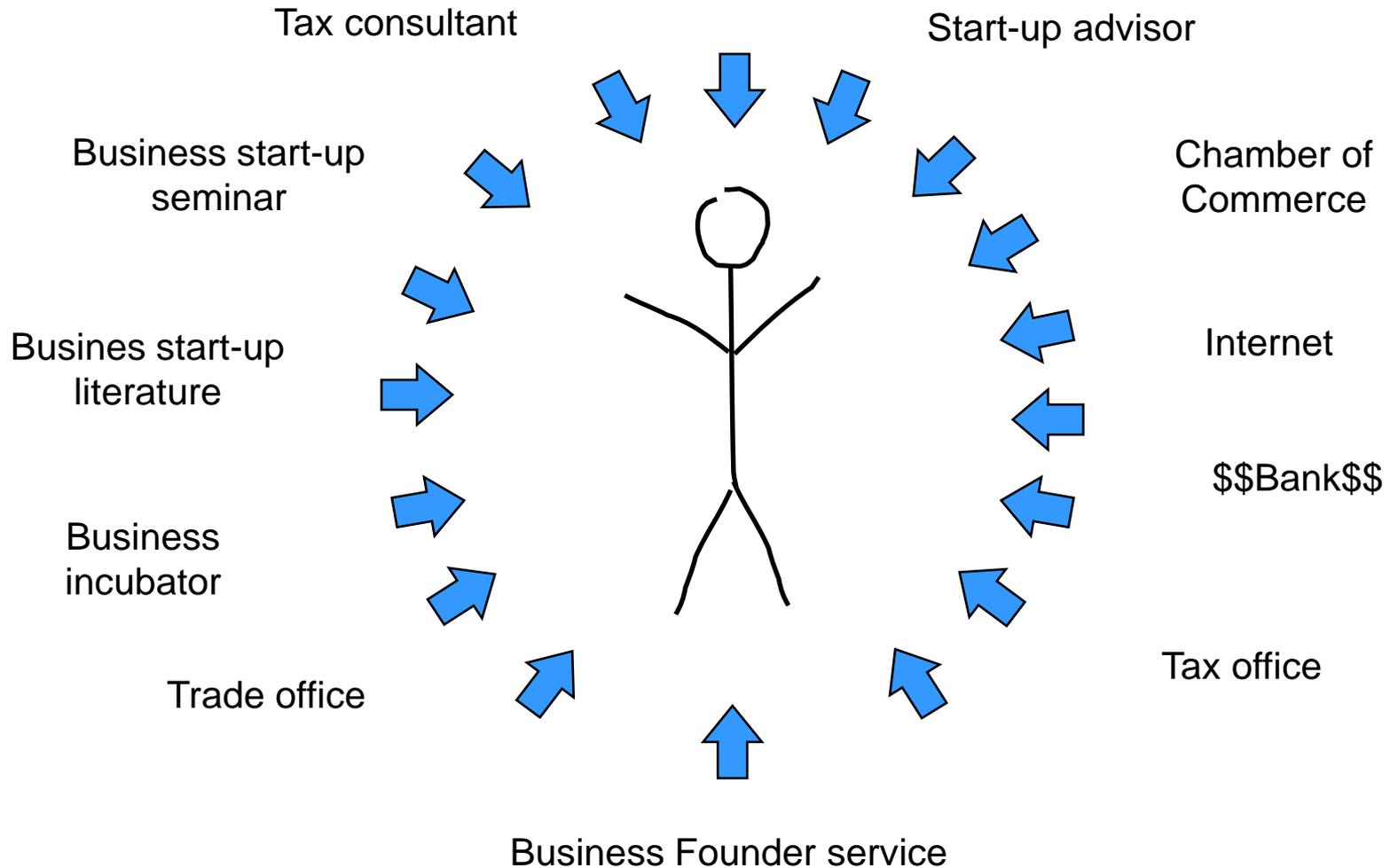
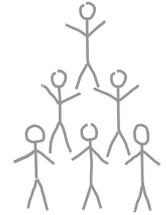
Who is „be“?



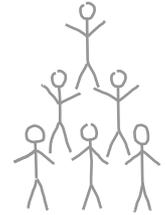
- My goals:
 - Encourage people to go into business for themselves
 - Improve business motivation



How does a founder feel?



What hinders the Entrepreneur?



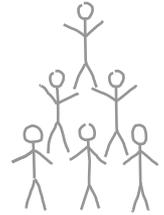
Personal reasons

- Concerns from one's surrounding
 - "If it was so easy, everyone would do it"
 - "Why should you be successful?"
 - "Better not quit your day job, yet"
- No support from the family
- No self-confidence / Fear of failure
- No motivation

Professional reasons

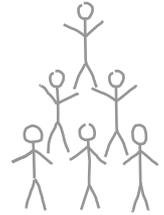
- Problems with financing
 - No equity capital
 - Fear of negotiation with bank
 - Lack of knowledge about funding
- Legal uncertainty
 - Choice of legal entity
 - Design of business contracts
 - Liability
- Problems of business operations
 - Missing business goals
 - Inadequate leadership
 - Uncoordinated individual activities

Success criteria 1/2



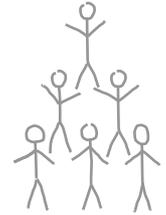
- Own business idea
 - Intensive testing of the business idea
 - Copying successful business ideas (Best Practice)
- Entrepreneur
 - Focus on what you do best
 - Social environment - support and honest feedback
 - Accept help and support - openness to new ideas
- Business plan
 - Anticipate future mindset
 - Plan expenditure and revenue realistically
 - Plan objectives, milestones and measures
- Sales revenue
 - Marketing
 - Advertising and public image

Success criteria 2/2



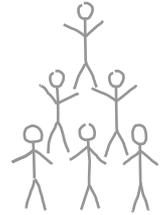
- Sufficient start-up capital
 - Funding – private or public sources
 - If necessary, acquire funding from a Bank
- Insurance: as much as necessary - as little as possible
 - Private insurance and asset formation
 - Business Insurance
- Council of specialists
 - Lawyer
 - Tax consultants
 - Management consultants
- Good contacts
 - Chamber of Commerce
 - University career center
 - Networks

Overview



- Who is „be!“
- Orientation
- **10 steps to the Business Plan**
- Questions and Discussion

From idea to realization of Goal!



Planning helps!?

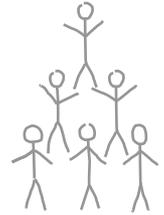
What is planning?

- Establish goals and future actions
- Anticipate the future
- Through proper planning develop a methodology to achieve the objectives

Why do planning?

- To create transparency
- Ask yourself and answer questions now
- Detect dead ends and errors early

What is a business plan?

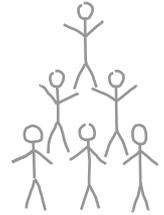


The Business plan

- Ideas and goals
- Know your strength and weaknesses
- Market / Competition / Sales & Marketing
- Environment / location / legal entity / staff
- Risks
- Financial plan

- Textual description
- Financial plan
- Appendix

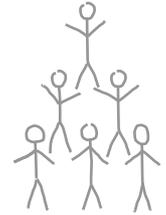
4-6 weeks



Why a Business Plan?

- Because the bank wants one
- A Study from the KfW Bank (Reconstruction Credit Institute)
 - In the first 3 years 30% of all start-ups fail
 - But only 15% of start-ups that are financed with loans fail
 - Good preparation increases the chances of success!
- Because it helps the Entrepreneur
 - Visualize and anticipate the future mentally
 - Plan expenditure and revenue realistically
 - Capture objectives, milestones and measures
 - Think ahead!

10 steps to the Business Plan

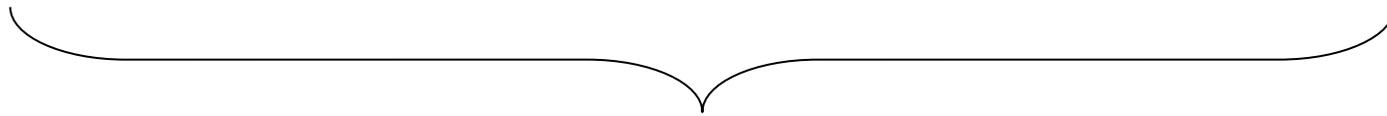
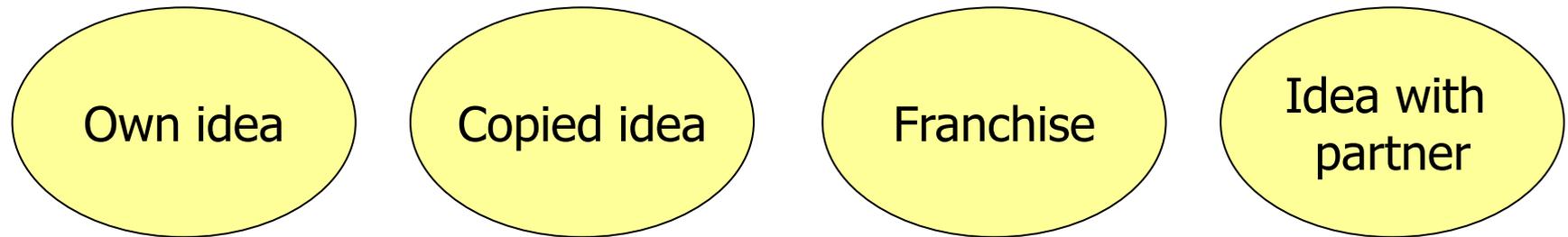
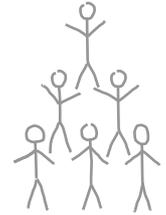


1. Define business ideas and goals
2. Check entrepreneur
3. Clarify approvals
4. Explore the market situation and competition
5. Note private revenue and expenditure
6. Plan operational costs and investments
7. Estimate sales and revenue
8. Liquidity, capital requirements and financing
9. Pin down action plan and milestones
10. Does it fit? Critical appraisal

11. Decision for / against establishment of business

financial plan

1. Define business idea and objectives



Check the business idea

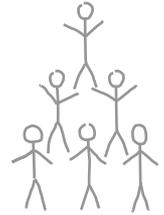


Define goals



Determine enthusiasm for the idea

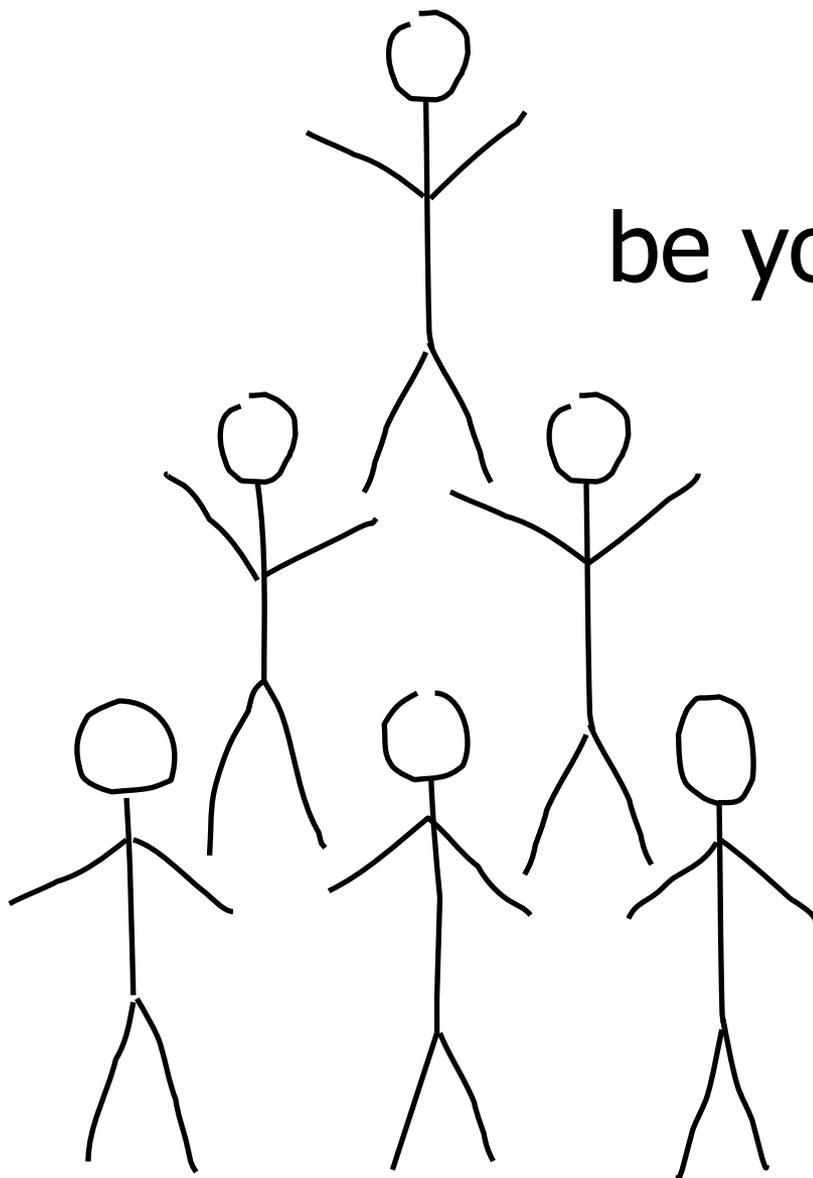
2. Know yourself and your partners

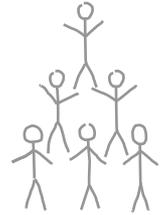


- Focus on what you do best
 - Professional suitability
 - Commercial fitness
 - Personal fitness
- Social environment: support and honest feedback
- Good contacts
 - Chamber of Commerce
 - Networks
- Openness to new ideas
- Accept assistance and support



be yourself !

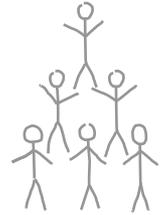




3. Clarify approval authority

- May I?
 - E.g. in Germany there are Master craftsman constraints
- If so, what permits do I need?
 - How do I get the approval?
 - How expensive is it?
 - How long does it take until it is granted?
- Sources of Information
 - Internet
 - Professional associations
 - Chamber of Commerce

4. Market Situation and Competition



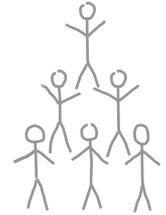
- Explore industry and market
- Know your competitors

Most important question: Why the customer buys?

- Desire / Greed
- Fear

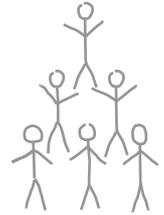
- You
- Create value
 - Solve problems

10 steps to the Business Plan



1. Define business ideas and goals
2. Check entrepreneur
3. Clarify approvals
4. Explore the market situation and competition
5. **Note private revenue and expenditure**
6. **Plan operational costs and investments**
7. **Estimate sales and revenue**
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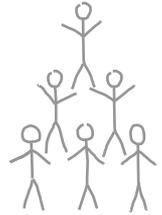
financial plan



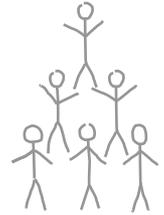
5.-8. Financial Planning

- 3-year plan
- Keep exact monthly figures
- Good start for the financial planning of your business are your private data (because you know them the best)
- Next, plan the Operational Figures
 - Investments
 - Costs
 - Revenues

5. Private Income and Expenditure



- Any private revenue?
- Review last year's bank statements
- Estimate and calculate changes in working status
- Sum up what your company has to earn!

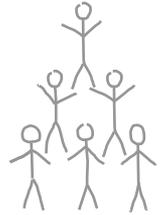


Private Expenditures

- Rent and utilities
- Health and long-term care insurance
- Retirement savings
- Livelihood
- Taxes

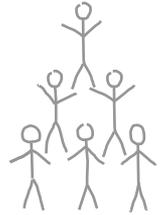
Risks

When does Insurance help?



- As much as necessary - as little as possible
- Individual risk analysis
 - Probability of catastrophic event
 - Scope and financial impact
 - Insurance charges
- Only buy insurance for existence-threatening risks
- Example for private risks
 - Disease → Healthcare / Disability insurance
 - Getting older → Pensions

6. Operating Costs and Investments

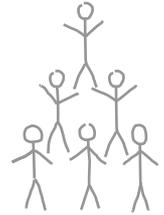


- Start-up expenses
 - Consulting
 - Registrations / permits
 - Notary / commercial register
- Investments
 - Office equipment
 - Machinery
 - Vehicles
 - Technology

consider if necessary

Business costs

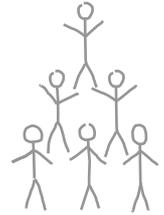
Current expenses



- Rent and utilities
- Staff
- Vehicle
- Office supplies, telecommunications
- Advertising, representation, gifts
- Insurance
- Tax and Accounting
- Legal and consulting costs
- Interest
- Depreciation

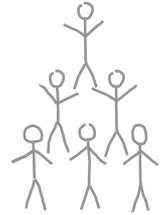
Fixed or variable?

Operating Risks 1/2

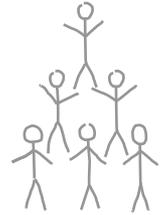


- Liability Risks
 - To third parties due to infringement
 - Can threaten survival of the company
 - Error sources are diverse
 - Liability insurance
- Material Risks
 - Damage and destruction of store buildings and outdoor facilities, raw materials and supplies, etc.
 - Insurance
 - Data storage / backup strategy

Operating Risks 2/2

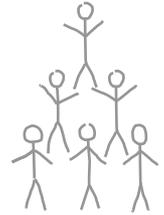


- Non-payment or default risk
 - Retain solvency of customers in mind
 - Short payment
 - With longer projects: monthly payment,
 - If necessary payment in advance
- Risk of litigation
 - Legal aid insurance
- General Business Risk
 - No (economic) Insurance
 - Form suitable early-warning
 - "Buffer" to survive any disaster



Location

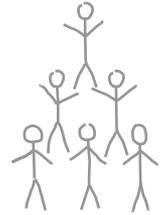
- Service providers: if necessary
First start in private apartment
- Store: location, location, location!
 - Sales area
 - Storage area
 - Rent / utilities
 - Image
 - Brightness
 - Clarity
 - Advertising opportunity outside
 - Adjacent shops
 - Walk-ins
 - Parking
 - Public transport
 - Binding contract



Keep Fixed Costs Low

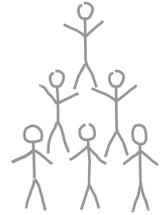
- Cash is king
- Start small, think big
- Be careful with major purchases and long-term contracts
- Stay flexible (up to the exit - strategy)

 Prefer variable costs!



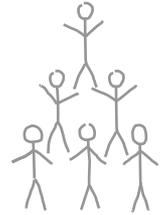
7. Estimate sales and revenue

- Sales do not fall "from heaven"
- What can I expect to acquire?
(Not: What do I need to live?)
- Concrete planning on a monthly basis
 - Assignments
 - Who
 - For what
 - When
 - Prices
 - Start up in negotiations, do not work for free
 - Package prices, Starter Discounts
 - For planning begin conservative prices
 - Three tier plan
 - Realistic "Management Case"
 - Minimum planning
 - Maximum planning



How Do I Sell Something?

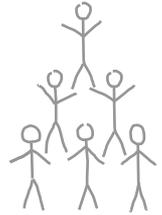
- Say what you do!
 - In one sentence
 - So that your mother understands
- Looking nice helps:
Corporate Identity - Corporate Profile
- Identify and pursue your audience
- Win references and talk about them
- Network like crazy
- Form partnerships
- Tell everyone what you do!



Elevator Pitch

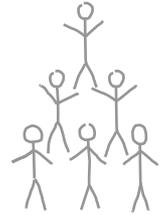
- **What am I doing?**
Describe the service or product
- **For whom?**
Define your target audience
 - For example. Age, gender, social status, income level
 - Regulars vs. walk-ins
- **What Makes You Special?**
USP, or unique selling point
 - Costs
 - Technology, quality
 - Service, location, environment
 - Image, experience

8. Liquidity, Capital Requirements and Financing



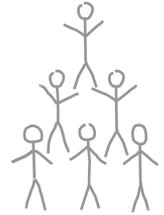
- Summarize private and corporate figures
- When does the Sales result into revenue?
 - Write bill quickly and correctly
 - Short payment conditions
- When are the invoices due?
 - Exploit discounts
- Scheduling buffer for unforeseen situations
- Identify funding needs
- Ensure adequate start-up capital
 - By equity
 - By debt

Cash is king



Equity – What Do You Have?

- Savings
- Start-up subsidy
- Infrastructure (Car, computer, desk, office ...)
- Relatives / friends



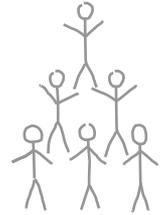
Borrowed Capital – Best Without

- Partner
- Bank / Outside investment or loans / funding / crowd investment
 - The Entrepreneur, qualifications and motivation
 - Convincing corporate concept
 - Promising profitability forecast
 - Collateral (e.g. real estate)

Good preparation

- Talk to your bank early, before starting
- Thoughtful business plan

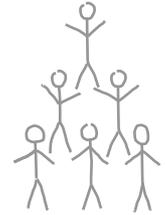
9. Action plan and Milestones



An action plan brings clarity and prevents forgetting important factors.

Examples for actions	Support	Due date	Done
Get business license		15.05.2016	
Create a Homepage	Designer	10.06.2016	
Write Customers	Consultant	15.07.2016	
Liability insurance	Insurance broker	01.07.2016	

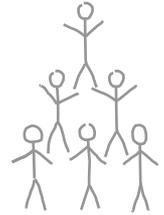
9. Action Plan and Milestones



Milestones facilitate monitoring.

Examples of milestones	Due date	Done
Sell 100 pieces	02.08.2016	
Turnover of at least 1.000 €/mth	Sept. 2016	
Seminar with at least 9 participants	End of 2016	

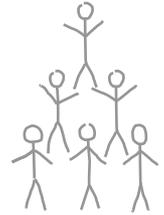
Use milestones to steer the business and bear the consequences. Also ending self-employment is an option.



10. Critical appraisal

- Sleep on it at least three times
- Discuss with friends
- Seek advice from specialists
 - Jurists / Lawyers
 - Tax consultant
 - Management consultant
 - Industry professionals
 - Customers

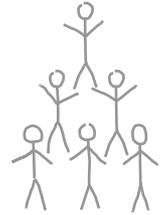
11. Decision



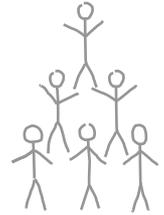
Entrepreneurs must make many decisions with high uncertainty. Sometimes it is essential to make decisions which may later turn out to be a mistake.

The worst mistake is taking no decision!

What's important?



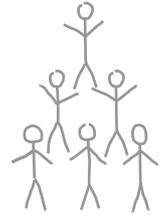
- Earn Money
 - Develop customer base and sell
 - Do good work
 - Settle up, write bills
- Reduce Risks, do not forget expenses
 - Health insurance
 - Liability insurance
 - Pay bills
- Use Promotions
 - Set-up subsidy
 - Advisory support



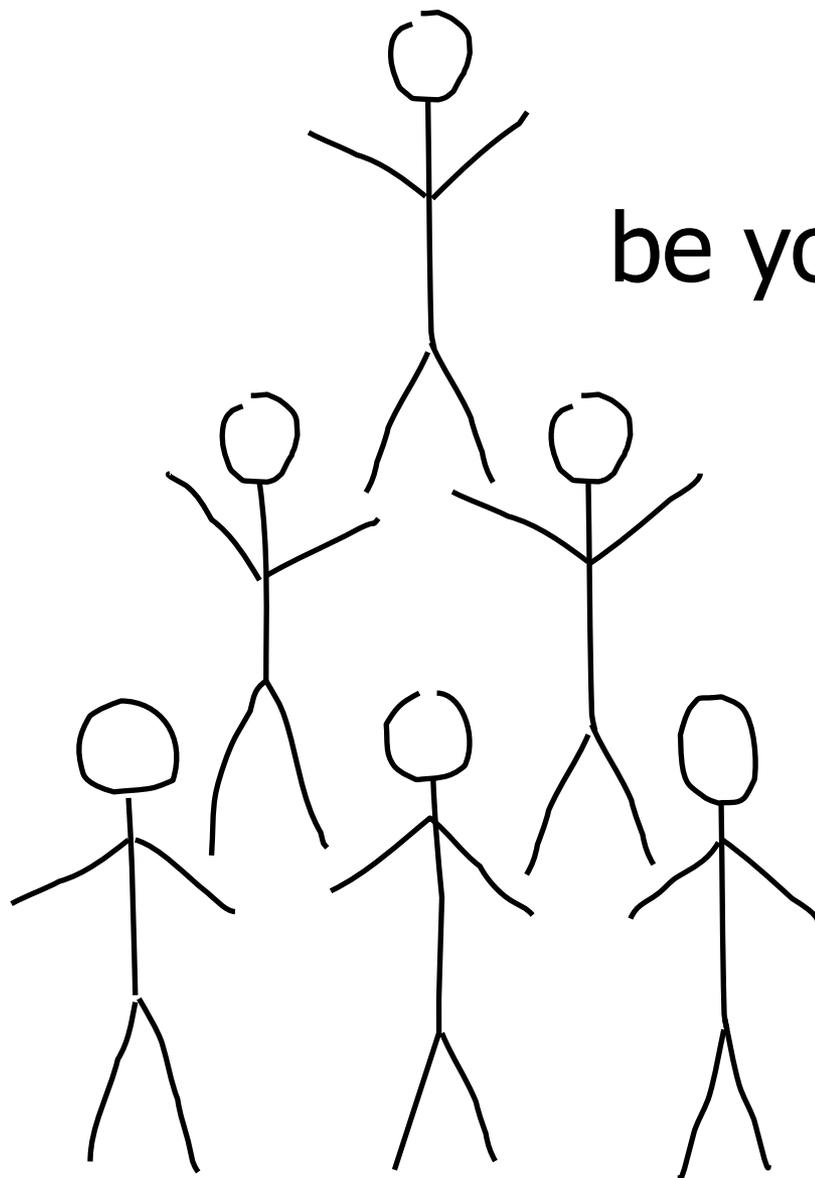
And if it fails?

- First of all: Face the facts!
- Establish a possible exit (plan b)
- Create a buffer
- Do not be afraid to seek help
- Learn from your experiences

Conclusion

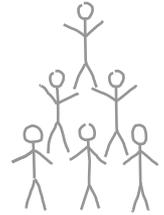


- Carefully and honestly assess your personality
- Seek support
- Develop a low-risk foundation
- Planning helps
- Create a Business Plan
- Base decision for / against self-employment only after all information has been acquired
- Set milestones and stay flexible

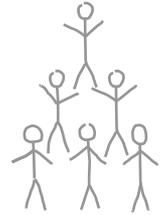


be yourself !

Contact



be! unternehmerberatung



Take the next step - it's worth it!

We are happy to accompany you on your journey ...

Dipl.-Wirtsch.-Ing.

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