



“ From Learning to Earning: Boost Skills, Bridge Gap



Entrepreneurship Training Package

Module 1: Business Creation

EUROTraining Educational Organization (PP2)





Module learning objectives

After completing this module you will be able to:

- Become familiar with the theoretical framework of general management
- Understand what steps need to be made to create a business out of an idea
- Familiarise with the preliminary steps of business creation
- Understand the parameters that will make the business grow



Entrepreneurship Training Package

General Management & Business Concepts

EUROTraining Educational Organization (PP2)





Introduction to Management



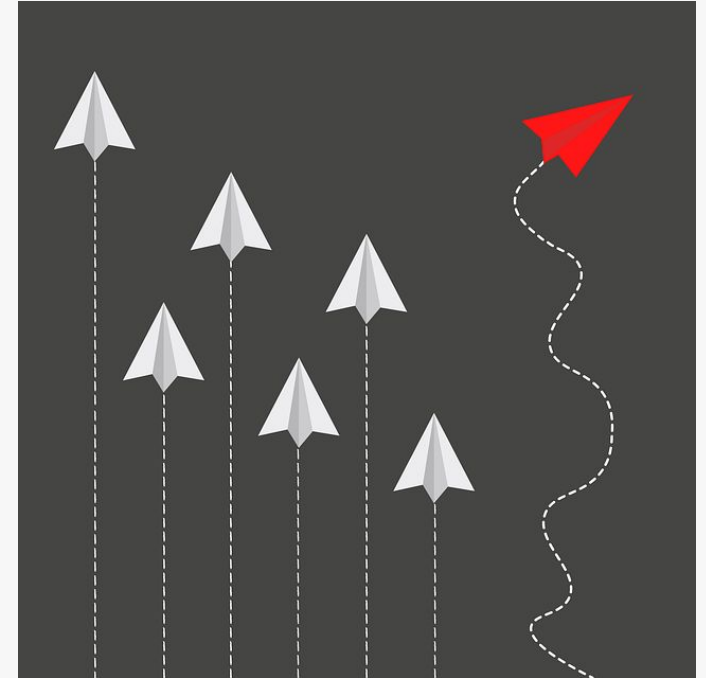
An organisation is a group of people working together in a structured and coordinated fashion to achieve a set of goals, which may include profit (for profit companies), the discovery of knowledge (a University or a research centre), national defense (the military), the coordination of various local charities (Civil Society Organisations), or social satisfaction (an art organisation).



Introduction to Management



Managers are responsible for using the organisation's resources to help achieve its goals.





Introduction to Management



More precisely, **management** can be defined as a **set of activities** (including planning and decision making, organizing, leading, and controlling) directed at an organisation's **resources** (human, financial, physical, and information) with the aim of achieving **organisational goals** in an **efficient** and **effective** manner.



A manager, then, is someone whose primary responsibility is to carry out the management process.



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Introduction to Management



By **efficient**, we mean using resources wisely in a cost-effective way. By **effective**, we mean making the right decisions and successfully implementing them. In general, successful organizations are both efficient and effective.





Levels of Management



Managers can be categorised in terms of their position within the organisation. The relatively small group of executives who oversee the entire company is made up of top management.





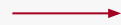
Levels of Management



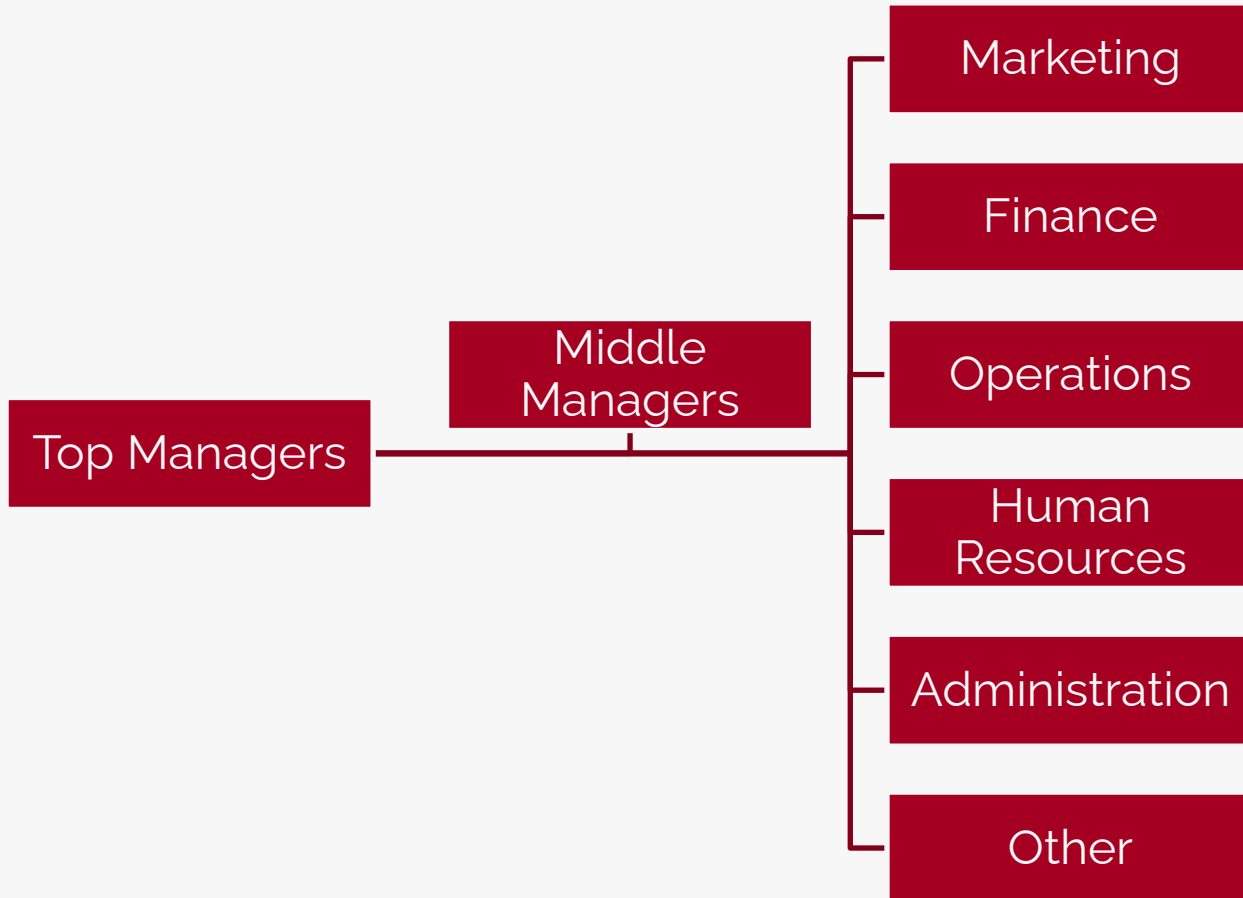
The president, vice president (VP), and chief executive officer are titles that might be found in this group (CEO). The organisation's objectives, general strategy, and operating policies are developed by top managers.

By interacting with executives from other organizations and representatives of the government, they also serve as the organisation's formal representatives to the outside world.





Levels of Management

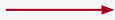




Areas of Management



- **Marketing management** aims at getting consumers and clients to buy the organisation's products or services and includes new product development, promotion, and distribution.
- **Financial management** deals primarily with the organisation's financial resources and includes accounting, cash management, and investments.
- **Operations management** includes the creation and management of the systems that produce products and services and relates to production control, inventory control, quality control, plant layout, and site selection.



Areas of Management



- **Human resources management** focuses on hiring and developing employees and includes human resource planning, recruiting and selecting employees, training and development, designing compensation and benefit systems, formulating performance appraisal systems, and discharging low-performing and problem employees.
- **Administrative, or general management** is not associated with any particular management specialty. Administrative managers tend to be generalists; they have some basic familiarity with all functional areas of management rather than specialised training in any one area.
- Other management positions may include public relations manager, R&D manager, operating managers, depending on the activities of the organisation and the specific needs.





Management functions

Planning and decision-making, organising, leading, and controlling are the four fundamental functions that management entails. Although there is a basic logic behind describing these activities in this order, the majority of managers engage in multiple activities at once and frequently switch between them in unpredictable ways.





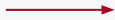
Planning & decision making



Planning simply refers to selecting how to best accomplish the objectives of an organisation.

Choosing a course of action from a range of options is the process of decision-making, which is a step in the planning process.





Planning & decision making



By acting as roadmaps for future actions, planning and decision-making assist managers in maintaining their effectiveness. In other words, managers may effectively deploy their time and resources by properly understanding the organization's goals and strategies.



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Organising



Once a manager has set goals and developed a workable plan, their next management function is to organise people and the other resources necessary to carry out the plan. Specifically, organising involves determining how activities and resources are to be grouped.





Leading



The third basic managerial function is leading. Some people consider leading to be both the most important and the most challenging of all managerial activities. Leading is the set of processes used to get members of the organisation to work together to further the interests of the organization.





Controlling



The final phase of the management process is controlling, or monitoring the organisation's progress toward its goals. As the organisation moves toward its goals, managers must monitor progress to ensure that it is performing in such a way as to arrive at its "destination" at the appointed time.



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Management skills



To carry out these management functions most effectively, managers rely on a number of different fundamental management skills and apply them through a mix of science and art:

- **Technical Skills:** the skills necessary to accomplish or understand the specific kind of work done in an organisation
- **Interpersonal Skills:** the ability to communicate with, understand, and motivate both individuals and groups
- **Conceptual Skills:** ability to think in the abstract

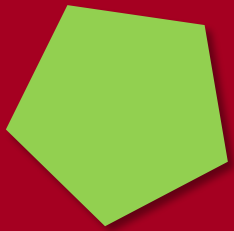




Management skills



- **Diagnostic Skills:** ability to visualize the most appropriate response to a situation
- **Communication Skills:** abilities both to effectively convey ideas and information to others and to effectively receive ideas and information from others
- **Decision-Making Skills:** ability to correctly recognise and define problems and opportunities and to then select an appropriate course of action to solve problems and capitalise on opportunities
- **Time Management Skills:** ability to prioritise work, to work efficiently, and to delegate appropriately

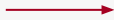




Management skills

SKILL CATEGORY	SKILLS	DESCRIPTION
TECHNICAL Applying your education, training, and experience to effectively organize a task, job, or project	1. Technical expertise	Skills you have acquired by education and experience; to understand and communicate key technical details
	2. Clarification of goals and objectives	Your ability to organize and schedule the work of your unit so it is achieved when expected, and meets established standards
	3. Problem solving	Your ability to resolve issues you confront in the day's work; to develop team collaboration in facing problems
	4. Imagination and creativity	You demonstrate an ability to originate ideas, to correct and develop ways to improve productivity
TEAMBUILDING Listening carefully and communicating clearly to develop and coordinate an effective group or team	5. Listening for insights	Keeping aware of activities of your team and units close to you; underpinning your ability to continue being a manager
	6. Directing and coaching	Meeting your goals and standards; keeping your team's skills up to target levels
	7. Solving problems as teams	An important role is helping your team contribute ideas to improve their performance
	8. Coordinating and cooperating	Demonstrating a willingness to work with others: your group, individuals, and units close to you
DRIVE Setting goals, maintaining standards, and evaluating performance to achieve effective outcomes involving costs, output, product quality, and customer service	9. Standards of performance	Your effort to keep your part of the organization moving, your willingness to be busy and keep aimed toward new accomplishments
	10. Control of details	Overseeing the performance of work at a close level, to meet performance goals and standards
	11. Energy	Demonstrating to your team and colleagues a readiness and willingness to work and that you expect their cooperation
	12. Exerting pressure	Urging others to perform, by shaping your activity to be perceived as teamwork, not domination

Source: Quoted and adapted from Clark L. Wilson, How and Why Effective Managers Balance Their Skills: Technical, Teambuilding, Drive, 2003, pp. 13, 18–20.



Business



Business is the organised effort of individuals to produce and sell, for a profit, the goods and services that satisfy society's needs.

The general term business refers to all such efforts within a society (as in "Greek business") or within an industry (as in "the tourism business").





Business



To be successful, a business must perform three activities:

- It must be organized.
- It must satisfy needs.
- And it must earn a profit.



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Business



For a business to be organized, it must combine four kinds of resources: material, human, financial, and informational:

- **Material** resources include the raw materials used in manufacturing processes, as well as buildings and machinery.





Business

- Human resources are the people who furnish their labor to the business in return for wages.





Business



- The **financial** resource is the money required to pay employees, purchase materials, and generally keep the business operating



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Business



- **Information** is the resource that tells the managers of the business how effectively the other resources are being combined and used





Factors of production



- **Land and natural resources**—elements that can be used in the production process to make appliances, automobiles, and other products. Typical examples include crude oil, forests, minerals, land, water, and even air.





Factors of production



- **Labour**—the time and effort that we use to produce goods and services. It includes human resources such as managers and employees.

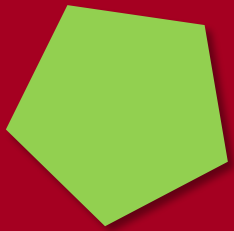




Factors of production



- **Capital**—the facilities, equipment, and machines used in the operation of organisations. While most people think of capital as just money, it also can be the manufacturing equipment on an automobile assembly line or a computer used in the corporate offices of a big company.





Factors of production

- **Entrepreneurship**—the resources that organise land, labour, and capital. It is the willingness to take risks and the knowledge and ability to use the other factors of production efficiently. An entrepreneur is a person who risks his or her time, effort, and money to start and operate a business.



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Business environment



Discussion point:

In today's competitive business world, which of the following environments affects business?

- a) The competitive environment
- b) The global environment
- c) The technological environment
- d) The economic environment
- e) All of the above





Business ethics



Ethics is the study of right and wrong and of the morality of the choices individuals make. An ethical decision or action is one that is "right" according to some standard of behaviour. Business ethics is the application of moral standards to business situations.



Business ethics



Ethical issues often arise out of a business's relationship with investors, customers, employees, creditors, or competitors. Each of these groups has specific concerns and usually exerts pressure on the organisation's management.



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Indicative ethical issues in business



- **Fairness and honesty** in business are two important ethical concerns. Besides obeying all laws and regulations, businesspeople are expected to refrain from knowingly deceiving, misrepresenting, or intimidating others.

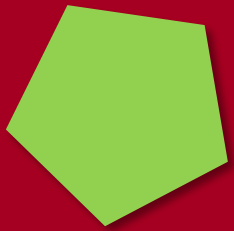




Indicative ethical issues in business



- **Organisational Relationships.** Unethical behavior in these areas includes taking credit for others' ideas or work, not meeting one's commitments in a mutual agreement, and pressuring others to behave unethically.





Indicative ethical issues in business



- **Conflict of interest** results when a businessperson takes advantage of a situation for their own personal interest rather than for the employer's interest. Such conflict may occur when payments and gifts make their way into business deals. A wise rule to remember is that anything given to a person that might unfairly influence that person's business decision is a bribe, which is unethical.



Indicative ethical issues in business

- **Business communications**, especially advertising, can present ethical questions. False and misleading advertising is illegal and unethical.





Social Responsibility



Social responsibility is the recognition that business activities have an impact on society and the consideration of that impact in business decision making.

Government regulation and public awareness are external forces that have increased the social responsibility of business. But business decisions are made within the firm—and there, social responsibility begins with the attitude of management





Social Responsibility



Two models for social responsibility can be identified:

- **Economic model** of social responsibility: the view that society will benefit most when business is left alone to produce and market profitable products that society needs
- **Socioeconomic model** of social responsibility: the concept that business should emphasize not only profits but also the impact of its decisions on society



Entrepreneurship Training Package

Formulating business concepts

EUROTraining Educational Organization (PP2)





Creativity and Innovation

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Creativity and innovation have been identified as essential abilities for the twenty-first century, particularly when these skills may increase human potential by eliciting positive parts of the individual.

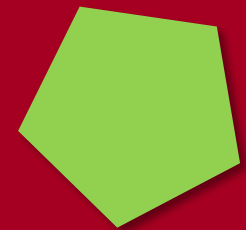




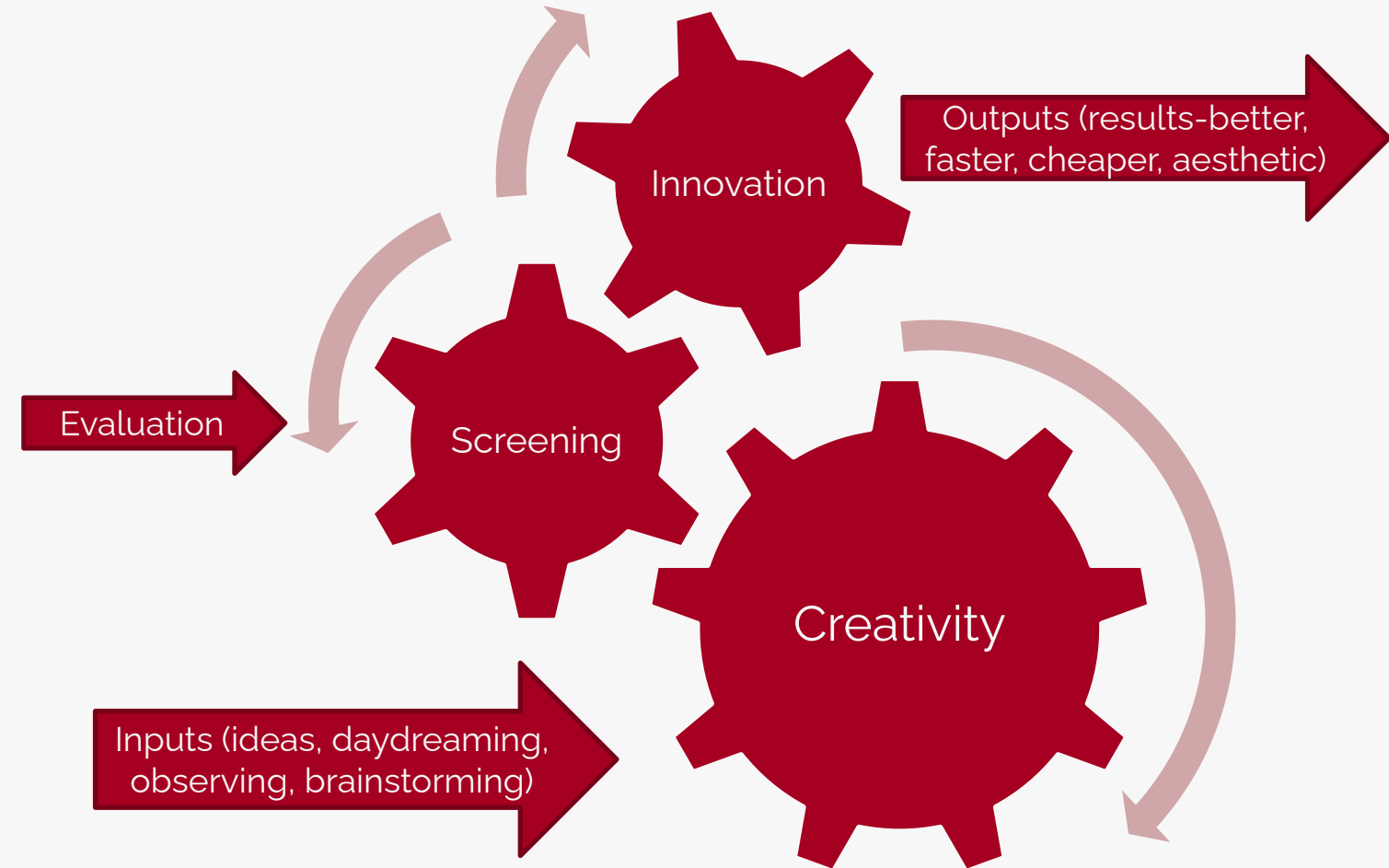
Creativity and Innovation



Creativity is the ability to produce new and original ideas and things. Innovation makes the idea practical and usable. The innovative activity in any business enterprise depends upon the creative contributions of its members. It also depends upon how the organization taps the creativity of its talented members.



Creativity and Innovation





Barriers to creativity



- **Lack of autonomy.** Based on recent studies, people who feel that they have individual control over how they work, tend to be more motivated, more productive and more creative. The teams need freedom to deliver within some high level boundaries.



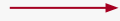


Barriers to creativity



- **Unclear direction.** Without a starting point or a finish line, energy that could be spent imagining new concepts is instead applied to figuring out mundane details.





Barriers to creativity



- Fear of failure, as well as fear of not being creative enough, of being judged...
- Inadequate resources, especially when it comes to time and talent



Barriers to creativity

- ▼
• **Functional Fixedness**, i.e. the bias that drives us to use objects in a traditional, expected way. This fixedness comes naturally, hence the idiom "if all you have is a hammer, every problem looks like a nail."





Elements of the creative process



1. **Incubation:** during this phase, free thinking is encouraged. This entails resisting or controlling the natural inclination to critique and evaluate the worth of what is occurring throughout the flow of thought.

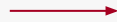




Elements of the creative process



-
2. **Illumination:** if incubation is successful, the moment of illumination follows, which ultimately is what constitutes the "wow-factor" in the product/ service.



Elements of the creative process



3. **Verification** is the final stage of the creative process, during which the mind needs to identify more conventional patterns in order to work out the creative solution in detail, polish it, to obtain its final form and select the appropriate method for the proof or concept, to validate the idea and shaping it into a business concept.



Entrepreneurship Training Package

Feasibility analysis and business plan

EUROTraining Educational Organization (PP2)





Feasibility analysis and assessment

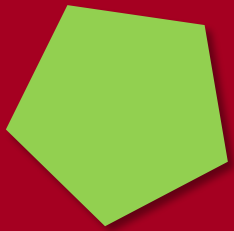
A feasibility analysis, as the name suggests, is designed to reveal whether a project/ plan is feasible. It determines the viability of the idea, assessing its practicality and sustainability potential.



Feasibility analysis and assessment



Feasibility analysis and assessment are carried out by examining technical, economic, legal and operational feasibility factors.





Feasibility analysis and assessment



The steps for the feasibility analysis are:

1. Preliminary analysis of the implementation plan
2. Preparation of a preliminary revenue estimate
3. Market survey/ research.



Feasibility analysis and assessment



4. Plan the organizational structure (business organisation and operations)
5. Prepare an opening day balance of projected expenses and revenue
6. Review and analyse all data
7. Make a decision whether to go or not.

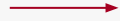


Business plan



The most important step in launching a new venture or expanding an existing one is the compilation of a business plan. It includes the short and long term goals of the venture, the description of the product(s)/ service(s) offered and the market opportunities anticipated, along with an analysis of the resources and means necessary to achieve the goals, considering the competition.





10 reasons for a business plan



1. To attract investors.
2. To see if the business idea(s) will work.
3. To outline each area of the business.
4. To set up milestones.
5. To learn about the market.



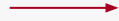


10 reasons for a business plan



6. To secure additional funding or loans.
7. To determine concrete financial needs.
8. To attract top-level people.
9. To monitor the business.
10. To devise contingency plans.



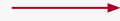


Benefits of a business plan



- It allows the potential entrepreneur to discover information critical about the success of the new venture, such as the competition, the expected revenues, the break even point, the real costs, etc.
- It helps the entrepreneur feel more confident in setting up and operating their new endeavour.





Benefits of a business plan



- It provides a clear picture of the total investment necessary to materialize the idea, for what purpose and for how long.
- It provides insights into the planning process.





Elements of a successful business plan



- Clear description of the idea
- Overview of industry to suggest need/opportunity
- Evidence that demand exists (or can be created or stolen)





Elements of a successful business plan



- Clear description of resource requirements: marketing, operations, financing
 - Background of management team
 - Schedule
 - Discussion of risks, rewards, and offer
- 

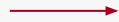


Types of business plans



Business plans differ widely in their length, appearance, content, and the emphasis placed on different aspects of the business.





Types of business plans



Depending on the business and the intended use, three types of business plans can be identified:

- **Mini-plan**-less emphasis on critical details, useful to test assumptions, concept, and measure the interest of potential investors.
- **Working Plan**-almost total emphasis on details, useful for continuous review business of operations and progress.
- **Presentation Plan**-emphasis on marketability of the business concept, useful for providing information about the business to bankers, venture capitalists, and other external resources.



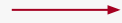


Compilation of a business plan



- Overview of the Business: describes the business, including its products and services.
- The Marketing Plan: describes the target market for the product and explains how that market will be reached





Compilation of a business plan



- The Financial Management Plan: provides details about the costs associated with operating the business and explains how those costs will be covered, including the amount of financing that might be necessary.
- The Operations and Management Plan: describes how core processes will be managed, including use of human resources.





Contents of a business plan



1. Executive Summary
2. Business Concept
3. Market Analysis
4. Management Team
5. Marketing Plan
6. Financial Plan
7. Operations and Management Plan





1. Executive Summary



The Executive Summary of a Business Plan is a 3-5 page introduction to the Business Plan. It is of critical importance, because many individuals (including venture capitalists) only read the summary.



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1. Executive Summary



The Executive Summary section includes:

- A first paragraph that introduces your business (business name and location, brief explanation of customer needs and your products or services, the ways that the product or service meets or exceeds the customer needs, an introduction of the team that will execute the Business Plan)





1. Executive Summary



- Subsequent paragraphs that provide key details about your business, including projected sales and profits, unit sales, profitability, and keys to success.
- Visuals that help the reader see important information, including highlight charts, market share projections, and customer demand charts.





2. Business Concept

▼
The business concept shows evidence that a product or service is viable and capable of fulfilling an organization's particular needs.



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2. Business Concept



The Business Concept section:

- Articulates the vision of the company, how the unique needs of the customer are planned to be met , and how profits will be made.
- Makes use of the feasibility analysis already conducted.
- Discusses diagnostics sessions with prospective customers for your services.
- Captures and highlights the value proposition in the product or service offerings.

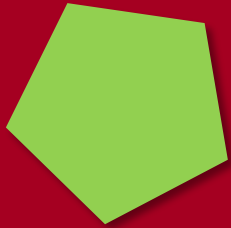




3. Market Analysis



A Market Analysis defines the target market so that you can position your business to get its share of sales, by:

- Defining the market.
 - Segments the customers.
 - Projects the market share.
 - Positions the products and services.
 - Discusses pricing and promotions.
 - Identifies communication, sales, and distribution channels.
- 



4. Management Team



The Management Team section outlines:

- Organisational Structure: describes the hierarchy and outlines responsibilities and decision-making powers.
- Management Team: Highlights the track record of the company's managers.
- Working Structure: demonstrates how the team will operate within the defined organisational structure.
- Expertise: focuses on the business expertise of the team.
- Skills Gap: includes plans to improve the company's overall skills or expertise.
- Personnel Plan: indicates current and future staffing requirements and related costs.



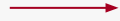
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5. Marketing Plan

The Marketing Plan section details what the foreseen accomplishments, and is critical in obtaining funding to pursue new initiatives.



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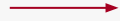
5. Marketing Plan



The Marketing Plan section:

- Explains (from an internal perspective) the impacts and results of past marketing decisions.
- Explains the external market in which the business is competing.
- Sets goals to direct future marketing efforts.





5. Marketing Plan



- Sets clear, realistic, and measurable targets.
- Includes deadlines for meeting those targets.
- Provides a budget for all marketing activities.
- Specifies accountability and measures for all activities.



6. Financial Plan

The Financial Plan translates the company's goals into specific financial targets by:

- Clearly defining what a successful outcome entails. The plan isn't merely a prediction; it implies a commitment to making the targeted results happen and establishes milestones for gauging progress.



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6. Financial Plan



- Providing with a vital feedback-and-control tool. Variances from projections provide early warnings of problems. When variances occur, the plan can provide a framework for determining the financial impact and the effects of various corrective actions.





6. Financial Plan



- Anticipating problems. If rapid growth creates a cash shortage due to investment in receivables and inventory, the forecast should show this. If next year's projections depend on certain milestones this year, the assumptions should spell this out.







6. Financial Plan



Some elements of the Financial Plan include:

- Important Assumptions
- Key Financial Indicators
- Break-even Analysis
- Projected Profit and Loss
- Projected Cash Flow
- Projected Balance Sheet
- Business Ratios
- Long-term Plan





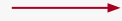
7. Operations and Management



The Operations and Management section outlines how the company will operate and includes:

- Organisational structure of the company. Provides a basis for projected operating expenses and financial statements. Because these statements are heavily scrutinised by investors, the organisational structure has to be well-defined and realistic within the parameters of the business.

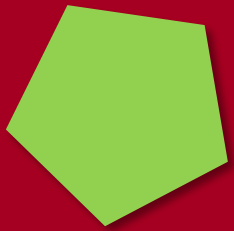




7. Operations and Management



- Expense and capital requirements to support the organisational structure. Provides a basis to identify personnel expenses, overhead expenses, and costs of products/ services sold. These expenses/ costs can then be matched with capital requirements.



Entrepreneurship Training Package

Business launch and growth

EUROTraining Educational Organization (PP2)

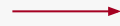




→ How entrepreneurial are you?



Take the test



Strategic entrepreneurship is...



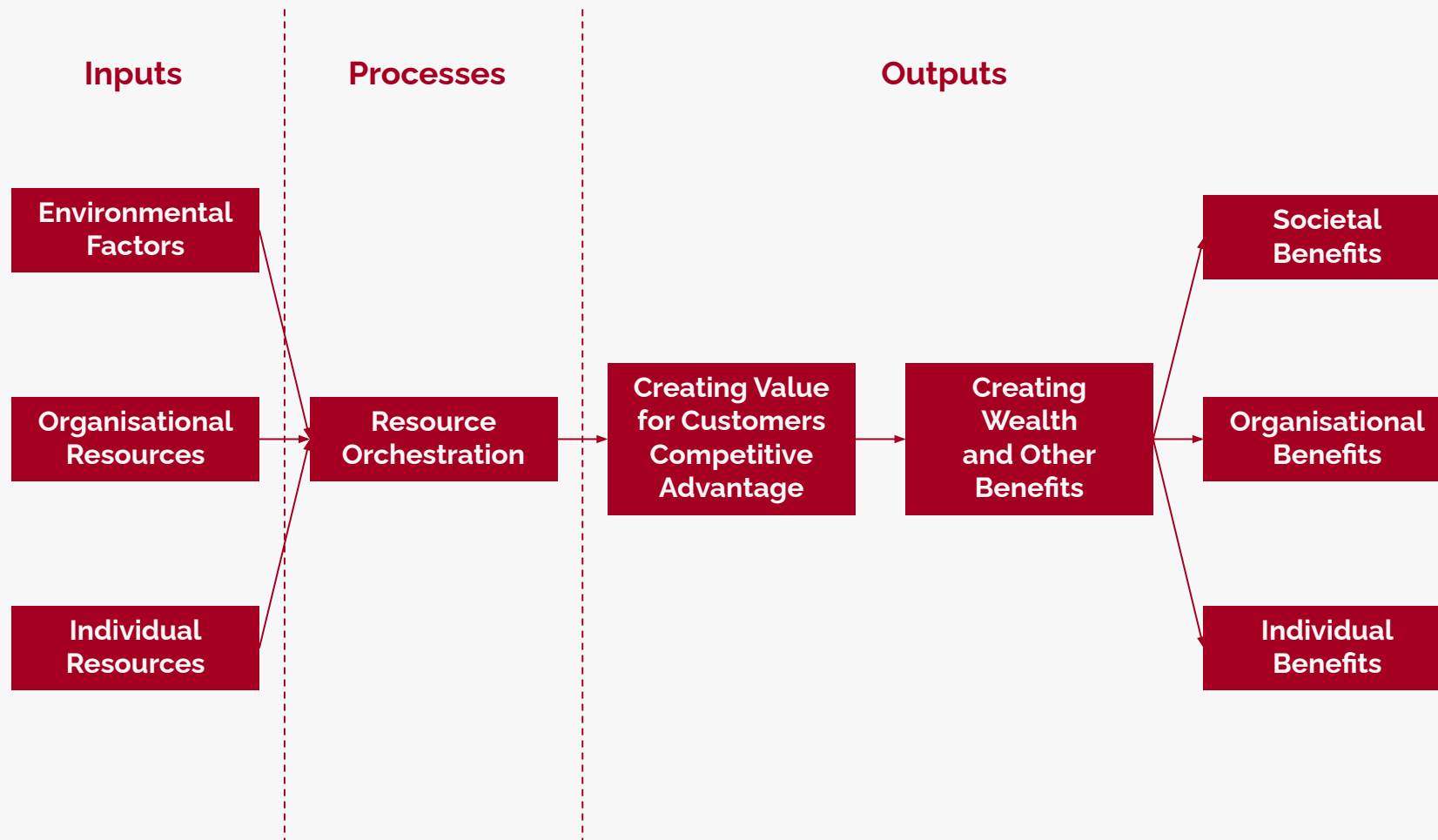
A process that facilitates firm efforts to identify opportunities with the highest potential to lead to value creation, through the entrepreneurial component and then to exploit them through measured strategic actions, based on their resource base

Hitt, Ireland and Zahra, (2000)



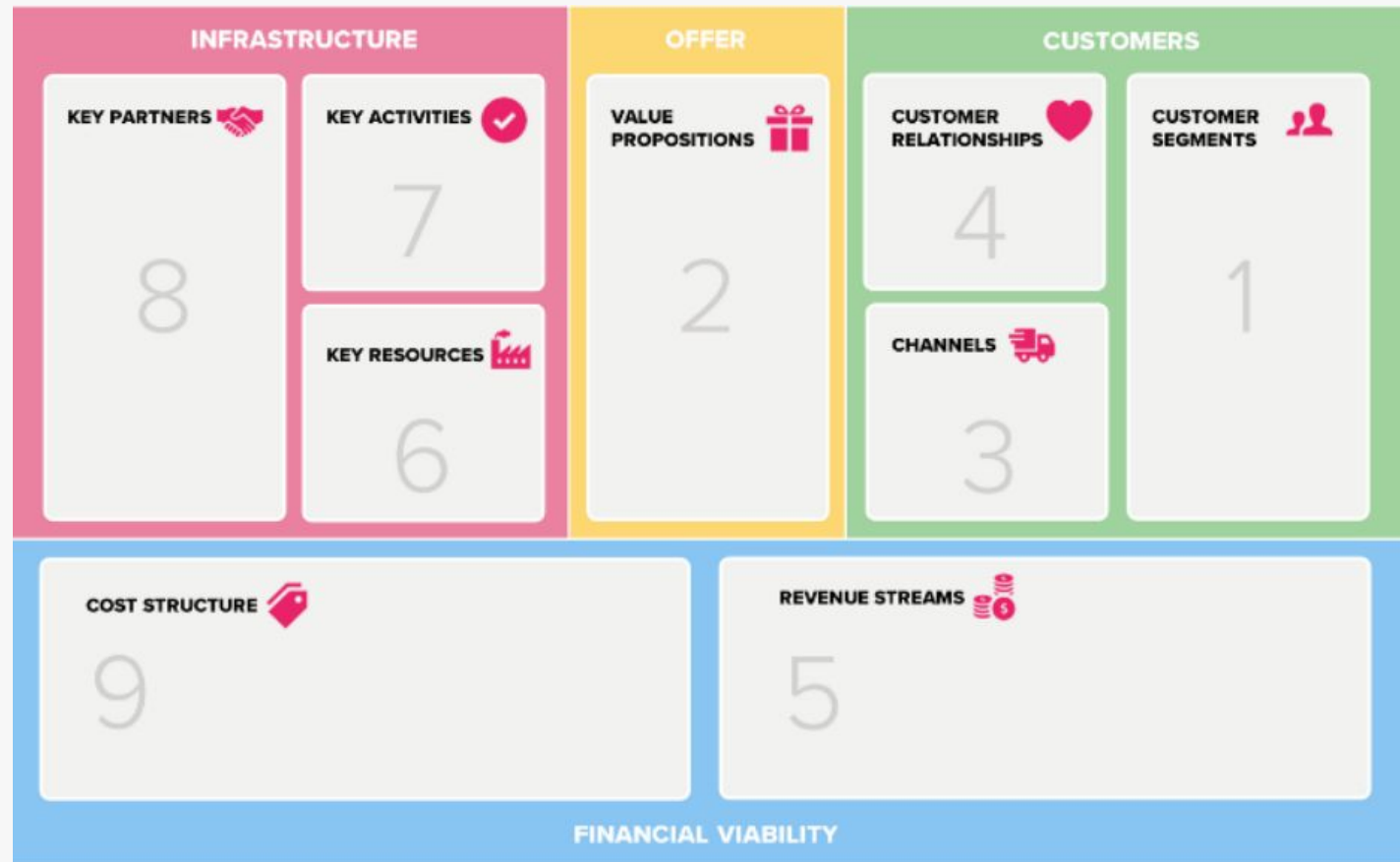


→ Strategic entrepreneurship





The 9 Building Blocks of Business Model Canvas





The 9 Building Blocks of Business Model Canvas

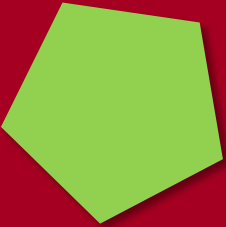


1. Customer segments: This defines the different groups of people or organisations that a business plans to reach.
2. Value propositions: how a company bundles products and/ or services to meet customer segment needs
3. Channels: how the new business will communicate with each customer segment
4. Customer relationships: degree of personalisation through which the product or service is delivered



The 9 Building Blocks of Business Model Canvas



5. Revenue streams: generated income per customer segment
 6. Key resources: what sets you apart from your competition
 7. Key activities: which are the processes that makes a business model stand out
 8. Key partnerships: quality of the network established
 9. Cost structure: all costs involved in operating a business model
- 



Launching the new business



Things to bear in mind at business launch:

1. Effective management of financial resources (investments, operating costs, cash flow)
2. Targeted marketing (to attract the appropriate customers based on the service/ product offered) to utilize the appropriate messages and the appropriate media
3. Appropriately balancing the human factor
4. Set up a strategy for attracting the first customers as soon as the business is open.





Launching the new business



Things to bear in mind at business launch:

1. Effective management of financial resources (investments, operating costs, cash flow)
2. Targeted marketing (to attract the appropriate customers based on the service/ product offered) to utilize the appropriate messages and the appropriate media
3. Appropriately balancing the human factor
4. Set up a strategy for attracting the first customers as soon as the business is open.





Sources to finance the new business



1. Personal resources
2. Strategic alliances
3. Lenders
4. Venture capital companies
5. Small-Business Investment Companies
6. SBA Financial Programmes
7. EU funds
8. Crowdfunding



Catalysts for success



1. Hard work, drive, and dedication
2. Careful analysis of market conditions
3. Managerial competence
4. Luck



Entrepreneurship Training Package

Food for thought

EUROTraining Educational Organization (PP2)





→ Got a Good Business Idea?



Got a Good Business Idea? You've Got 45 Seconds

According to new-venture expert Elton B. Sherwin Jr., entrepreneurs who are trying to raise venture capital should be able to answer these "Seven Sacred Questions" in 45 seconds:

1. What is your product?
2. Who is the customer?
3. Who will sell it?
4. How many people will buy it?
5. How much will it cost to design and build?
6. What is the sales price?
7. When will you break even?

Source: Marc Ballon, "Hot Tips," Inc., 21 (April 1999): 104.

QUESTION:

Can you pass this 45-second test with your idea for a new business? Give details.



→ What comes first?



What Comes First, People or Product?

Advice for entrepreneurs from best-selling author and mountain climber Jim Collins:

First figure out your partners, then figure out what ideas to pursue. The most important thing isn't the market you target, the product you develop, or the financing, but the founding team. Starting a company is like scaling an unclimbed face—you don't know what the mountain will throw at you, so you must pick the right partners, who share your values, on whom you can depend, and who can adapt.

Source: As quoted in Matthew Boyle, "Questions for Jim Collins," *Fortune* (February 19, 2007): 50.

QUESTION:

Is Collins right, or should an entrepreneur follow the more typical advice to start with an unmet customer need or a great new product idea?

Discussion & Remarks



IDEAS



REMARKS

SUGGESTIONS



FURTHER
QUESTIONS



Thank you for
your attention

